AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 21, 1996

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

SUPERCONDUCTOR TECHNOLOGIES INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3679	77-0158076
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

460 WARD DRIVE, SUITE F
SANTA BARBARA, CA 93111-2310
(805) 683-7646
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DANIEL C. HU
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SUPERCONDUCTOR TECHNOLOGIES INC.
460 WARD DRIVE, SUITE F
SANTA BARBARA, CA 93111-2310
(805) 683-7646
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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2001 ROSS AVENUE
DALLAS, TX 75201
(214) 953-6500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

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

for
the same offering. / /
- ---------------

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SECURITY (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.001 par value.....	2,300,000 shares	$7.4375	$17,106,250	$5,899

(1) Includes 300,000 shares which the Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (SUBJECT TO COMPLETION)

ISSUED AUGUST 21, 1996

2,000,000 SHARES

LOGO

COMMON STOCK

All of the shares of Common Stock offered hereby are being sold by Superconductor Technologies Inc. (the "Company"). The Common Stock is quoted on the Nasdaq National Market under the symbol "SCON." On August 19, 1996, the last reported sale price for the Common Stock was $7.375 per share. See "Price Range of Common Stock and Dividend Policy."

SEE "RISK FACTORS" BEGINNING ON PAGE 6 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE

COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT	PROCEEDS TO COMPANY(1)
Per Share	$	$	$
Total(2)	$	$	$

(1) Before deducting expenses payable by the Company estimated at $500,000, including a non-accountable expense allowance of $150,000 payable to the Representatives of the Underwriters.

(2) The Company has granted to the Underwriters a 45-day option to purchase up to an additional shares of Common Stock, solely to cover over-allotments, if any. See "Underwriting." If the Underwriters exercise this option in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be $, $ and $, respectively.

The shares of Common Stock are offered severally by the Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates representing the shares will be ready for delivery at the offices of Rauscher Pierce Refsnes, Inc., Dallas, Texas, on or about , 1996.

RAUSCHER PIERCE REFSNES, INC.

VAN KASPER & COMPANY

H. C. WAINWRIGHT & CO., INC.

THE DATE OF THIS PROSPECTUS IS , 1996

[ARTWORK]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus. The following summary is qualified in

its entirety by the more detailed information and the financial statements and notes thereto appearing elsewhere in this Prospectus. Except as otherwise noted herein, all information in this Prospectus assumes no exercise of the Underwriters' over-allotment option. See "Underwriting."

THE COMPANY

Superconductor Technologies Inc. ("STI" or the "Company") designs, develops, manufactures and markets electronic components and systems that incorporate high temperature superconductor ("HTS") materials and related cryogenics. Superconductors are materials that have the ability to conduct electrical energy with little or no resistance when cooled to "critical" temperatures. STI believes that the growing worldwide wireless communications market offers the most viable commercialization opportunities for its HTS products. To capitalize on these opportunities, the Company has developed its SuperFilter(TM) products, which combine specialized HTS filters with a proprietary cryogenic cooler and, in many cases, a low-noise amplifier ("LNA") in a highly compact system. The SuperFilter(TM) products, when incorporated into wireless base stations, offer significant advantages over conventional products for wireless communications applications, including reduced size, increased range and reduced interference.

The worldwide wireless communications market has experienced significant growth during the past decade, and this rapid growth is expected to continue in the foreseeable future. Industry sources estimate that the number of installed base stations worldwide will grow from approximately 50,000 at the end of 1995 to approximately 185,000 by the end of 1999. The Company primarily markets its SuperFilter(TM) systems to original equipment manufacturers ("OEMs") and wireless communications service providers for inclusion in base stations, which are the basic building blocks of wireless communications systems. Base stations house the complex electronic equipment required to receive and transmit radio waves for multiple real-time voice and data communications. Base station equipment generally includes an antenna and a series of transmitters, receivers, receiver filters and network interface electronics.

The Company's SuperFilter(TM) systems are protocol independent, and are currently undergoing evaluation and testing by leading OEMs using a variety of wireless protocols, including, among others, cellular, Personal Communications Services ("PCS") and Global Systems for Mobile communications ("GSM"). In May 1996, the Company delivered a complete SuperFilter(TM) system to Motorola, Inc.'s Cellular Infrastructure Group ("Motorola"), a major OEM of wireless communications base stations. In July 1996, this SuperFilter(TM) system successfully completed Motorola's accelerated life testing, a critical factor in the successful commercialization of STI's products. Motorola has since ordered additional SuperFilter(TM) units for field testing and is currently evaluating the SuperFilter(TM) system for possible intregation in certain of Motorola's base station products.

STI has developed a proprietary cryogenic cooler which, in addition to being integrated into its SuperFilter(TM) systems, can be used to increase the processing speeds of workstations and other high-speed computers. The Company believes that the successful commercialization of its cryogenic cooler in the high-speed computing market will enable it to achieve economies of scale associated with volume production, thereby decreasing the unit costs for the Company's entire commercial product line. In May 1996, the Company entered into a joint venture with Alantac Technologies (S) Pte Ltd ("Alantac"), a precision machining house in Singapore, for the volume production of its cryogenic coolers.

Since its formation in 1987, the Company has received over $32 million in revenues from government research and development contracts, through which it has developed much of the technology used in its commercial products. STI continues to pursue government contracts, primarily to fund its research and

development efforts, but also to address potential wireless communications product opportunities in the government sector.

STI's objective is to leverage the experience and expertise of its management and employee base, its significant investment in research and development, and its licenses and intellectual property into a position of commercial market leadership for HTS systems. The Company's integrated approach

to product development incorporates its combined expertise in the areas of HTS materials, radio frequency ("RF") circuitry and cryogenic cooling and packaging. Key elements of the Company's strategy are to (i) capitalize on the growing worldwide wireless communications market by providing a technologically advanced filter system, (ii) market to leading base station manufacturers and service providers, (iii) provide a complete, integrated solution to address specific customer needs within the Company's target markets, (iv) position for volume production through development of large scale production capabilities, (v) pursue complementary markets for its products, such as the high-speed computing market for its cryogenic cooler, and (vi) maintain technological leadership by continuing to invest substantial resources in research and development and further pursuing government contracts.

The Company was incorporated in Delaware in May 1987. The Company's facilities and executive offices are located at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, and its telephone number is (805) 683-7646.

THE OFFERING

Common Stock offered by the Company.....	2,000,000 shares
Common Stock to be outstanding after the offering.....	8,060,348 shares(1)
Use of proceeds.....	To fund the purchase of capital equipment and the further development of commercial products, and for working capital and other general corporate purposes
Nasdaq National Market symbol.....	SCON

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(1) Based on shares outstanding as of June 30, 1996. Excludes (i) 1,132,475 shares of Common Stock issuable upon exercise of options outstanding as of June 30, 1996, of which options to purchase 306,798 shares were exercisable as of June 30, 1996, (ii) 227,683 shares of Common Stock reserved for future issuance under the Company's stock plans and (iii) 165,197 shares of Common Stock issuable upon exercise of warrants outstanding as of June 30, 1996. See "Management -- Employee and Director Benefit Plans," "Description of Capital Stock" and Note 8 of Notes to Financial Statements.

SUMMARY FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1993	1994	1995	JULY 1, 1995	JUNE 30, 1996
					(UNAUDITED)
Net revenues:					
Government contract revenues.....	$ 4,334	$ 4,979	$ 7,310	$ 3,160	$ 2,894
Commercial product revenues.....	280	450	300	144	87
Sublicense royalties.....	388	75	--	--	--
Total net revenues.....	5,002	5,504	7,610	3,304	2,981
Loss from operations.....	(2,326)	(3,539)	(3,072)	(1,889)	(2,432)
Net loss.....	$(2,138)	$(3,259)	$(2,819)	$(1,839)	$(2,375)
Net loss per share.....	$ (0.42)	$ (0.55)	$ (0.47)	$ (0.31)	$ (0.39)
Weighted average number of shares outstanding.....	5,032	5,971	6,026	6,008	6,072

	JUNE 30, 1996
	AS

	ACTUAL	ADJUSTED(1)
	(UNAUDITED)	
BALANCE SHEET DATA:		
Cash and cash equivalents and short-term investments	$ 2,829	$16,047
Working capital	3,577	16,795
Total assets	9,090	22,308
Long-term debt	265	265
Total stockholders' equity	7,742	20,960

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(1) Adjusted to reflect the sale of 2,000,000 shares of Common Stock offered hereby (at an assumed public offering price of $7.375 and after deducting estimated underwriting discount and offering expenses payable by the Company). See "Capitalization."

RISK FACTORS

In evaluating the Company's business, prospective investors should consider carefully the following risk factors in addition to the other information set forth in this Prospectus.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Prospectus, including, without limitation, the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Business" regarding: the Company's ability to design, develop, manufacture and market products, including, without limitation, its SuperFilter(TM) systems and cryogenic coolers; the ability of the Company's products to achieve anticipated benefits; the anticipated growth of its target markets; its ability to achieve profitability; and other matters are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are set forth in these "Risk Factors," as well as elsewhere in this Prospectus. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

ACCUMULATED DEFICIT AND ANTICIPATED FUTURE LOSSES

The Company was incorporated in May 1987, and since that time has been principally engaged in research and development activities relating to advanced electronics products that incorporate HTS materials. The Company has recently shifted its focus to the commercialization of its HTS and cold computing products, while continuing to pursue product development activities. The Company has incurred net losses each year since its inception and, as of June 30, 1996, had an accumulated deficit of $22.4 million. The Company expects to continue to incur significant operating losses over the next several quarters as it continues to devote significant financial resources to the commercialization of wireless and cold computing products, the expansion of Company operations and product development activities. Although the Company expects to reach break-even or profitability by the end of 1997, the success of the Company in this regard is dependent upon the Company's successful commercialization of its HTS filter systems for the worldwide wireless communications market, and there can be no assurance that the Company will successfully commercialize such products and reach break-even or profitability by the end of 1997, or ever. As a result, the amount of net losses that will continue to be generated and the time required for the Company to reach profitability are uncertain. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

EARLY STAGE OF THE COMMERCIAL SUPERCONDUCTOR PRODUCTS MARKET; MARKET ACCEPTANCE AND RELIABILITY

The commercial superconductor products market has experienced limited

product commercialization to date. Moreover, since inception, the Company has been principally engaged in research and development activities and has only limited experience in the commercialization of its products. The Company's ability to grow will depend on its ability to successfully transition its expertise in HTS filter and cryogenics technologies and applications to commercial markets, including the wireless communications and high-speed computing markets. The Company's success in this regard will depend upon a number of factors, including successful product testing by its potential customers, the success of the Company's sales and marketing efforts into markets not previously addressed by the Company, the ability of the Company's products to achieve its anticipated benefits, its ability to attract and retain qualified personnel, successful and rapid scale-up of the Company's manufacturing capacity, the establishment of satisfactory manufacturing relationships for the outsourcing of product components, reduction of manufacturing expenses in order to price products competitively and continued product development to meet customer demands. Moreover, the Company's commercial customers establish demanding specifications for performance and reliability. While the Company's products and components have passed certain product performance and reliability testing by its customers to date, there can be no assurance that its products will continue to pass customer reliability testing and performance requirements in the future. If such problems occur, the Company could experience increased

costs, delays, reductions or cancellations of orders and shipments, and product returns and discounts. There can be no assurance that the Company will be able to produce its products in volume or that any of the Company's products will achieve market acceptance. If the Company is unable to manufacture and market its products for its target markets successfully, its business, results of operations and financial condition will be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

SUBSTANTIAL FUTURE CAPITAL NEEDS

The Company to date has received limited revenues from product sales. The full implementation of the Company's product commercialization strategy will require a commitment of substantial additional funds. The Company anticipates that its existing cash and cash equivalents, short-term investments, revenues from operations and the estimated net proceeds from this offering should be adequate to fund development and implementation of the Company's planned product commercialization strategy for at least the next twelve months. However, the Company's future capital requirements will depend on many factors, including the amount and timing of future revenues, the receipt of commercial orders, the completion of a manufacturing ramp-up at acceptable costs, continued progress in research and development programs, the costs involved in preparing, filing, prosecuting, maintaining and enforcing patents and other proprietary rights, and the availability of funding under government contracts. There can be no assurance that any necessary additional financing will be available on acceptable terms or at all. If adequate funds are not available, the Company may be required to change, delay, reduce or eliminate its planned product commercialization strategy or take other actions such as licensing or selling some or all of its proprietary technologies to raise funds, which could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DEPENDENCE ON SALES TO OEMS

Most of the Company's products, including those developed for wireless communications base stations and government applications, are intended for use as components or subsystems in systems manufactured and sold by third party OEMs. Therefore, to gain market acceptance, the Company must demonstrate that its products will provide advantages to such OEMs, including a decrease in system size, an increase in range extension and a reduction in interference. There can be no assurance that upon acceptance, the Company's products will be able to achieve any of these advantages. Moreover, even if the Company is able to demonstrate such advantages, there can be no assurance that OEMs will elect to incorporate the Company's products into their systems or, if they do, that related system and manufacturing requirements can or will be met. Furthermore, there can be no assurance that an OEM's systems will be commercially accepted. For example, the Company delivered a complete SuperFilter(TM) system to Motorola for possible integration into certain Motorola base station products, which unit

successfully underwent extensive accelerated life testing at Motorola's facilities. Motorola has ordered additional units for field trials and testing, and following such trials and testing, if successful, the Company intends to seek a volume order from Motorola. However, there can be no assurance that the Motorola relationship will ultimately lead to volume orders for the Company's SuperFilter(TM) products. Failure of third party OEMs, including Motorola, to incorporate the Company's products into their systems or failure of such OEM's systems to achieve market acceptance would have a material adverse effect on the Company's business, results of operations and financial condition. See "Business -- Wireless Communications -- Wireless Communications Customers" and "Government Contracts."

LIMITED MANUFACTURING EXPERIENCE

To date, the Company has sold products only in limited quantities, primarily for use in the development and demonstration of prototypes and for laboratory and field testing. The Company's current manufacturing facilities are pilot and pre-production scale only and are not sufficient for volume production. There can be no assurance that the Company will be successful in overcoming the technological, engineering and management challenges associated with the production of commercial quantities of HTS or cold computing products at acceptable costs and on a timely basis. The Company could incur significant ramp-up costs and unforeseen

expenses and delays in connection with attempts to manufacture commercial quantities of HTS and cold computing products, which could have a material adverse effect on the Company's business, results of operations and financial condition. When and if the Company receives volume orders for its products, it expects to outsource the manufacturing of certain hardware components. There can be no assurance that the Company will be able to identify manufacturers that will meet the Company's requirements as to quality, reliability, timing and cost-effectiveness. Any such failure will limit the Company's ability to satisfy customer orders and would have a material adverse effect on the Company's business, results of operations and financial condition. See "Business -- Manufacturing."

HIGH DEGREE OF DEPENDENCE ON GOVERNMENT CONTRACTS

Since inception, over 90% of the Company's net revenues have been from research and development contract sales directly to the government or to resellers to the government. Nearly all of such revenues were paid under contracts between the Company and the United States Department of Defense (the "DoD"). The Company uses these contracts to help fund its research and development programs. Although the Company recently has been devoting substantial resources to the development of commercial markets for its products, the Company is, and expects to continue to be in the near term, dependent on government funding for its research and development projects. The DoD has been reducing total expenditures over the past few years, and while to date DoD research and development funding for electronics has been relatively stable despite overall cutbacks, there can be no assurance that such funding will not be reduced in the future. Absent significant future revenues from commercial sales, a significant loss of government funding would have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

Virtually all of the Company's government contracts are terminable at any time at the option of the government. Although the Company historically has complied with applicable government regulations and contract provisions, there can be no assurance as to such compliance in the future. Noncompliance with government procurement regulations or contract provisions could result in termination of government contracts, substantial monetary fines or damages, suspension or debarment from doing business with the government and possibly civil or criminal liability. During the term of any suspension or debarment by a government agency, the Company could be prohibited from competing for or being awarded any contract by any government agency. The termination of the Company's significant government contracts, the imposition of fines, damages, suspension or debarment, or the adoption of new or modified procurement regulations or practices could have a material adverse effect on the Company's business, results of operations and financial condition.

Inventions conceived or actually reduced to practice under a government contract generally result in the government obtaining a royalty-free, paid-up, non-exclusive license to practice the invention. Similarly, technologies developed in whole or in part at government expense generally result in the government obtaining unlimited rights to use, duplicate or disclose technical data produced under the contract. There can be no assurance that such licenses and rights will not result in a loss by the Company of potential revenues or the disclosure of any of the Company's proprietary information, either of which could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business -- Government Contracts."

INTENSE COMPETITION

The markets for the Company's products are intensely competitive. The Company faces competition in various aspects of its technology and product development and in each of the markets targeted by the Company. The Company's current and potential competitors include conventional RF filter manufacturers and both established and newly emerging companies developing similar or competing HTS technologies. In addition, the Company currently supplies components and licenses technology to large companies and industry leaders that may decide to manufacture or design their own HTS components instead of purchasing them, or licensing the technology, from the Company. The Company expects increased competition both from existing

competitors and a number of companies that may enter the wireless communications or high-speed computing markets.

In the wireless communications market, the Company competes primarily with Conductus, Inc., Illinois Superconductor Corp. and Superconducting Core Technologies, Inc. with respect to its HTS filter systems. In addition, the Company competes with IBM, DuPont, Matsushita and Amtel, a Japanese consortium, among others, with respect to its HTS materials. The Company is not currently aware of another company that is targeting the cold computing market with a compact, low cost cryogenic cooler; however, there can be no assurance that there is no other company designing or developing cryogenic cooling technology similar to or in direct competition with the Company's products. In the government sector, the Company competes with universities, national laboratories and both large and small companies for research and development contracts.

The Company believes that it competes on the basis of technological sophistication, product performance, reliability, quality, cost-effectiveness and product availability. Many of the Company's current and potential competitors have significantly greater financial, technical, manufacturing and marketing resources than the Company. The Company's ability to effectively compete will require it to successfully manufacture and market its current products at a sufficiently low cost to achieve commercial acceptance, develop and maintain technologically advanced products, attract and retain highly qualified personnel and obtain patent or other protection for its technology and products. There can be no assurance that the Company will be able to compete successfully in the future. See "Business -- Competition."

DEPENDENCE ON KEY PERSONNEL

The Company is highly dependent upon the efforts of its senior management. Due to the specialized technical nature of the Company's business, the Company is also highly dependent upon its ability to attract and retain qualified technical personnel, primarily in the areas of wireless communications and cold computing. The loss of the services of one or more members of the senior management or technical teams could impede STI's ability to achieve its product development and commercialization objectives. There is intense competition for qualified personnel in the areas of the Company's activities and there can be no assurance that the Company will be able to continue to attract and retain qualified personnel necessary for the development of its business. See "Business -- Employees" and "Management."

LIMITED MARKETING AND SALES CAPABILITIES

The Company has only recently focused substantial resources on its marketing and sales efforts aimed at the commercial wireless communications market and other markets. In order for the Company to successfully commercialize products in its targeted markets, it must develop appropriate marketing, sales,

technical, customer service and distribution capabilities, or it must enter into agreements with third parties to provide such services. There can be no assurance that the Company's efforts in developing its marketing and sales capabilities, including customer service and distribution, will be successful. Furthermore, there can be no assurance that such third party agreements can be obtained upon acceptable terms. Failure to develop such capabilities or obtain such third party agreements could have a material adverse effect on the acceptance of the Company's products in the commercial markets and, as a result, on the Company's business, results of operations and financial condition. See "Business -- Marketing and Sales."

UNCERTAINTY OF PATENTS AND PROPRIETARY RIGHTS

The Company relies on a combination of patent, trademark, trade secret and copyright law and internal procedures and nondisclosure agreements to protect its intellectual property. There can be no assurance that the Company's intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. In addition, the laws of certain foreign countries in which the Company's products may be produced or sold do not protect the Company's intellectual property rights to the same extent as the laws of the United States. The failure of the Company to protect its proprietary information could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has an exclusive, worldwide license, in all fields of use, to formulations covered by patents held by the University of Arkansas covering thallium barium calcium copper oxide ("TBCCO"), the material upon which the Company primarily relies for its HTS products and product development. There can be no assurance that the validity of these patents will not be subject to challenge. In addition, other parties may have developed similar materials utilizing TBCCO formulations and may design around the patented aspects of this material. Under the terms of its exclusive license, the Company has agreed to assume litigation expenses for infringement actions, subject to a right of setoff against future royalty obligations. If the Company is required to incur significant expenses under this agreement, the Company's results of operations and financial condition could be materially and adversely affected. In addition, the Company has granted each of DuPont and Superconducting Core Technologies, Inc. and its affiliates a non-exclusive worldwide sublicense under its license with the University of Arkansas to develop and market TBCCO materials and superconducting technologies. There can be no assurance that these sublicenses will not adversely affect the Company's business, results of operations and financial condition.

The Company believes that a number of patent applications are pending that cover the composition of yttrium barium copper oxide ("YBCO"), including applications filed by IBM, AT&T and other large potential competitors of the Company. YBCO is an HTS material upon which the Company also relies, although to a lesser extent than TBCCO. The Company understands that such applications are the subject of interference proceedings currently pending in the U.S. Patent and Trademark Office. The Company is not involved in these proceedings. In addition, the Company has been issued patents for specific compounds that it uses. The Company believes that a number of international patents may be pending regarding other specific YBCO compounds. There is a substantial risk that one or more third parties will be granted patents covering YBCO and that the Company's use of these materials may require a license. As with other patents, there can be no assurance that the Company will be able to obtain licenses to any such patents for YBCO or other materials or that such licenses would be available on commercially reasonable terms. The Company's efforts to develop products based on YBCO would be substantially impaired by its failure to obtain any such license for YBCO, and such failure could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company owns or has rights under a number of patents and pending patent applications related to the processing of TBCCO and YBCO. There can be no assurance that the patent applications filed by the Company will result in patents being issued, that any patents held or issued will afford meaningful protection against competitors with similar technology, or that any such patents will not be challenged by third parties. Since U.S. patent applications are maintained in secrecy until the patents are issued, and since publications of discoveries in the scientific or patent literature tend to lag behind actual discoveries by several months, the Company cannot be certain that it was the

first creator of inventions covered by issued patents or pending patent applications or that it was the first to file patent applications for such inventions. Moreover, there can be no assurance that other parties will not independently develop similar technologies, duplicate the Company's technologies or, if patents are issued to the Company or rights licensed by the Company, design around the patented aspects of any technologies developed or licensed by the Company. The Company may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine the priority of inventions, which could result in substantial costs to the Company. Litigation may also be necessary to enforce any patents held by or issued to the Company or to determine the scope and validity of others' proprietary rights, which could result in substantial costs to the Company.

The rapid rate of inventions and discoveries in the superconductivity field has raised many patent issues which are not resolved at this time. The claims in the granted patents often overlap and there are disputes involving rights to inventions claimed in pending patent applications. As a result, the patent situation in the HTS field is unusually complex. It is likely that there will be patents held by third parties relating to the Company's products or technology. Therefore, the Company may need to acquire licenses to, design around or successfully contest the validity or enforceability of such patents. The extent to which the Company may be able to acquire necessary licenses is not known. It is also possible that because of the number and scope of patents pending or issued, the Company may be required to obtain multiple licenses in order to use a single material. If the Company is required to obtain multiple licenses, the cost to the Company of HTS materials

will increase. Furthermore, there can be no assurance that such licenses would be available on commercially reasonable terms or at all. The likelihood of successfully contesting the validity or enforceability of such patents is also uncertain; and, in any event, the Company could incur substantial costs in defending the validity or scope of its patents or challenging the patents of others. See "Business -- Intellectual Property."

RAPID TECHNOLOGICAL CHANGE

The field of superconductivity is characterized by rapidly advancing technology. The future success of the Company will depend in large part upon its ability to keep pace with advancing superconductor technology, including superconducting materials and processes and industry standards. The Company has focused its development efforts on TBCCO and, to a lesser extent, YBCO. There can be no assurance that either TBCCO or YBCO will ultimately prove commercially competitive against other currently known materials or materials that may be discovered in the future. The Company intends to continue to develop and integrate advances in wireless filter and cryogenic cooling technologies in the manufacture of commercial quantities of its products. The Company will also need to continue to develop and integrate advances in complementary technologies. There can be no assurance that the Company's development efforts will not be rendered obsolete by research efforts and technological advances made by others or that materials other than those currently used by the Company will not prove more advantageous for the commercialization of HTS products. See "-- Intense Competition" and "-- Uncertainty of Patents and Proprietary Rights" and "Business -- Intellectual Property" and "-- Competition."

MATERIALS RISKS

To date, the Company has principally focused its development efforts on TBCCO. Although TBCCO has one of the highest critical temperatures of any HTS material verified by the scientific community to date, other HTS materials are currently known to have advantages over TBCCO with respect to certain applications. There can be no assurance that TBCCO will ultimately prove commercially competitive against YBCO or against other currently known materials. Moreover, there is no assurance that other materials will not be discovered with higher critical temperatures or other superior qualities or that the Company will be able to obtain the rights to any such superior material.

The Company currently purchases substrates for growth of HTS thin films from two primary suppliers because of the quality of the substrate provided by such suppliers. While the Company is aware of alternative sources for its substrates, the establishment of relationships with additional or replacement suppliers could be time consuming and result in a supply interruption which

would have a material adverse effect on the Company's ability to manufacture its products in commercial quantities and, correspondingly, upon its business, results of operations and financial condition. See "Business -- Manufacturing."

FLUCTUATIONS IN PERIODIC RESULTS

Although the Company has been devoting substantial resources to generating revenues from commercial markets, the Company's revenues have historically consisted and are expected over the next several quarters to consist primarily of government research and development contract revenues. Such revenues have fluctuated from period to period, which the Company believes is attributable principally to government development contract budgeting and funding patterns. The government procurement process is lengthy and may involve competing budget considerations, making the timing of the Company's receipt of government contracts or orders and the resulting revenue difficult to predict. Furthermore, as the Company attempts to achieve commercialization of its HTS and cold computing products in its target markets, it could encounter seasonality or other currently unforeseen factors causing additional variability in its financial and operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

Although the Company believes that its wireless communications products themselves would not be subject to licensing by, or approval requirements of, the Federal Communications Commission (the "FCC"),

the operation of domestic wireless communication base stations is subject to FCC licensing, and the receiver equipment into which the Company's products would be incorporated is subject to FCC approval. Base stations and equipment marketed for use therein must meet specified technical standards. The Company's ability to sell its HTS filter systems will depend on the ability of wireless base station equipment manufacturers and marketers and of service providers to obtain and retain the necessary FCC approvals and licenses. In order to be acceptable to base station equipment manufacturers and marketers, and to service providers, the characteristics, quality and reliability of the Company's products must meet the FCC's technical standards. Any failure to meet such standards or delays by base station equipment manufacturers, marketers or service providers in obtaining the necessary approvals or licenses could have a material adverse effect on the Company's business, results of operations and financial condition.

BUSINESS INTERRUPTIONS AND DEPENDENCE ON A SINGLE U.S. FACILITY

The Company's primary operations, including engineering, manufacturing, customer service, distribution and general administration, are housed in a single facility in Santa Barbara, California. Any material disruption in the Company's operations, whether due to fire, natural disaster or otherwise, could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business -- Manufacturing" and "-- Properties."

HAZARDOUS MATERIALS; ENVIRONMENTAL REGULATIONS

The Company uses certain hazardous materials in its research, development and manufacturing operations. As a result, the Company is subject to stringent federal, state and local regulations governing the storage, use and disposal of such materials. It is possible that current or future laws and regulations could require the Company to make substantial expenditures for preventative or remedial action, reduction of chemical exposure, or waste treatment or disposal. There can be no assurance that the operations, business or assets of the Company will not be materially and adversely affected by the interpretation and enforcement of current or future environmental laws and regulations. In addition, although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, nevertheless there is the risk of accidental contamination or injury from these materials. To date, the Company has not incurred substantial expenditures for preventative action with respect to hazardous materials or for remedial action with respect to any hazardous materials accident. If such an accident occurred, the Company could be held liable for any resulting damages. Furthermore, the use and disposal of hazardous materials involves the risk that the Company could be required to incur substantial expenditures for such preventative or remedial actions. The

liability in the event of an accident or the costs of such actions could exceed the Company's resources or otherwise have a material adverse effect on the Company's business, results of operations and financial condition. See "Business -- Environmental Issues."

POSSIBLE VOLATILITY OF STOCK PRICE

There has been significant volatility in the market price of securities of technology companies. Factors such as technology and product announcements by the Company or its competitors, disputes relating to patents and proprietary rights and variations in quarterly operating results have had in the past, and may continue to have in the future, a significant impact on the market price of the Common Stock. In addition, the securities markets have experienced volatility which is often unrelated to the operating performance of particular companies. In the past, following a period of volatility in the market price of a company's securities, securities class action lawsuits have been instituted against some companies. If brought, the costs of defending such litigation could have a material adverse effect on the Company's business, results of operation and financial condition. See "Price Range of Common Stock and Dividend Policy."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have 8,060,348 outstanding shares of Common Stock, of which the 2,000,000 shares sold in this offering (2,300,000 shares if the Underwriters' over-allotment option is exercised in full) and the 6,060,348 shares outstanding will be freely tradeable without restriction or further registration under the Securities Act, except for those held by "affiliates" (as defined in the Securities

Act) of the Company, which will be subject to the resale limitations of Rule 144 under the Securities Act. Furthermore, subject to certain limitations, holders of warrants to purchase 165,197 shares of Common Stock are entitled to registration rights with respect to such shares. The Company has agreed not to sell or issue additional shares of Common Stock, subject to certain limited exceptions, for 180 days after the date of this Prospectus and the Company's executive officers and directors have agreed not to sell or otherwise dispose of shares of Common Stock for the period beginning the date of this Prospectus and ending the earlier of (i) 120 days after the date of this Prospectus or (ii) the date of the Company's public release of its financial results for the year ended December 31, 1996 without the prior approval of the Underwriters. Following this offering, sales of substantial amounts of Common Stock in the public market pursuant to Rule 144 or otherwise, and the potential of such sales, could adversely affect the prevailing market price of the Common Stock and impair the Company's ability to raise additional capital through the sale of equity securities. See "Shares Eligible for Future Sale" and "Underwriting."

ANTI-TAKEOVER PROVISIONS

The Company's Certificate of Incorporation and Bylaws, each as amended to date, contain provisions that could delay, deter or prevent a merger, tender offer or other business combination or change in control involving the Company that some or a majority of the stockholders might consider to be in their best interests, including offers or attempted takeovers that might otherwise result in such stockholders receiving a premium over the market price of the Common Stock. See "Description of Capital Stock -- Preferred Stock."

DILUTION

The public offering price will be substantially higher than the book value per share of the currently outstanding Common Stock. Investors purchasing shares in this offering will therefore suffer immediate and substantial dilution. In addition, the exercise of any of the currently outstanding warrants or stock options would likely result in a dilution of the value of the Common Stock. Moreover, the Company may at any time in the future sell additional securities and/or rights to purchase such securities, grant additional warrants, stock options or other forms of equity-based incentive compensation to the Company's management and/or employees to attract and retain such personnel or in connection with the obtaining of non-equity financing, such as debt or leasing arrangements accompanied by warrants to purchase equity securities of the Company. Any of these actions would have a dilutive effect upon the holders of the Common Stock. See "Dilution."

ABSENCE OF DIVIDENDS

The Company has not paid cash dividends and does not anticipate paying cash dividends on the Common Stock in the foreseeable future. Furthermore, the Company's equipment financing agreement prohibits it from paying cash dividends. The Company intends to retain future earnings, if any, for use in its business. See "Price Range of Common Stock and Dividend Policy."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,000,000 shares of Common Stock being offered hereby, based on an assumed public offering price of $7.375 per share and after deducting estimated underwriting discount and offering expenses payable by the Company, are estimated to be approximately $13.2 million (approximately $15.3 million if the Underwriters' over-allotment option is exercised in full). The Company expects to use the net proceeds from the offering to fund the purchase of capital equipment necessary to increase production volume, to fund the further development of commercial products and for working capital and other general corporate purposes. The Company may also consider using the net proceeds for the acquisition of complementary businesses, products or technologies. Pending use of the net proceeds of the offering for the above purposes, the Company intends to invest such funds in short-term, interest-bearing, investment grade obligations.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

In connection with the Company's initial public offering, the Company's Common Stock commenced trading on the Nasdaq National Market on March 9, 1993. The Company's Common Stock is listed on the Nasdaq National Market under the symbol "SCON." The following table sets forth for the periods indicated the high and low closing sales prices for the Common Stock as reported on the Nasdaq National Market.

	HIGH	LOW
FISCAL 1994		
Quarter ended April 2, 1994	$7.13	$5.13
Quarter ended July 2, 1994	$9.50	$5.50
Quarter ended October 1, 1994	$8.75	$5.75
Quarter ended December 31, 1994	$7.75	$6.06
FISCAL 1995		
Quarter ended April 1, 1995	$7.75	$5.25
Quarter ended July 1, 1995	$6.88	$5.25
Quarter ended September 30, 1995	$7.13	$4.88
Quarter ended December 31, 1995	$6.13	$3.63
FISCAL 1996		
Quarter ended March 30, 1996	$9.50	$4.00
Quarter ended June 30, 1996	$7.88	$6.75
Quarter ending September 30, 1996 (through August 19, 1996)	$8.06	$7.13

On August 19, 1996, the last sales price of the Common Stock as reported on the Nasdaq National Market was $7.375 per share. As of July 31, 1996, there were approximately 154 holders of record of the Common Stock.

The Company has not paid cash dividends on its capital stock and does not expect to pay any dividends on the Common Stock in the foreseeable future. Furthermore, the Company's equipment financing agreement prohibits it from paying cash dividends. The Company intends to retain future earnings, if any, for use in its business.

CAPITALIZATION

The following table sets forth, as of June 30, 1996, the total

capitalization of the Company and the as adjusted capitalization of the Company after giving effect to the sale by the Company of the 2,000,000 shares of Common Stock offered hereby (at an assumed offering price of $7.375 per share and after deducting the estimated underwriting discount and offering expenses payable by the Company). This table should be read in conjunction with the Financial Statements and the Notes thereto included elsewhere in this Prospectus.

	JUNE 30, 1996	
	ACTUAL	AS ADJUSTED
	(UNAUDITED, IN THOUSANDS)	
Long-term debt (1)	$ 265	$ 265
Stockholders' equity:		
Preferred Stock, $0.001 par value; 2,000,000 shares authorized, no shares issued and outstanding, actual and as adjusted	--	--
Common Stock, $0.001 par value; 15,000,000 shares authorized, 6,060,348 shares issued and outstanding, actual; 8,060,348 shares issued and outstanding, as adjusted (2)	6	8
Capital in excess of par value	30,152	43,368
Deficit accumulated during development stage	(22,416)	(22,416)
Total stockholders' equity	$ 7,742	$ 20,960
Total capitalization	$ 8,007	$ 21,225

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(1) See Note 6 of Notes to Financial Statements.

(2) As of June 30, 1996, there were (i) options outstanding to purchase an aggregate of 1,132,475 shares of Common Stock at a weighted average exercise price of $5.37 per share and 227,683 shares reserved for grant of future options under the Company's stock option plans and (ii) warrants outstanding to purchase 165,197 shares of Common Stock at a weighted average exercise price of $11.19 per share. See "Management -- Employee and Director Benefit Plans," "Description of Capital Stock" and Note 8 of Notes to Financial Statements.

DILUTION

The net tangible book value of the Company as of June 30, 1996 was $5.5 million or $0.91 per share of Common Stock. Net tangible book value per share is determined by dividing the net tangible book value of the Company (total tangible assets less total liabilities) by the number of outstanding shares of Common Stock at that date. After giving effect to the sale by the Company of the 2,000,000 shares of Common Stock offered hereby, and after deducting estimated underwriting discount and offering expenses payable by the Company, the Company's net tangible book value at June 30, 1996 would have been $18.7 million or $2.32 per share. This represents an immediate increase in net tangible book value to existing stockholders of $1.41 per share and an immediate dilution to new investors of $5.06 per share. The following table illustrates the per share dilution:

Assumed public offering price per share		$7.38
Net tangible book value per share as of June 30, 1996	$0.91	
Increase in net tangible book value per share attributable to new investors	1.41	
Net tangible book value per share after this offering		2.32
Dilution per share to new investors		$5.06

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The following table sets forth on a pro forma basis as of June 30, 1996 the number of shares of Common Stock purchased from the Company, the total consideration paid, and the average price per share paid by existing stockholders and by the new investors at an assumed public offering price of $7.375 per share (before deducting estimated underwriting discount and offering expenses payable by the Company).

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders(1).....	6,060,348	75%	$30,158,000	67%	$ 4.98
New investors.....	2,000,000	25	14,750,000	33	7.38
Total.....	8,060,348	100%	$44,908,000	100%	

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(1) Total consideration paid by existing stockholders is net of issuance costs and treasury stock.

The foregoing tables assume no exercise of the Underwriters' over-allotment option and no exercise of stock options or warrants outstanding at June 30, 1996. As of June 30, 1996, there were options outstanding to purchase a total of 1,132,475 shares of Common Stock at a weighted average exercise price of $5.37 per share, of which options to purchase 306,798 shares at a weighted average exercise price of $4.88 per share were exercisable, and 227,683 shares reserved for grant of future options under the Company's stock option plans. In addition, as of June 30, 1996, there were warrants outstanding to purchase 165,197 shares of Common Stock at a weighted average exercise price of $11.19 per share. To the extent that any of these options or warrants are exercised, there may be further dilution to new investors. See "Capitalization," "Management -- Employee and Director Benefit Plans," "Description of Capital Stock" and Note 8 of Notes to Financial Statements.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following selected financial data should be read in conjunction with the Company's Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. The statement of operations data for the years ended December 31, 1993, 1994 and 1995, and the balance sheet data at December 31, 1994 and 1995 are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Prospectus. The statement of operations data for the years ended December 31, 1991 and 1992 and the balance sheet data at December 31, 1991, 1992 and 1993 are derived from the Company's audited financial statements that do not appear herein. The data for the six months ended July 1, 1995 and June 30, 1996 are derived from unaudited financial statements also appearing elsewhere herein and which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of the unaudited interim periods. The financial results for the six months ended June 30, 1996 are not necessarily indicative of the results to be expected for any other interim period or the fiscal year. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	YEARS ENDED DECEMBER 31,					SIX MONTHS ENDED	
	1991	1992	1993	1994	1995	JULY 1, 1995	JUNE 30, 1996

						(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:							
Net revenues:							
Government contract revenues	$ 3,486	$ 3,717	$ 4,334	$ 4,979	$ 7,310	$ 3,160	$ 2,894
Commercial product revenues	166	234	280	450	300	144	87
Sublicense royalties	--	--	388	75	--	--	--
Total net revenues	3,652	3,951	5,002	5,504	7,610	3,304	2,981
Costs and expenses:							
Contract research and development	2,940	2,546	2,862	4,030	5,414	2,366	2,289
Other research and development	1,296	1,784	1,998	2,085	2,397	1,298	1,748
Selling, general and administrative	1,530	2,274	2,468	2,928	2,871	1,529	1,376
	5,766	6,604	7,328	9,043	10,682	5,193	5,413
Loss from operations	(2,114)	(2,653)	(2,326)	(3,539)	(3,072)	(1,889)	(2,432)
Other income (expense), net	(35)	(164)	188	280	253	50	57
Net loss	$(2,149)	$(2,817)	$(2,138)	$(3,259)	$(2,819)	$(1,839)	$(2,375)
Net loss per share		$ (0.68)	$ (0.42)	$ (0.55)	$ (0.47)	$ (0.31)	$ (0.39)
Weighted average number of shares outstanding		4,157	5,032	5,971	6,026	6,008	6,072

	DECEMBER 31,					
	1991	1992	1993	1994	1995	JUNE 30, 1996
						(UNAUDITED)
BALANCE SHEET DATA:						
Cash and cash equivalents and short-term investments	$ 4,012	$ 431	$10,583	$ 7,930	$ 5,244	$ 2,829
Working capital	4,052	841	11,134	8,242	5,695	3,577
Total assets	8,107	7,360	16,616	14,613	11,678	9,090
Long-term debt	1,087	938	56	724	453	265
Total stockholders' equity	6,070	4,853	15,741	12,640	10,087	7,742

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other parts of this Prospectus contain forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed below and under the captions "Risk Factors" and "Business."

OVERVIEW

STI designs, develops, manufactures and markets products that incorporate HTS materials and related cryogenics. STI's objective is to leverage the experience and expertise of its management and employee base, its significant investment in research and development and its licenses and intellectual property into a position of commercial market leadership for HTS systems.

The Company was founded in 1987, and has been principally engaged in research and development activities related to advanced electronic products incorporating HTS materials. The Company's revenues primarily have been derived from government research and development contract revenues, and to a lesser

extent from sales of HTS products and sublicense royalties. The Company expects that government contract revenues will continue to account for a substantial portion of its revenues over the next several quarters. Government revenues have historically fluctuated from period to period. This variability is attributable to lengthy government contract budgeting and funding patterns, which makes the timing of the Company's revenues difficult to predict. Government contracts may be reduced or eliminated at the option of the government, and there can be no assurance that the Company will receive all or any part of the funds under its existing government contracts. See "Risk Factors -- High Degree of Dependence on Government Contracts."

Total expenses consist primarily of government contract and other research and development expenses, including labor, engineering, materials and overhead. Over the past several years, the Company has invested substantial engineering and marketing resources on the development of products for commercial applications, including the acquisition of capital equipment, and expects to continue to focus its resources on developing its commercial business. As a result of its substantial investment in HTS, STI has developed its SuperFilter(TM) products, which combine specialized HTS filters with a proprietary cryogenic cooler and, in many cases, an LNA in a highly compact system. The Company has already shipped both prototype and field test SuperFilter(TM) units to customers. The Company has also identified other markets for commercial applications of its cryogenic cooler technology, of which the largest and fastest growing is the high-speed computing market. STI believes that by accessing this market, it will be able to achieve economies of scale associated with volume cooler production, thereby decreasing unit costs for the Company's entire commercial product line. As commercial demand for its products increases, the Company expects to outsource the manufacturing of many of the hardware components of its systems, while retaining manufacturing responsibility for its HTS thin-film filters. See "Risk Factors -- Limited Manufacturing Experience."

STI has incurred cumulative losses of $22.4 million from inception to June 30, 1996. The Company expects to continue to incur significant operating losses over the next several quarters as it continues to devote significant financial resources to the commercialization of its HTS filter systems, the expansion of Company operations and other research and development activities. The future profitability of the Company is dependent upon the Company's successful commercialization of its filter systems for the wireless communications market, of which there can be no assurance. Furthermore, as the Company attempts to achieve commercialization of its products, it could encounter seasonality or other currently unforeseen factors causing additional variability in its results. See "Risk Factors -- Accumulated Deficit and Anticipated Future Losses" and "-- Early Stage of the Commercial Superconductor Products Market; Market Acceptance and Reliability" and "-- Fluctuations in Periodic Results."

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1996 AND JULY 1, 1995

Net revenues. Net revenues decreased by $323,000, or 10%, from $3.3 million in the first six months of 1995 to $3.0 million in the first six months of 1996. The overall decrease is mainly due to a decrease in government contract revenues of $266,000, or 8%, from $3.2 million for the first six months of 1995 to $2.9 million for the first six months of 1996 as a result of the federal government shutdowns and budgetary impasses, which delayed some contract funding.

Commercial product revenues decreased by $57,000, or 40%, from $144,000 in the first six months of 1995 to $87,000 in the first six months of 1996, due primarily to the Company's decision to focus on the internal use of HTS thin films for research and development purposes and prototypes instead of external sales.

Contract research and development expenses. Contract research and development expenses decreased by $77,000, or 3%, from $2.4 million in the first six months of 1995 to $2.3 million in the first six months of 1996. This decrease was a result of lower contract revenues which are directly related to contract expenses.

Other research and development expenses. Other research and development

expenses increased by $450,000, or 35%, from $1.3 million in the first six months of 1995 to $1.7 million in the first six months of 1996. The increase was due to the classification of $328,000 of research and development expenses that are normally classified as contract research and development expenses covered by government contracts; however, the signing of such contracts has been delayed. Although the Company anticipates government contracts to cover these expenses, the Company classifies such expenses as other research and development expenses until such time as the government contract is assured. In addition, a portion of the increase in other research and development expenses was due to expanded commercialization efforts in the areas of wireless communications, cryogenics and high-speed computing.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by $153,000, or 10%, from $1.5 million in the first six months of 1995 to $1.4 million in the first six months of 1996. The decrease was primarily attributable to lower expenses related to travel, recruiting, public relations and general services and supplies.

Other income (expense), net. Interest income decreased by $58,000, or 37%, from $155,000 in the first six months of 1995 to $97,000 in the first six months of 1996, due primarily to a decline in the interest-earning investment balances during these periods as short-term investments were used to fund operations. Interest expense decreased by $65,000, or 62%, from $105,000 in the first six months of 1995 to $40,000 in the first six months of 1996. This decrease was due to the reduction in the Company's long-term portion of note payable and capitalized lease obligations.

FISCAL YEAR 1995 AS COMPARED WITH FISCAL YEAR 1994

Net revenues. Net revenues increased by $2.1 million, or 38%, from $5.5 million in fiscal 1994 to $7.6 million in fiscal 1995, due primarily to an increase in government contract revenues.

Government contract revenues increased by $2.3 million, or 47%, from $5.0 million for fiscal year 1994 to $7.3 million for fiscal year 1995. Government contract revenues constituted 90% of net revenues in fiscal 1994 and 96% of net revenues in fiscal 1995. These increases are the result of the Company targeting larger contracts involving the design and production of prototypes incorporating the Company's HTS technology. Three major contracts that were awarded in 1994, and continued to be funded in 1995, accounted for over 60% of the government contract revenues in fiscal 1995. In fiscal 1995, the Company was also awarded a significant government contract for RF and materials development. In addition, during the third quarter of 1995, the Company entered into a consortium with another superconducting company and various university and industrial participants to further the development of HTS thin-film manufacturing technology.

Commercial sales of the Company's HTS products decreased by $150,000, or 33%, from $450,000 in fiscal year 1994 to $300,000 in fiscal year 1995, as a direct result of the Company's decision to focus on the internal use of thin films instead of external sales.

Sublicense royalties were $75,000 in fiscal year 1994. Because the Company did not enter into any sublicense agreements with respect to its patents during 1995, it did not have any sublicense royalties in 1995.

Contract research and development. Contract research and development expenses increased by $1.4 million, or 34%, from $4.0 million in fiscal 1994 to $5.4 million in fiscal 1995. This increase in contract research and development expenses is a result of increased contracting activities performed in connection with government contract awards and to a lesser extent, to a cost sharing contract for the design and delivery of a cellular HTS filter to commercial customers.

Other research and development expenses. Other research and development expenses increased by $312,000, or 15%, from $2.1 million in fiscal 1994 to $2.4 million in fiscal 1995, due primarily to the hiring of additional technical personnel in order to accelerate the Company's commercial research and development efforts in the fields of wireless communications, cryogenics and high-speed computing.

Selling, general and administrative expenses. Selling, general and administrative expenses were $2.9 million in fiscal 1994 and fiscal 1995.

Other income (expense), net. Despite a decrease in cash balances, interest income increased by $29,000, or 9%, from $324,000 in fiscal 1994 to $353,000 in fiscal 1995, due to higher interest rates in 1995. Interest expense increased by $61,000, or 156%, from $39,000 in fiscal 1994 to $100,000 in fiscal 1995 as a result of the Company entering into an equipment financing agreement during the third fiscal quarter of 1994. See "-- Liquidity and Capital Resources."

FISCAL YEAR 1994 AS COMPARED WITH FISCAL YEAR 1993

Net Revenues. Net revenues increased by $502,000, or 10%, from $5.0 million in fiscal 1993 to $5.5 million in fiscal 1994, reflecting a 15% increase in government contract and commercial revenues offset by a decrease in sublicensing royalties.

Government contract revenues increased by $645,000, or 15%, from $4.3 million for fiscal year 1993 to $5.0 million during fiscal year 1994. Government contract revenues constituted 87% of net revenues in fiscal 1993 and 90% of net revenues in fiscal 1994. These increases were a result of the Company's successful efforts to target larger contracts involving the design and production of prototypes incorporating the Company's HTS technology. During fiscal 1994, the Company obtained additional funding for work on a band reject filter project and an HTS switch project and obtained new government contracts for development work on cold computing workstations and cryogenic coolers.

Commercial sales of the Company's HTS products increased by $170,000, or 61%, from $280,000 in fiscal year 1993 to $450,000 in fiscal year 1994 as a result of the hiring of an additional commercial sales person, as well as the Company's decision to more selectively focus its marketing efforts.

Sublicense royalties decreased by $313,000, or 81%, from $388,000 in fiscal 1993 to $75,000 in fiscal 1994. The 1993 amount reflects the initial sublicensing fee paid by DuPont for the rights to use TBCCO materials.

Contract research and development expenses. Contract research and development expenses increased by $1.2 million, or 41%, from $2.9 million in fiscal 1993 to $4.0 million in fiscal 1994. This increase in contract research and development expenses was a result of increased contracting activities performed in connection with government contract awards and a cost sharing contract to design and deliver a cellular filter to a commercial customer.

Other research and development expenses. Other research and development expenses increased by $87,000, or 4%, from $2.0 million in fiscal 1993 to $2.1 million in fiscal 1994. This increase was due to the hiring of additional technical personnel in order to accelerate the Company's commercial research and development efforts in the fields of wireless communications, cryogenics and high-speed computing.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $460,000, or 19%, from $2.5 million in fiscal 1993 to $2.9 million in fiscal 1994. This increase was primarily

due to costs associated with being a public company for the entire 12 months of 1994, including directors' and officers' insurance premiums, professional fees, and public relations and printing expenses. This increase was also due to an increase in salary expenses, as the Company hired a Vice President, Marketing and Sales in May 1994 and an additional sales and marketing engineer in June 1994.

Other income (expense), net. Interest income decreased by $23,000, or 7%, from $347,000 in fiscal 1993 to $324,000 in fiscal 1994. This decrease was attributable to decreased investment-earning balances as investments were used to fund operations. Interest expense decreased by $133,000, or 77%, from $172,000 in fiscal 1993 to $39,000 in fiscal 1994. This decrease was a result of a decrease in aggregate amounts outstanding under the Company's equipment lease lines, as several substantial equipment lease lines were repaid in part with proceeds of the Company's initial public offering in 1993.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1995 and June 30, 1996, the Company's cash and cash equivalents totaled $2.4 million and $1.4 million, respectively, and short-term investments totaled $2.8 million and $1.4 million, respectively. The Company considers investments with original maturities of three months or less to be cash equivalents. The decrease in cash and cash equivalents and short-term investments is due primarily to the funding of operating losses and increasing inventory levels.

The Company financed its operations from inception through June 30, 1996 primarily from net proceeds of $12.7 million raised in its initial public offering, $15.0 million raised in private placements prior to the initial public offering, $32.8 million in government development contract revenues and $2.0 million in product and license revenues. Operating activities used $1.4 million, $2.2 million and $2.3 million of cash and cash equivalents in fiscal 1993, 1994 and 1995, respectively, and $2.2 million of cash and cash equivalents in the first six months of fiscal 1996. Investing activities used cash of $6.5 million and $516,000 in fiscal 1993 and 1994, respectively, and provided cash of $2.3 million in fiscal 1995 and $1.3 million in the first six months of fiscal 1996. Financing activities provided cash of $12.0 million (primarily from the proceeds of the initial public offering) and $869,000 in fiscal 1993 and 1994, respectively, and used cash of $104,000 in fiscal 1995 and $142,000 in the first six months of fiscal 1996. In fiscal 1994 and 1995, the primary source of funds were from the Company's equipment financing arrangements.

The Company's principal resource commitments at June 30, 1996 consisted of accounts payable and accrued expenses of $656,000, and approximately $692,000 of obligations under equipment financing and lease agreements.

In August 1994, the Company entered into an equipment financing agreement which provided for borrowings of up to $1.5 million through the end of 1994 at an annual interest rate of prime plus 1%. Borrowings under the financing agreement are secured by substantially all the Company's assets, and are to be repaid in 36 monthly installments which began in January 1995. During the third quarter of 1995, the Company extended and amended its equipment financing agreement to permit an additional $500,000 in borrowings through the end of 1995. As of June 30, 1996, borrowings of $668,000 were outstanding under this agreement.

The Company invests available funds in short-term, investment grade investments, including without limitation government obligations, corporate commercial paper, certificates of deposit and money market funds. The Company may also invest available funds in intermediate-term investment grade securities.

To date, the Company has been principally engaged in research and development activities, and has recently shifted its focus to commercialization of its HTS and cold computing products. STI anticipates that its existing cash and cash equivalents, short-term investments and revenues from operations should be adequate to fund the Company's current level of operations for at least the next 12 months. However, the full implementation of the Company's product commercialization strategy will require a commitment of substantial additional funds, including the net proceeds from this offering. There can be no assurance that any necessary additional financing will be available on acceptable terms or at all. If adequate funds are not available, the Company may be required to change, delay, reduce or eliminate its product commercialization

strategy, which could have a material adverse effect on the Company's business, results of operations and financial condition. See "Risk Factors -- Substantial Future Capital Needs."

FINANCIAL ACCOUNTING STANDARDS

During March 1995, the Financial Accounting Standards Board issued Statement No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 121 will become effective for the year ending December 31, 1996. The Company has studied the implications of SFAS 121 and, based on its initial evaluation, did not have a material impact on the Company's financial condition or results of operations.

During October 1995, the Financial Accounting Standards Board issued

Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" which established a fair value based method of accounting for stock-based compensation plans and requires additional disclosures for those companies who elect not to adopt the new method of accounting. The Company will continue to account for employee and director stock options under APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123 disclosures will be effective for fiscal years beginning after December 15, 1995.

BUSINESS

STI designs, develops, manufactures and markets electronic components and systems that incorporate HTS materials and related cryogenics. Superconductors are materials that have the ability to conduct electrical energy with little or no resistance when cooled to "critical" temperatures. STI believes that the growing worldwide wireless communications market offers the most viable commercialization opportunities for its HTS products. To capitalize on these opportunities the Company has developed its SuperFilter(TM) products, which combine specialized HTS filters with a proprietary cryogenic cooler and, in many cases, a low noise amplifier ("LNA") in a highly compact system. The SuperFilter(TM) products, when incorporated into wireless base stations, offer significant advantages over conventional products for wireless communications applications, including reduced size, increased range and reduced interference.

The SuperFilter(TM) systems are protocol independent, and are currently undergoing evaluation and testing by leading OEMs using a variety of wireless protocols, including, among others, cellular, PCS and GSM. In May 1996, the Company delivered a complete SuperFilter(TM) system to Motorola, a major OEM of wireless communications base stations. In July 1996, this SuperFilter(TM) system successfully completed Motorola's accelerated life testing, a critical factor in the successful commercialization of STI's products. Motorola has since ordered additional SuperFilter(TM) units for field testing and is currently evaluating the SuperFilter(TM) system for possible integration in certain of Motorola's base station products.

STI has developed a proprietary cryogenic cooling technology which, in addition to being integrated into its SuperFilter(TM) systems, can be used to increase the processing speeds of workstations and other high-speed computers. The Company believes that the successful commercialization of its cryogenic cooler in the high-speed computing market will enable it to achieve economies of scale associated with volume production, thereby decreasing the unit costs for the Company's entire commercial product line. In May 1996, the Company entered into a joint venture with Alantac, a precision machining house in Singapore, for the volume production of its cryogenic coolers.

Since its formation in 1987, the Company has received over $32 million in revenue from government research and development contracts, through which it has developed much of the technology used in its commercial products. STI continues to secure government contracts, primarily to fund its research and development efforts, but also to address potential wireless communications product opportunities in the government sector.

STI'S STRATEGY

STI's objective is to leverage the experience and expertise of its management and employee base, its significant investment in research and development, and its licenses and intellectual property into a position of commercial market leadership for HTS systems. The Company's integrated approach to product development incorporates its combined expertise in the areas of HTS materials, RF circuitry and cryogenic cooling and packaging. Key elements of the Company's strategy are:

Capitalize on Growing Wireless Communications Market. STI believes that the growing worldwide wireless communications market offers its most viable commercialization opportunities. The Company believes its SuperFilter(TM) products can decrease base station deployment costs for wireless communications service providers, due to their smaller size and enhanced range as compared to competing products. The use of SuperFilter(TM) products can also increase revenues for service providers by reducing interference, which minimizes the number of dropped calls.

Market to Leading Base Station Manufacturers and Service Providers. The

worldwide wireless communications market is dominated by a limited number of large system manufacturers and service providers. The Company targets OEM industry leaders because the Company believes such leaders are instrumental in setting industry standards and represent the best opportunity for rapid, large scale deployment of the Company's SuperFilter(TM) systems. STI targets large service providers because they are the end users of the Company's products and can also be influential in setting industry standards. Further, the Company believes

that its SuperFilter(TM) products will be attractive to service providers deploying new base stations or facing the need to retrofit existing base stations to address interference or range problems.

Provide a Complete, Integrated Solution. The Company provides the wireless communications industry with a proprietary and integrated solution incorporating HTS materials, RF circuitry and cryogenic cooling and packaging, the key components of which have been designed, developed and manufactured in-house. STI has designed and developed a proprietary computer simulation system for RF circuitry design and prototype delivery. This results in extremely small, high performance RF circuits that are then integrated into STI's standard platform. The Company believes that this approach will allow it to quickly respond to specific customer requirements. STI believes its standard platform is the smallest and most energy-efficient HTS filter system in the industry, and differentiates the Company's products from other competitive offerings.

Position for Volume Production. As the Company receives volume orders for its products, it expects to retain manufacturing responsibility for the core of its products, the HTS thin-film filters, while outsourcing the manufacturing of many of the hardware components of its systems. Toward this end, the Company recently formed a joint venture in Singapore to establish manufacturing lines for its proprietary cryogenic cooler. The Company has developed a manufacturing process for thin-film TBCCO materials, which the Company believes is scalable for higher volume production. The Company believes that the combination of internal thin film production and outsourcing of certain components will enhance the Company's ability to meet customer demand as its HTS filter systems gain market acceptance.

Pursue Complementary Markets. The Company pursues complementary markets to support the commercialization of its wireless products. Specifically, the Company markets its cryogenic cooler to end users in the high-speed computing market. The Company believes that increased production volume of cryogenic coolers will create economies of scale, thereby lowering the unit cost of the Company's entire commercial product line. In addition, the Company continues to pursue government contracts, primarily to fund its research and development efforts, but also to address potential wireless communications product opportunities in the government sector.

Maintain Technological Leadership. STI has been an innovator in designing and developing products that address the needs of its target markets. The Company believes its HTS materials, RF circuitry and cryogenics are among the most advanced that are commercially available in the industry. STI intends to maintain its technological leadership by continuing to invest resources in research and development and by pursuing government funding for its product development.

WIRELESS COMMUNICATIONS

The Company principally targets the worldwide wireless communications market, which uses a variety of protocols including cellular, PCS and GSM. STI primarily markets its SuperFilter(TM) products to OEMs and wireless communications service providers for inclusion in base stations, which are the basic building blocks of wireless communications systems. Base stations house the complex electronic equipment required to receive and transmit radio waves for multiple real-time voice and data communications. Base station equipment generally includes an antenna and a series of transmitters, receivers, receiver filters and network interface electronics. Base stations are manufactured by OEMs and are sold to service providers that deliver wireless communications services to the public.

WIRELESS COMMUNICATIONS MARKET

International Data Corporation Link ("IDC") and the Cellular Telecommunications Industry Association estimate that the number of installed wireless base stations worldwide will grow from approximately 50,000 at the end of 1995 to approximately 185,000 by the end of 1999. The Company believes that this rapid growth represents a significant market opportunity for the Company, as each newly deployed base station must incorporate a wireless filter system. In addition, as increasing levels of interference create a demand for higher performance filters, the Company's product could be used by service providers to retrofit existing base stations. Based on its analysis of industry data, the Company estimates that the market for wireless filters for cellular and PCS applications, including those for new and retrofitted base stations, will increase from approximately $165 million in 1995 to approximately $950 million by the end of 1999.

The reasons for the anticipated rapid expansion of the base station market are two-fold. First, the overall demand for wireless products is increasing both in the United States and worldwide. As the cost of providing wireless communications decreases and the number of service providers increases, consumer access to wireless service will become more affordable and utilization will increase. In addition, in areas without fully-implemented communications systems, the cost of installing a wireless communications system is significantly lower than the cost of installing a traditional landline communications system. Accordingly, the Company believes that many developing countries are seeking to establish a wireless infrastructure.

Second, a broader range of wireless communications services, such as e-mail, faxing and internet access, is now being offered, further burdening the already crowded wireless frequencies. To accommodate the expanding need for wireless communications, the FCC has auctioned PCS frequencies (around the 2 GHz frequency) domestically to wireless service providers, yielding over $17 billion in license fees as of June 1996. Auction winners are under financial, regulatory and competitive pressures to quickly deploy and operate wireless services in these new frequencies. In general, service providers will be required to install new base stations to service these new frequencies. In addition, the Company estimates that as a result of the PCS frequency auctions, the number of licensed wireless service providers in any given service area will increase from two to five over the next several years, thereby increasing domestic demand for new base stations.

WIRELESS COMMUNICATIONS CONSTRAINTS

The ability of wireless service providers to increase system utilization is enhanced by their ability to increase base station coverage range, decrease existing interference and minimize the physical size of base station components. A wireless network consists of a number of adjoining cells that form a service provider's geographic coverage area. Each cell has a base station, and the user communicates through the closest base station on one of a limited number of RF bands. The call is switched from base station to base station as the user moves within the geographic area. Transmissions that pass through a base station are filtered for unwanted signals to improve call clarity. The filtering process improves the quality of the transmission being received and the range that the base station can cover. Range is the distance at which a base station can continue to pick up a wireless phone signal as the user travels away from the physical base station site. Most base stations within the present cellular communications network were deployed at a time when the typical cellular telephone unit was designed to transmit up to three watts of RF power. Today, smaller portable telephones that transmit only 0.6 watts of power are increasingly replacing higher-power mobile units, thereby decreasing the effective range of existing cellular base stations. In the PCS communications arena, wireless communications systems operate at a higher frequency than traditional cellular communications, which reduces the range of signal transmission due to the limitations of conventional filtering technologies. In urban settings, site location, site acquisition and special environmental requirements can drive total costs up to $1 million per site. In addition, each site may be subject to additional or unique regional and local regulatory processes and citizen demands that can burden the deployment process. As a result, decreasing the number of base stations that must be deployed can significantly reduce the service provider's infrastructure costs.

The physical size of the base station can also be a significant issue for service providers. Because a conventional filter system can account for

approximately 30% of the total base station size (excluding the antenna) and a smaller base station requires less real estate per site, reducing the size of the filter system can provide significant cost savings to service providers. In addition, when new sites are not available, base station utilization must be increased by retrofitting electronics for additional channels in the same physical space. In such cases, reducing component size is a viable alternative.

Finally, interference due to the imperfect RF channel selectivity of filtering components is also a significant issue. Interference, which occurs when two radio waves of the same frequency interact with one another, can cause dropped calls and cross talk. It also prevents a service provider from fully utilizing the available RF spectrum, as some spectrum must be reserved to protect against interference from another service provider's RF spectrum, which in turn decreases the number of users a base station can process. Problems caused by interference can be especially acute in urban areas, where caller density is high. Because these symptoms of interference can dramatically degrade service quality, a wireless filter system that reduces interference can provide a meaningful advantage in this increasingly competitive market. See "-- Competition."

STI'S PRODUCT SOLUTION

The Company believes that its SuperFilter(TM) systems offer solutions to some of the most pressing constraints facing the wireless communications industry: range, size and interference. Each SuperFilter(TM) system is a self-contained unit that can be retrofitted into existing base stations or incorporated into new base stations regardless of the protocol used (including Code Division Multiple Access ("CDMA"), Time Division Multiple Access and GSM, among others), with little or no modifications to conventional design. The benefits offered by the Company's SuperFilter(TM) products include the following:

- Range Extension. The Company's SuperFilter(TM) systems incorporate an LNA with an HTS filter, both of which are then cryogenically cooled. The filters expand the receiving range of the base station by reducing the electrical noise of the system, enabling each base station site to cover a larger area. The Company believes that extending base station range reduces the number of base stations that must be deployed in a given service area, which can result in lower capital costs, more calls completed per base station and higher revenue per base station.

- Decrease in System Size. The low resistance of HTS materials allows STI to provide HTS filters that are one one-thousandth of the size of the conventional filters most commonly used in base stations. A complete SuperFilter(TM) system is approximately 70% to 90% smaller than a typical conventional filter and can be incorporated easily into a standard 19 inch component rack mount. This significant reduction in physical size makes valuable space available for other required electronic components, enabling service providers to enhance the utilization of existing base stations instead of deploying additional base stations. In addition, reduced size can decrease deployment costs for new base stations, as less real estate is required to support a base station. STI believes its SuperFilter(TM) systems are the smallest filters currently available in the industry.

- Reduction in Interference. STI has demonstrated that HTS thin-film materials are attractive for wireless communications base station applications because the near-perfect conductivity of the HTS filters allows for greater control of RF signals. The Company believes that its HTS filter systems can insulate a desired frequency against interference from unwanted frequency transmissions more selectively than conventional cavity filters, thereby reducing the number of dropped calls and the amount of cross talk. While the exact number of dropped calls will vary among base stations due to differences in call volume and geographic location, a reduction in the number of dropped calls can increase revenues to the service provider. STI believes that a decrease in interference also can result in an increase in utilization of the service provider's allocated frequency spectrum, which in turn can result in an increase in the volume of calls processed.

- Tower Mounting and Low Power Consumption. The Company believes that as

PCS and cellular base stations are deployed, base station manufacturers will prefer to install filtering and LNA capabilities at the top of the station's antenna tower, because such mounting substantially reduces the significant signal losses associated with tower-to-ground cabling. The Company believes tower mounting is a key component of extending the range of base stations, and the Company expects prototypes for the optional tower-mount platform for its SuperFilter(TM) products to be available in late 1996, although there can be no assurance in this regard. The Company believes that an additional benefit to its HTS filter systems is that these systems consume less energy than competing HTS systems, because the power budget for some base stations can be as low as 1500 watts. A higher power budget requires high capacity back-up units, resulting in undesirable increases in base station size. Currently, the most energy-efficient competing HTS system consumes more than 500 watts of power, while the Company's HTS system consumes only approximately 100 watts of power, comparable to that of a household light bulb.

WIRELESS COMMUNICATION CUSTOMERS

The Company markets its products to large OEMs and service providers worldwide. When targeting a particular customer, the Company currently seeks orders for prototype units, as well as units for conducting laboratory life and field trial testing. Ultimately, the Company will seek multiple unit orders from its

customers. Product accelerated life testing provides proof of the reliability and durability of the Company's product, while field trials verify the system's capabilities when implemented into a live system in the field. This approach allows the Company to build customer confidence in its technology, to provide product reliability data and to build a foundation for volume orders. The Company believes it has been successful with this approach and has established relationships with major base station manufacturers and wireless communications service providers, from which STI expects to seek volume orders.

In May 1996, the Company delivered a complete SuperFilter(TM) system for cellular applications to Motorola. Production of the unit was the result of a long-term effort between the two companies. Following delivery, the unit successfully underwent extensive accelerated life testing at Motorola's facilities, a critical factor in the successful commercialization of the Company's product. As a result of this successful testing, Motorola and the Company are currently examining the potential integration of the SuperFilter(TM) systems into certain Motorola base station offerings. Motorola has ordered additional units for field trials and testing, which tests are expected to take several months to complete. Following successful field testing and the incorporation of any product modifications that such testing may indicate are necessary or desirable, the Company intends to seek a volume order from Motorola. However, there can be no assurance that the Motorola relationship will ultimately lead to volume orders for the Company's SuperFilter(TM) products.

In early August 1996, the Company delivered a PCS SuperFilter(TM) system to be utilized in a CDMA environment to a base station manufacturer that is a leader in wireless technology. In addition, in late 1995, the Company delivered a system utilizing GSM technology to one of the world's top five base station manufacturers. The GSM product was tested in the customer's laboratories, with favorable results reported by the customer. Currently, the Company is in discussions with both customers to explore potential HTS applications in their base station offerings.

The Company has received orders from a major Asian telecommunications company for two filter systems for testing in the PCS environment, which systems are expected to be delivered during the fourth quarter of 1996, although there can be no assurance in this regard. The Company is also in preliminary discussions with several other OEMs and service providers for initial product shipments and field trials.

HIGH-SPEED COMPUTING

In recent years, there has been a dramatic increase in demand for higher speed computers, and this trend is expected to continue for the foreseeable future. Workstations are the segment of the computing market focused on processing-intensive uses, such as engineering and computer-aided design. IDC

expects sales of workstations with an average sales price of more than $15,000 to grow from 358,000 units in 1995 to over 575,000 units in 1998. As software sophistication increases in response to user demand, higher performance computers are needed to maintain processing times at acceptable levels. In some cases, particularly in engineering applications, processing specific tasks can take hours or days, making them inefficient without some form of high-speed computing. In addition, existing application software requires increased computing power to meet the higher computing demands associated with the growth in number of users.

Temperature, among other factors, is a fundamental limit to electronic system performance. The process that allows computers to run both at high speeds and at low temperatures, known as "cold computing," addresses both performance and thermal management needs. Because the high-end workstation market targeted by the Company for its cold computing products is driven by demands for increased processor speed, performance improvements from cooling are expected to offset the cost of cryogenic coolers. The Company believes its cryogenic coolers can be used to efficiently and cost-effectively improve the speed of existing workstations.

STI'S COLD COMPUTING PRODUCT

The Company has developed a line of cold computing products known as RACE(TM) (Radically Accelerated Cold Electronics). These cryogenic coolers have demonstrated in excess of a 50% performance improvement when used in conjunction with workstations at -55 degrees Celsius (218K) without any further modifications to the complementary metal oxide semiconductor ("CMOS") central processing unit ("CPU"). With a

further decrease in temperature and minor modifications of the CPU, the Company believes that workstation performance can be increased by 100% to 200%. By utilizing the same proprietary technology used to cool its HTS systems, the Company's cold computing products can capitalize on the Company's efforts in HTS cooler development, and can provide additional commercial revenue for the Company. The Company believes that the unit cost of its cooling subsystems will decline as production volume increases.

COLD COMPUTING CUSTOMERS

The Company targets its cold computing marketing efforts toward manufacturers and end users in the high-speed computer market. In February 1996, the Company entered into a letter of intent with Commercial Data Servers, a start-up computer company. The letter of intent provides for an initial purchase order for test units, which may be followed by volume orders, although there can be no assurance in this regard. The Company has been in discussions with several other workstation manufacturers and anticipates additional cooler orders by the end of 1996.

GOVERNMENT CONTRACTS

Since inception, over 90% of the Company's net revenues have been from research and development contract sales directly to the government or to resellers to the government. Nearly all of such revenues were paid under contracts between the Company and the DoD. The Company continues to pursue government research and development contract awards to supplement its funding of HTS wireless and cryogenic product development. STI extensively markets to various government agencies to identify opportunities, and actively solicits partners for product development proposals. Since 1988, the Company has successfully obtained a number of non-classified government contracts for HTS research, including one of the largest non-classified HTS awards from the DoD Advanced Research Projects Agency ("DARPA") through the Office of Naval Research, under DARPA's original superconductivity program. In addition to actively soliciting government contracts, the Company participates in the Small Business Innovative Research ("SBIR") program. Since its inception, the Company has been awarded 30 Phase I SBIR contracts, each of which typically generates from $50,000 to $100,000 of revenues for the Company. The Company has been successful in converting eight of these Phase I contracts into Phase II programs, each of which typically generates $500,000 to $1 million of revenues for the Company. STI has several other Phase II proposals currently under review, although there can be no assurance that the Company will be successful in obtaining such contracts. Since the Company's inception, government contracts

have provided over $32 million of revenue to the Company. The Company believes that it has successfully leveraged its technology developed under government funded projects into commercial applications.

PRODUCTS DEVELOPED UNDER GOVERNMENT CONTRACTS

The Company's first complete system for the military aerospace communications market is a proprietary switched filter bank ("SFB") system developed in conjunction with Wright Laboratory at Wright-Patterson Air Force Base ("WP-AFB") with funding from DARPA. The SFB has demonstrated an ability to mitigate the problem of signal interference, which a DARPA representative has stated is one of the most pressing and recurring problems in the use of electronics in military aircraft. DARPA believes that resolving the interference problem can increase aircraft and pilot survival rates. The Company's filter bank system selectively filters unwanted communication signals that can cause severe problems for radar warning receivers. The Company believes that its filter bank system can also be adapted to mitigate similar problems on ships, helicopters and tanks.

In addition to the SFB program and certain classified programs, the Company is working with military communications equipment contractors on another government wireless program. The focus of this program is to improve the integrity of a digital communications link through the use of an HTS filter system. Development of this technology is consistent with the Company's strategy to commercialize its HTS products in the private wireless communications area.

CURRENT GOVERNMENT R&D CONTRACTS

The Company is currently working with the government under 12 separate research and development contracts. Two of the significant programs are:

HTS Thin-Film Manufacturing Alliance. The Company is involved in a government sponsored consortium with another HTS company and a variety of university and industrial participants. The consortium, called the HTS Thin-Film Manufacturing Alliance, has received approval for funding totaling $5.6 million from DARPA through July 1998, subject to annual renewal, resulting in revenues of approximately $2.8 million for STI. Under the cost sharing provisions of the alliance contract, the participating organizations are committed to match research and development expenses; STI will allocate matching expenses of $2.8 million. The purpose of the consortium is to develop cost-effective manufacturing technologies for HTS thin films for RF applications, establish industry standards for substrates, films and testing, and provide second-sourcing between the companies.

Technology Reinvestment Program. The Company has received a Technology Reinvestment Program contract to refine and develop processes and designs for HTS microwave systems to effect a transition from current research and development to affordable, producible systems providing improvements in military and commercial wireless systems capabilities. The contract is based on an alliance of industry partners and is funded through WP-AFB. The alliance will receive $5.1 million from WP-AFB, and will match an additional $8.3 million through a government cost sharing arrangement. Over the term of the contract, the Company will receive $2.8 million in revenues, and will allocate matching research and development expenses of $4.5 million.

During the first six months of 1996, the Company secured new government contract awards for a total of $5.4 million. Because all of the Company's government contracts are terminable by the contracting agency at its option, award amounts should not be used as a measure of future revenues. See "Risk Factors -- High Degree of Dependence on Government Contracts" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

STI'S TECHNOLOGY

SUPERCONDUCTING TECHNOLOGY

Superconductors are materials that have the ability to conduct electrical energy with little or no resistance when cooled to "critical" temperatures. In contrast, electric currents that flow through ordinary materials encounter resistance that consumes energy when electrical energy is converted into heat. Substantial improvements in the performance characteristics of electrical

systems can be made with superconductors, including reduced power loss, lower heat generation and decreased electrical noise. As these properties have been applied to radio and microwave frequency applications, new products, such as wireless filters, have been developed that can be extremely small, highly sensitive and highly frequency selective.

The discovery of superconductors was made in 1911. However, a fundamental understanding of the phenomenon of superconductivity eluded physicists until J. Robert Schrieffer (a director of the Company and Chairman of its Technical Advisory Board), John Bardeen (co-inventor of the transistor) and Leon Cooper proposed a theory explaining superconductivity, for which they were awarded the Nobel Prize in Physics in 1972. Until 1986, all superconductor utilization was done at extremely low temperatures below 23K (-250 degrees Celsius). Superconductors were not widely used in commercial applications because of the high cost and complexities associated with reaching and maintaining such low temperatures. In 1986, high temperature superconductors with critical temperatures greater than 30K (-243 degrees Celsius) were discovered. In early 1987, YBCO was discovered, which has a critical temperature of 93K (-180 degrees Celsius). Shortly thereafter, TBCCO was discovered, which has a critical temperature of 125K (-148 degrees Celsius). These discoveries were important because these high temperature superconductors allowed for operating temperatures higher than 77K (-196 degrees Celsius), or the point at which nitrogen liquefies. These high critical temperatures allow superconductors to be cooled using less expensive and more conventional refrigeration processes. STI was formed following this discovery to develop and commercialize high temperature superconductors.

STI'S APPROACH

The key technologies necessary to serve the worldwide wireless communications markets targeted by the Company have been internally-developed from a standard set of technology platforms. The Company utilizes a proprietary manufacturing process for HTS thin film production, the base material for the Company's filtering products. An in-house design team develops the filters, which are packaged into a vacuum-sealed container for thermal insulation. The filter package is incorporated with the Company's cryogenic cooler, and then integrated with the necessary control electronics into a complete system for simple adaptation into new or existing wireless communications base stations. The Company believes that its filter systems provide its targeted markets with the smallest and most cost-effective products and that it is the only HTS company to develop and manufacture all of these key components.

HTS Materials. A number of HTS materials have been discovered with superconducting properties, but only a few have characteristics capable of commercialization. The Company primarily utilizes TBCCO, which has one of the highest known critical temperatures, allowing for reduced cooling needs in order to achieve superconducting properties. The Company holds a worldwide exclusive license to all TBCCO formulations covered by patents held by the University of Arkansas through a license agreement. The Company also utilizes YBCO for some of its applications, including some manufacturing processes for its RF components. Thin-film HTS is the base material used by STI to produce RF components, such as wireless communications filters. The Company has obtained ten patents for technologies related to thin film production. The Company believes that the process technology it has developed produces state-of-the-art HTS thin films of the highest quality.

RF Circuitry. The Company has devoted a significant portion of its engineering resources to design and model the complex RF circuitry that is basic to the Company's products. The Company's ten person engineering team is led by Drs. Gregory Hey-Shipton and George Matthaei. In addition, Dr. J. Robert Schrieffer, a Nobel laureate, is head of the Company's Technical Advisory Board. The expertise of this highly qualified team has allowed the Company to design and fabricate very precise individual components, such as RF signal filters. STI has implemented computer simulation systems to design its products, and this RF circuitry design has allowed the Company to produce extremely small, high-performance circuits. Some of the Company's design and engineering innovations have been patented; others are the subject of pending patent applications. The Company believes that its RF engineering expertise provides the Company with a competitive advantage.

Cryogenic Cooling Technology. The availability of a low cost, highly

reliable, compact cooling technology is critical to the successful commercialization of the Company's HTS products. Although such technology had been used successfully in military applications in the past, no such cryogenic cooler was commercially available. As a result, the Company developed a low cost, low power cooler designed to cool to 77K (-196 degrees Celsius) with sufficient heat dissipation for its HTS applications, and has a target life of over 40,000 hours. Its development was based in part on patents licensed by the Company from Sunpower, Inc. under a cross-licensing arrangement. STI believes that its internally-developed cryogenics allow it to offer a cooler that is both compact and reliable enough to meet industry standards and provides the Company with a significant competitive advantage. In high volume production, the Company believes that unit costs for this cooler will be significantly less than currently available cryogenic coolers. See "-- Manufacturing" and "-- Strategic Relationships."

Cryogenic Packaging. Cooling to cryogenic temperatures requires proper insulation and packaging. Any HTS or other cryogenically-cooled device must be maintained at its optimal operating temperature, and its interaction with higher temperature components must be controlled. The Company has developed several thermal insulation technologies to satisfy this requirement.

MANUFACTURING

As the Company has commercialized its HTS and cryogenic products, it has developed prototypes and established its manufacturing foundation. However, the Company presently has no volume production capabilities. As the Company receives volume orders for its products, it expects to outsource the manufacturing of many of the hardware components of its systems, while retaining manufacturing responsibility for its HTS thin-film filters. STI's manufacturing processes, including thin film production, are performed in "clean

rooms." Except for processing related to its proprietary thin films, the Company utilizes technologies and equipment commonly used in the semiconductor industry.

The Company has demonstrated a proprietary manufacturing process for thin-film TBCCO materials that the Company believes is scalable for high volume production. The Company has established a pilot scale production operation, which the Company uses to produce TBCCO thin films on wafers for wireless electronics applications. The Company currently purchases wafers for growth of HTS thin films from two primary outside suppliers because of the quality of their products.

The RF circuitry utilized by STI is designed and modeled by internal engineering resources. The Company has in-house capabilities to pattern the HTS material and all other aspects of RF component production, including packaging the filters. See "-- STI's Technology -- STI's Approach."

STI has in-house prototype capabilities to manufacture its cryogenic coolers in limited quantities. However, the Company has formed Cryo-Asia Pte Ltd ("Cryo-Asia"), a joint venture with Alantac in Singapore, to achieve volume production of its coolers. The Company anticipates that this production capacity will be available by early 1997. See "Risk Factors -- Limited Manufacturing Experience."

MARKETING AND SALES

The Company pursues a marketing strategy aimed at a select group of OEMs, service providers, computer manufacturers, computer end users and government agencies where long-term business relationships have been solidified over the years. In addition, the Company demonstrates STI products at trade shows, participates in industry conferences, utilizes selective advertising and provides technical and application reports to recognized trade journals. Product information in the form of brochures, data sheets, application notes, trade journal reports, product photos and press releases are updated as necessary. The Company has an in-house marketing staff with experience in marketing and sales, in addition to nine sales representatives located domestically and internationally. The Company's officers and directors are also involved in the Company's marketing effects. The Company currently markets its products to the wireless communications and high-speed computing markets in North America, Europe and Asia. The Company has direct distribution arrangements in Japan, Korea, Scandinavia, the United Kingdom, Germany and certain regions of the

United States.

As the Company gains increased access to its targeted markets, it plans to concurrently increase its in-house marketing staff. STI is currently developing extensive product announcement strategies, including advertising and press tours. See "Risk Factors -- Limited Marketing and Sales Capabilities."

STRATEGIC RELATIONSHIPS

The Company has established collaborative and strategic relationships with the following companies:

Alantac. In May 1996, the Company and Alantac entered into an agreement which established Cryo-Asia, a joint manufacturing venture. The joint venture is owned 60% by the Company and 40% by Alantac. Cryo-Asia was established to develop volume manufacturing of the Company's proprietary cryogenic cooler. The Company anticipates that the joint venture will enhance cost reduction efforts to further decrease the unit cost of its cooler. The Company plans to begin production of the coolers in Singapore over the next several quarters. See "-- Manufacturing."

Lockheed. In January 1988, Lockheed made a $4 million equity investment in the Company and the parties entered into a 20-year agreement to exchange technical information and know-how with the objective of accelerating the use of HTS technology in Lockheed products. According to the terms of the Company's agreement with Lockheed, each party is obligated to assist the other in the transfer of HTS technology, with the inventing party retaining ownership of the technology, or if the technology is jointly invented, then the technology will be jointly owned. If products are developed by the Company in conjunction with Lockheed or by Lockheed using the Company's technology, then the Company has the first right to manufacture such products for Lockheed. If the Company cannot meet quality and delivery schedules, the Company has agreed to grant Lockheed a license to manufacture such products for a royalty.

INTELLECTUAL PROPERTY

The Company regards elements of its manufacturing processes, product design and fabrication equipment as proprietary and seeks to protect its rights in them through a combination of patent, trademark, trade secret and copyright law and internal procedures and non-disclosure agreements. The Company also seeks licenses from third parties for HTS materials and processes used by the Company which have been patented by other parties. The Company believes that its success will depend, in part, on the protection of its proprietary information, patents and the licensing of key technologies from third parties.

The Company has focused its development efforts on TBCCO materials and, to a lesser extent, on YBCO materials. Several U.S. patents have been issued to the University of Arkansas covering TBCCO, and the Company has an exclusive worldwide license (including the right to sublicense) under these patents, subject to the University of Arkansas' right to conduct research related to the patents. The consideration for the license included $250,000 in cash, prepaid royalties of $750,000 through April 1995 and an aggregate of 175,000 shares of Common Stock. Commencing April 1995, the Company has been obligated to pay royalties of 4% on sales of TBCCO-based products, subject to a $100,000 annual minimum from and after April 1997, and royalties of 35% of sublicense revenues received by the Company. In the event that the Company fails to pay minimum annual royalties, the license automatically becomes non-exclusive. The license terminates upon expiration of the right to claim damages for infringement of all the patents covered. Under the terms of its exclusive license, the Company has agreed to assume litigation expenses for infringement actions, subject to a right of setoff against future royalty obligations.

In January 1993, as a part of its strategy to stimulate the development and use of TBCCO and to create potential second sourcing foundry service to STI, the Company granted DuPont a non-exclusive worldwide sublicense to develop processes and market TBCCO thin films. DuPont paid the Company $388,000 as partial consideration for the sublicense, a portion of which represents prepaid royalties. Commencing in 1998, DuPont will pay royalties on sales of TBCCO thin films or devices containing TBCCO thin films, subject to annual minimums. In the event that the Company grants another sublicense to a third party on more favorable terms, it will be obligated to extend those terms to DuPont. The term

of the sublicense is the same as the Company's license from the University of Arkansas, but the sublicense is terminable by DuPont upon 30 days' notice to the Company. In 1994, the Company granted a nonexclusive license for TBCCO to Superconducting Core Technologies, Inc. on terms substantially similar to those of the DuPont agreement. DuPont, Superconducting Core Technologies, Inc. and their customers are current or potential competitors of the Company, and there can be no assurance that these sublicenses will not adversely affect the Company's business, results of operations and financial conditions.

The Company is also focusing development efforts on YBCO, although to a lesser extent than TBCCO. YBCO is the other significant material that the Company has used in the development of its products. The Company believes that a number of patent applications are pending that cover the composition of YBCO, including applications filed by IBM, AT&T and other large potential competitors of the Company. STI believes that such applications are the subject of interference proceedings currently pending in the U.S. Patent and Trademark Office. The Company is not involved in those proceedings. In addition, international patents have been issued for specific YBCO compounds. Therefore, there is a substantial risk that one or more third parties will be granted patents covering YBCO and that the Company's use of these materials may require a license. As with other patents, the Company has no assurance that it will be able to obtain licenses to any such patents for YBCO or that such licenses would be available on commercially reasonable terms. The Company's efforts to develop products based on YBCO would be substantially impaired by its failure to obtain any such license for YBCO, and such failure could have a material adverse effect on the Company's business, results of operations and financial condition.

As of June 30, 1996, the Company holds 13 patents, and two patents have been allowed but have not yet issued. Ten of the Company's patents are for technologies directed towards producing thin-film materials, including its proprietary thin film process for TBCCO production. In addition, the Company currently holds two issued and two allowed patents for circuit designs and one patent covering cryogenics and packaging. As of June 30, 1996, the Company has six patents pending, including one related to materials, one related to

cryogenics, and four covering STI designs. As the Company has developed prototype products, it has increased the number of design patents applied for in an effort to protect all phases of product development.

See "Risk Factors -- Uncertainty of Patents and Proprietary Rights."

RESEARCH AND DEVELOPMENT

As part of STI's strategy to maintain its technological leadership, the Company has focused its research and development activities on materials, RF circuitry, cryogenics design and product application. At June 30, 1996, the Company's research and development department consisted of 43 individuals, including Drs. Hey-Shipton and Matthaei. The Company's contract research and development expenses consist primarily of labor, engineering, material and overheard costs incurred in connection with research and development activities. For the fiscal years ended 1993, 1994 and 1995 and the six months ended June 30, 1996, contract research and development expenses were approximately $2.9 million, $4.0 million, $5.4 million and $2.3 million, respectively. The Company's revenues from government-related contracts provided for approximately $4.3 million, $5.0 million, $7.3 million and $2.9 million, respectively, during these same periods. This accounted for 87%, 90%, 96% and 97% of the Company's total revenues in the fiscal years ended 1993, 1994 and 1995 the six months ended June 30, 1996, respectively.

Since the Company's inception, it has received approximately $32.8 million of revenues from government contracts. The Company believes that it will continue to rely heavily on government research and development awards to fund a significant portion of its research and development activities. See "Risk Factors -- High Degree of Dependence on Government Contracts" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COMPETITION

The Company faces competition in various aspects of its technology and product development, and in each of the markets targeted by the Company. The Company's current and potential competitors include conventional RF filter

manufacturers and both established and newly emerging companies developing similar or competing technologies. In addition, the Company currently supplies components and licenses technology to large companies and industry leaders that may decide to manufacture or design their own HTS components instead of purchasing them, or licensing the technology, from the Company. The Company expects increased competition both from existing competitors and a number of companies that may enter the wireless communications or high-speed computing markets.

In the wireless communications market, the Company competes primarily with Conductus, Inc., Illinois Superconductor Corp. and Superconducting Core Technologies, Inc. with respect to its HTS filter systems. In addition, the Company competes with IBM, DuPont, Matsushita and Amtel, a Japanese consortium, among others, with respect to its HTS materials. The Company is not currently aware of another company that is targeting the cold computing market with a compact and low cost cryogenic cooler; however, there can be no assurance that there is no other company designing or developing cryogenic cooling technology similar to or in direct competition with the Company's products. In the government sector, the Company competes with universities, national laboratories and both large and small companies for research and development contracts.

The Company believes that it competes on the basis of technological sophistication, product performance, reliability, quality, cost-effectiveness and product availability. Many of the Company's current and potential competitors have significantly greater financial, technical, manufacturing and marketing resources than the Company. There can be no assurance that the Company will be able to compete successfully in the future. See "Risk Factors -- Intense Competition."

ENVIRONMENTAL ISSUES

The Company uses certain hazardous materials in its research, development and manufacturing operations. As a result, the Company is subject to stringent federal, state and local regulations governing the storage, use and disposal of such materials. It is possible that current or future laws and regulations could

require the Company to make substantial expenditures for preventative or remedial action, reduction of chemical exposure, or waste treatment or disposal. In addition, although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, nevertheless there is the risk of accidental contamination or injury from these materials. To date, the Company has not incurred substantial expenditures for preventative action with respect to hazardous materials or for remedial action with respect to any hazardous materials accident, but the use and disposal of hazardous materials involves the risk that the Company could incur substantial expenditures for such preventive or remedial actions. If such an accident occurred, the Company could be held liable for any resulting damages. The liability in the event of an accident or the costs of such remedial actions could exceed the Company's resources or otherwise have a material adverse effect on the Company's financial condition and results of operations. See "Risk Factors -- Hazardous Materials; Environmental Regulations."

PROPERTIES

The Company's operations, including its pilot scale manufacturing line, are located in approximately 24,000 square feet of space in Santa Barbara, California. The Company occupies 15,000 square feet of this space under a lease which expires on December 31, 1999. The Company occupies the remaining 9,000 square feet of this space under a lease which expires on December 31, 1997. The Company believes that such facilities are adequate to meet its needs for the current level of operations. However, as STI implements its commercialization strategy and begins volume production, the Company anticipates that it will require significant additional manufacturing facilities. See "-- Manufacturing."

LEGAL PROCEEDINGS

There are currently no material lawsuits pending against the Company.

EMPLOYEES

As of June 30, 1996, the Company employed a total of 64 persons, 43 of whom were employed in research and development. Six of the Company's employees have Ph.D.s and fourteen others hold advanced degrees in physics, materials science, electrical engineering and related fields. The Company's employees are not represented by a labor union, and the Company believes that its employee relations are good.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company and their ages as of June 30, 1996 are as follows:

NAME	AGE	POSITION
Glenn E. Penisten	64	Chairman of the Board of Directors
Daniel C. Hu	52	President, Chief Executive Officer and Director
Robert B. Hammond, Ph.D.	48	Senior Vice President and Chief Technical Officer
James G. Evans, Jr.	44	Vice President and Chief Financial Officer
James P. Simmons, Jr.	46	Vice President, Marketing and Sales
Gregory L. Hey-Shipton, Ph.D.	42	Vice President and General Manager, Government Products Business Unit
Robert P. Caren, Ph.D. (1)(2)	63	Director
E. Ray Cotten	65	Director
Charles Crocker (1)(2)	57	Director
Dennis Horowitz (1)(2)	49	Director
J. Robert Schrieffer, Ph.D. (1)(2)	65	Director

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

Glenn E. Penisten has served as Chairman of the Board since May 1994. Mr. Penisten is a founder of the Company and has served on its Board of Directors since May 1987. He served as STI's Chief Executive Officer from August 1987 to June 1988. He has been a General Partner of Alpha Partners, a venture capital firm, since 1985. He was Chairman of the American Electronics Association in 1982, while he was Chairman of the Board of Directors and Chief Executive Officer of American Microsystems Inc., a semiconductor company. Mr. Penisten is a director of Bell Microproducts Inc., IKOS Systems, Inc., Network Peripherals, Inc. and Pinnacle Systems. Mr. Penisten holds a B.S. in electrical engineering from Oklahoma State University.

Daniel C. Hu has served as President, Chief Executive Officer and a member of the Board of Directors of the Company since December 1992. He has been in the semiconductor and electronics industry for 28 years, having served in a variety of executive positions in business, manufacturing and research and development operations. Prior to joining the Company, Mr. Hu served as President of Elite Microelectronics Inc., a semiconductor company, from April 1991 to July 1992. He has also held senior management positions at Lattice Semiconductor, Advanced Micro Devices, Exel Microelectronics, Inc. and National Semiconductor Corp., and technical management positions at Intel Corporation and Fairchild Semiconductor Corporation, each of which is a semiconductor company. Mr. Hu holds several key CMOS and bipolar patents, and he participated in the pioneering of semiconductor DRAM, SRAM, flash memories and microprocessors. Mr. Hu received an M.S.E.E. from UCLA and a B.S.E.E. from the University of Illinois.

Robert B. Hammond, Ph.D. has served as Senior Vice President and Chief Technical Officer of the Company since December 1992, having served as Vice President, Technology, and Chief Technical Officer since August 1990. From May 1991 to December 1991 and July 1992 to December 1992, he served as Acting Chief Operating Officer of the Company, and from December 1987 to August 1990, he served as Program Manager of the Company. Dr. Hammond also serves on STI's Technical Advisory Board. For over ten years prior to joining the Company, he was at Los Alamos National Laboratory, most recently as Deputy Group Leader of

Electronics Research and Development, a group that performs research, development and pilot production of solid state electronics and optics. Dr. Hammond received his Ph.D. and M.S. in applied physics and his B.S. in physics from the California Institute of Technology.

James G. Evans, Jr. joined the Company in March 1995 as Vice President, Chief Financial Officer and Secretary. Prior to joining the Company, from 1983 to 1995, Mr. Evans held several senior executive positions within finance and operations at Applied Magnetics Corporation, a manufacturer of magnetic record heads for hard disk drives ("Applied Magnetics"), most recently as Customer Business Director and Financial Director of Thin-Film Products, where he was responsible for the design, off-shore manufacturing, pricing, planning and quality of the product for one-third of that company's customers. Before joining Applied Magnetics, Mr. Evans was Director of Financial Planning for Tiger International, a transportation company. Mr. Evans has an M.B.A. in Accounting from the University of Southern California and a B.A. in Business Economics from the University of California at Santa Barbara. Mr. Evans is a certified public accountant.

James P. Simmons, Jr. joined the Company as Vice President, Marketing and Sales in May 1994. Prior to joining the Company, from September 1990 to May 1994, Mr. Simmons was the Product Marketing and Applications Manager at Therma-Wave, Inc., a semiconductor equipment company, where he was responsible for all strategic and tactical marketing activities for a major product family. Mr. Simmons has over 20 years of marketing management and production experience within the high-technology industry and has held management positions with Hewlett-Packard Company, as well as KLA Instruments Corp. and Nanometrics, Inc., both of which are semiconductor equipment companies. Mr. Simmons holds an M.B.A. from the Harvard Business School and a B.S. in applied physics from the California Institute of Technology.

Gregory L. Hey-Shipton, PhD., has served as Vice President and General Manager of the Company's Government Products Business Unit since August 1994. Dr. Hey-Shipton joined the Company as Engineering Manager in June 1991, and from March 1992 to August 1994, he served as Vice President, Engineering. Prior to joining the Company, from 1978 to 1991, he held various positions at Watkins-Johnson Company, a large microwave product company, most recently serving as Manager of its Subsystems Product Engineering Department. Dr. Hey-Shipton holds a Ph.D. in microwave electronics from the University of Leeds and a B.Sc. in physics and electronics from the University of Manchester.

Robert P. Caren, Ph.D., has served on both the Board of Directors and the Technical Advisory Board of the Company since January 1988. From 1988 to 1995, when he retired, Dr. Caren served as Corporate Vice President, Sciences and Engineering, for Lockheed Martin Corporation. Dr. Caren is a fellow of the American Institute of Aeronautics and Astronautics and the American Association for the Advancement of Science. He is a member of the National Academy of Engineering and past Chairman of the Research Division of the Defense Preparedness Association. Dr. Caren received his Ph.D., M.S. and B.S. in physics from Ohio State University.

E. Ray Cotten joined the Board of Directors in July 1996. Since August 1994, he has served as Chairman of the Board of Impulse Telecommunications Corporation, a wireless communications consulting and engineering firm ("Impulse"). Prior to joining Impulse, from December 1992 to August 1994, Mr. Cotten was President, Chief Executive Officer and Chief Operating Officer of Scott Instruments Corporation, a pioneer in voice recognition systems and from December 1990 to November 1992, he was President and Chief Executive Officer of ACS Software Products Group, a software company for the apparel industry. Prior to that, he also served as Vice-Chairman and co-founder of NetAmerica, a digital networking company, held vice-president positions at Microdynamics, Inc., a CAD/CAM company for the apparel industry, Northern Telecom, Inc., a telecommunications company, Data Transmission Corporation, a digital networking company, Danray, a communications switch manufacturing company, and spent nearly 10 years with Texas Instruments, where he held various management positions. Mr. Cotten received his B.A. in business from Oklahoma State University.

Charles Crocker is a founder of the Company and served as its President from May 1987 to August 1987, and has served on its Board of Directors since May 1987. Mr. Crocker has served as the President and Chief Executive Officer and Chairman of the Board of BEI Electronics, Inc., a sensor and medical device

company, since 1974. He founded and has served as President of Crocker Capital, a private venture capital company, since its inception in 1971. He is a director of Kera Vision, Inc., Pope & Talbot, Inc. and Fiduciary Trust Company International. Mr. Crocker holds an M.B.A. from the University of California, Berkeley, and a B.S. from Stanford University.

Dennis Horowitz has served on the Board of Directors of the Company since June 1990. Since September 1994, Mr. Horowitz has served as Corporate Vice President and President of the Americas, AMP Incorporated, an interconnection device company. From October 1993 to August 1994, Mr. Horowitz served as President and Chief Executive Officer of Philips Technologies, a Philips Electronics North America company. From April 1990 to September 1993, Mr. Horowitz served as President of Philips Components, Discrete Products Division. From 1988 to 1990, he served as Division President of Magnavox CATV, and from 1980 to 1988 he was involved in the general administration of North American Philips Corporation. Philips Components and Magnavox CATV are divisions of North American Philips Corporation. Mr. Horowitz is a director of Aerovox Corporation. Mr. Horowitz holds an M.B.A. and a B.A. in economics from St. John's University.

J. Robert Schrieffer, Ph.D. founded the Technical Advisory Board of the Company in August 1987 and has served as its Chairman since that time. He has also served on the Board of Directors of the Company since October 1988. He received the Nobel Prize in Physics in 1972 for work in superconductivity theory, and he has received many other professional honors including the National Medal of Science. Dr. Schrieffer is currently the President of the American Physical Society. He is also the University Eminent Scholar of the State of Florida University System and has been the Chief Scientist of the National High Magnetic Field Laboratory since January 1992. Dr. Schrieffer was Chancellor's Professor of Physics and Director of the Institute for Theoretical Physics at the University of California, Santa Barbara, from 1980 to 1991. Dr. Schrieffer serves on a number of government and industrial committees and is a Fellow of the Los Alamos National Laboratory, heading its Advanced Study Program in High Temperature Superconductivity Theory from 1988 to 1993. Dr. Schrieffer received his Ph.D. and M.S. in physics from the University of Illinois and his B.S. in physics from the Massachusetts Institute of Technology.

All directors hold office until the next annual meeting of shareholders or until their successors have been elected and qualified. Officers serve at the discretion of the Company's Board of Directors (the "Board"). There are no family relationships between any of the directors or executive officers of the Company.

BOARD COMMITTEES

The Board currently has a Compensation Committee and an Audit Committee. The Compensation Committee currently consists of Dr. Robert P. Caren, Charles Crocker, Dennis Horowitz and Dr. J. Robert Schrieffer. The function of the Compensation Committee is to review and approve salaries, bonuses and other benefits payable to the Company's executive officers and to administer the Company's Amended and Restated 1988 Stock Option Plan and 1992 Director Option Plan. The Audit Committee currently consists of Dr. Robert P. Caren, Charles Crocker, Dennis Horowitz and Dr. J. Robert Schrieffer. The functions of the Audit Committee are to recommend selection of independent public accountants to the Board, to review the scope and results of the year-end audit with management and the independent auditors and to review the Company's accounting principles and its system of internal accounting controls. The Board currently has no nominating committee or other committee performing a similar function.

DIRECTOR COMPENSATION

Each nonemployee director of the Company is paid $1,000 for each Board meeting attended. Nonemployee directors also participate in the Company's 1992 Director Option Plan, as amended. See "-- Employee and Director Benefit Plans."

DIRECTOR CONSULTING ARRANGEMENTS

The Company has entered into consulting arrangements with Dr. Schrieffer, Dr. Caren and Mr. Cotten pursuant to which such directors provide certain consulting services for the Company in addition to their services as directors. Under Dr. Schrieffer's consulting arrangement, he is paid $2,500 per month ($30,000 in fiscal 1995) for consulting services. Under Dr. Caren's consulting

arrangement, which terminates in June 1997, he is paid $750 per day of services rendered and was granted a stock option to purchase 4,000 shares of

Common Stock. Under Mr. Cotten's consulting arrangement, which expires September 30, 1996, he is paid $10,000 per month.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No interlocking relationship exists between the Company's Board of Directors and the compensation committee of any other company.

TECHNICAL ADVISORY BOARD

The Company has a Technical Advisory Board that consists of Dr. Schrieffer and Dr. Hammond, as well as several members of academia, including Dr. Douglas Scalapino of the University of California, Santa Barbara. The Technical Advisory Board's function is to review the Company's technical direction and strategy, and to consult with the Company generally on an ad hoc, as needed basis.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company's Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability (i) for any breach of their duty of loyalty to the company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Bylaws provide that the Company shall indemnify its officers and directors and may indemnify its employees and other agents to the fullest extent permitted by law. The Company believes that indemnification under its Bylaws covers at least negligence and gross negligence on the part of indemnified parties. The Company's Bylaws also permit it to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the Bylaws would permit indemnification.

The Company has entered into agreements to indemnify its directors and officers, in addition to the indemnification provided for in the Company's Bylaws. These agreements, among other things, indemnify the Company's directors and officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provides services at the request of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers. The Company also maintains director and officer liability insurance.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company, where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

EXECUTIVE COMPENSATION

The following table sets forth certain summary information regarding compensation earned in each of the three years in the period ended December 31, 1995 by the Company's Chief Executive Officer and the three executive officers other than the Chief Executive Officer whose total salary and bonus for fiscal year 1995 exceeded $100,000 ("Named Executive Officers").

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION($)(1)	LONG-TERM COMPENSATION SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION ($)(2)
Daniel C. Hu..... President and Chief Executive Officer	1995	$ 180,857	--	--	--	$1,558
	1994	166,291	--	--	--	1,558
	1993	149,620	--	--	--	400
Robert B. Hammond..... Senior Vice President and Chief Technical Officer	1995	$ 141,921	--	--	--	$ 851
	1994	134,244	--	--	15,000	788
	1993	120,094	--	--	15,000	475
James P. Simmons, Jr.(3)..... Vice President Marketing and Sales	1995	$ 121,233	--	24,581 (4)	15,000	$ 419
	1994	66,752	--	$	45,000	407
Gregory L. Hey-Shipton... Vice President and General Manager, Government Products Business Unit	1995	$ 112,395	--	38,202 (4)	10,000	$ 383
	1994	105,720	--	--	10,000	369
	1993	101,176	--	$	7,500	322

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(1) Excludes certain perquisites and other amounts that, with respect to any executive officer, in the aggregate did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus for such executive officer.
(2) Represents term life insurance premiums.
(3) Mr. Simmons joined the Company in 1994.
(4) Represents relocation expenses.

EMPLOYMENT AGREEMENT

In November 1992, the Company entered into an employment agreement with Daniel Hu, pursuant to which he was appointed President and Chief Executive Officer and elected a director of the Company, providing for an initial base annual salary of $150,000. In addition, the agreement provided for the grant to Mr. Hu of incentive stock options to purchase an aggregate of 240,293 shares of Common Stock, with vesting through December 2002; provided, however, that the vesting of these options will accelerate in full in the event the Company attains certain financial goals, including the Company obtaining at least $8 million in equity capital. Upon the consummation of this offering, these options will become exercisable in full. Furthermore, the agreement provides that if Mr. Hu is terminated without cause, he will be paid a salary continuance at his then current salary rate, plus benefits, until the earlier of Mr. Hu's obtaining other employment or six months after termination.

OPTION GRANTS DURING THE FISCAL YEAR ENDED DECEMBER 31, 1995

The following table sets forth certain information regarding the stock options granted during the fiscal year ended December 31, 1995 to each of the Named Executive Officers.

NAMED EXECUTIVE OFFICER	INDIVIDUAL GRANTS NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE PRICE ($/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2) 5%($)	10%($)
Daniel C. Hu.....	--	--	--	--	--	--
Robert B. Hammond.....	--	--	--	--	--	--
James P. Simmons, Jr.(3)...	15,000	7.08%	$ 6.25	5/10/05	$60,000	$149,000
Gregory L. Hey-Shipton(3).....	10,000	4.72%	$ 5.88	8/10/05	$37,000	$ 94,000

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(1) The total number of shares subject to options granted to employees in fiscal 1995 was 211,750. This amount includes options granted to employee directors, but excludes options granted to non-employee directors.
(2) The Potential Realizable Value is calculated based on the fair market value on the date of grant, which is equal to the exercise price of options granted in fiscal 1995, assuming that the stock appreciates in value from the date of grant until the end of the option term at the annual rate specified (5% and 10%). Potential Realizable Value is net of the option exercise price. The assumed rates of appreciation are specified in rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of future stock price. Actual gains, if any, resulting from stock option exercises and Common Stock holdings are dependent on the future performance of the Common Stock and overall stock market conditions, as well as the option holders' continued employment through the exercise/vesting period. There can be no assurance that the amounts reflected in this table will be achieved.
(3) Each option vests over a four-year period at the rate of 1/4th of the shares subject to the option at the end of the first twelve months and 1/36th of the remaining shares subject to the option at the end of each monthly period thereafter so long as such optionee's employment with the Company has not terminated.

AGGREGATE OPTION EXERCISES IN 1995 AND 1995 FISCAL YEAR-END OPTION VALUES

The following table sets forth for each of the Named Executive Officers certain information concerning the value of unexercisable stock options as of December 31, 1995. Also reported are values for "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding options and the fair market value of the Company's Common Stock as of December 31, 1995. No options were exercised by any Named Executive Officer during the fiscal year ended December 31, 1995.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END	
NAME	EXERCISABLE (#)	UNEXERCISABLE (#)	EXERCISABLE ($)	UNEXERCISABLE ($)
Daniel C. Hu	96,117	144,176	N/A(1)	N/A (1)
Robert B. Hammond	37,812	22,500	$19,654(2)	N/A (1)
James P. Simmons, Jr.	17,813	42,187	N/A(1)	N/A (1)
Gregory L. Hey-Shipton	22,188	21,562	$23,125(2)	N/A (1)

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(1) The fair market value of the Company's Common Stock as of December 29, 1995 (the last market trading day in 1995) was $4.50, which did not exceed the exercise price of any options held by such person.

(2) The fair market value of the unexercised in-the-money options is based on the $4.50 closing price of the Company's Common Stock on December 29, 1995 (the last market trading day in 1995) minus the exercise price.

EMPLOYEE AND DIRECTOR BENEFIT PLANS

Stock Option Plans. The Amended and Restated 1988 Stock Option Plan and the 1992 Stock Option Plan (the "Option Plans") provide for the grant to employees of incentive stock options ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and for the grant to employees and consultants of nonstatutory stock options. As of June 30, 1996, an aggregate of 1,713,176 shares have been reserved for issuance under the Option Plans, 488,018 shares have been issued pursuant to options exercised, options to acquire 1,054,100 shares remain outstanding and 171,058 shares remain available for future grants.

The Option Plans are currently being administered by the Compensation Committee of the Board, which committee is constituted to comply with Section 16(b) of the Securities Exchange Act of 1934, as amended, and all applicable

laws (the "Administrator"). The Administrator has the power to determine the terms of any options granted, including the exercise price, the number of shares subject to each option and the exercisability thereof, and the form of consideration payable upon exercise.

Options granted under the Option Plans vest and become exercisable at such time or times as is determined by the Administrator. Options granted to date generally vest over three to four years, assuming continued employment, and expire in five to ten years from the date of grant. Options granted under the Option Plans are generally not transferable by the optionee other than by will or the laws of descent and distribution, and each option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of ISOs granted under the Option Plans must be at least equal to the fair market value of the shares of Common Stock on the date of grant. No ISOs may be granted to a participant that, when aggregated with all the other ISOs granted to such participant, would have an aggregate fair market value in excess of $100,000 becoming exercisable in any calendar year. The exercise price of all nonstatutory stock options granted under the Option Plans must be at least 85% of the fair market value of the Common Stock on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of the Company's outstanding capital stock, the exercise price of any ISOs granted must be equal to at least 110% of the fair market value of the shares of Common Stock on the grant date and the maximum term of the option must not exceed five years. The terms of all other options granted under the Option Plans may not exceed ten years.

In the event of a proposed dissolution or liquidation of the Company, all outstanding options will terminate immediately prior to such transaction; provided, however, that the Board may declare that any outstanding option will terminate on a fixed date and give each optionee the right to exercise his or her option in full or in part prior to such date, including for shares as to which the option would not otherwise be exercisable. In the event of a merger of the Company with or into another corporation or a sale of substantially all of the Company's assets, each option may be assumed or an equivalent option substituted by the successor corporation. In the event that the successor corporation does not assume the option or substitute an equivalent option, the Board will accelerate the exercisability of all outstanding options. Such accelerated options will remain exercisable for 15 days, after which time they shall terminate.

The Amended and Restated 1988 Stock Option Plan will terminate in October 1998, and the 1992 Stock Option Plan will terminate in December 2002. The Board has the authority to amend or terminate the Option Plans; provided, however, that no such action may adversely affect any outstanding option.

1992 Director Option Plan. The Company's 1992 Director Option Plan, as amended (the "Director Plan"), provides for the grant of nonstatutory stock options to non-employee directors of the Company. As of June 30, 1996, an aggregate of 135,000 shares had been reserved for issuance under the Director Plan, options to acquire 78,375 shares were outstanding and 56,625 shares were available for future grant. The Director Plan is administered by the Compensation Committee of the Board. Under the Director Plan, each new nonemployee director who joins the Board is automatically granted a nonstatutory option to purchase 15,000 shares of Common Stock on the date upon which such person first becomes a director and an additional option to purchase 15,000 shares of Common Stock in the event such nonemployee director who has previously served in a representative capacity on behalf of a stockholder of the Company ceases to serve in such

representative capacity but continues to serve as a nonemployee director at the request of the Board. Each such one-time grant will vest and become exercisable as to 25% of the shares subject to such option on each anniversary of its date of grant, based on the optionee's continued service as a director. In addition, on June 1 of each year, each non-employee director who has served as a director for at least six months as of such date will automatically receive a nonstatutory option to purchase 3,000 shares of the Company's Common Stock. Each such annual option will vest and become exercisable as to 50% of the shares subject to such option on each anniversary of its date of grant, based on the optionee's continued service as a director. The exercise price of each option granted under the Director Plan is equal to the fair market value of the Common

Stock on the date of grant.

Options granted under the Director Plan have a term of ten years, unless terminated sooner upon termination of the optionee's status as a director or otherwise pursuant to the terms of the Director Plan. Options are not transferable by the optionee other than by will or the laws of descent or distribution, and each option is exercisable during the lifetime of the director only by such director.

In the event of a proposed dissolution or liquidation of the Company, all outstanding options will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in its sole discretion, declare that any option shall terminate as of a date fixed by the Board and give each optionee the right to exercise his option as to all or any part of the optioned stock, including shares as to which the option would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or parent or subsidiary of the successor corporation. In the event the successor corporation doesn't agree to assume the option or to substitute an equivalent option, the Board shall in lieu of such assumption or substitution, provide to the optionee the right to exercise the option as to all the stock subject to the option for a period of 30 days from the date of notice of acceleration of exercisability, including shares as to which the option would not otherwise be exercisable.

Unless terminated sooner, the Director Plan will terminate in December 2002. The Board has the authority to amend or terminate the Director Plan, provided that no such action may impair the rights of any option holder without the consent of such holder.

401(k) Plan. In January 1990, the Company adopted a 401(k) Plan covering all of the Company's employees. Pursuant to the plan, employees may elect to reduce their current compensation by up to twenty percent (not to exceed the statutorily prescribed annual limit) and have the amount of such reduction contributed to the plan. The plan is intended to qualify under Section 401 of the Code so that employee contributions to the plan, and income earned on such contributions, are not taxable to employees until withdrawn from the plan. Each participant's contributions are fully vested. The Company does not make additional contributions under the plan, and it does not plan to make contributions in the foreseeable future.

CERTAIN TRANSACTIONS

In connection with his relocation at the time of accepting employment with the Company in May 1991, the Company entered into an employment agreement with Dr. Gregory Hey-Shipton, Vice President and General Manager, Government Products Business Unit of the Company, pursuant to which he was appointed Engineering Manager at a base annual salary of $90,000. The agreement provided for a loan by the Company to Dr. Hey-Shipton of $150,000, without interest, payable on or before April 1997. This loan, the purpose of which was to assist Dr. Hey-Shipton in the purchase of a residence in Santa Barbara (where the Company's facilities are located), is secured by a second mortgage on Dr. Hey-Shipton's Santa Barbara house, and is to be repaid in April 1997 or upon the sale of his Santa Barbara residence, if consummated prior to that date. The amount outstanding under the loan as of June 30, 1996 was $150,000.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of the Company's Common Stock as of June 30, 1996 by all persons known to the Company to be the beneficial owners of more than 5% of the Company's Common Stock, by each director, by each of the Named Executive Officers and by all directors and executive officers as a group. Except as otherwise indicated in the footnotes to the table, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws, where applicable.

	PERCENTAGE OWNERSHIP

NAME	SHARES BENEFICIALLY OWNED	PERCENT OF SHARES BEFORE THE OFFERING	PERCENT OF SHARES AFTER THE OFFERING
Lockheed Martin Corporation(1) 6801 Rockledge Drive Bethesda, Maryland 20817	627,380	10.3%	7.8%
Glenn E. Penisten(2)	172,257	2.8	2.1
Charles Crocker(3)	131,281	2.2	1.6
J. Robert Schrieffer(4)	41,625	*	*
Robert B. Hammond(5)	51,250	*	*
Daniel C. Hu(4)	48,058	*	*
Gregory L. Hey-Shipton(6)	27,813	*	*
James P. Simmons, Jr.(7)	11,500	*	*
Dennis Horowitz(4)	8,375	*	*
Robert P. Caren(4)	4,625	*	*
E. Ray Cotten	--	--	--
All executive officers and directors as a group (11 persons)(8)	496,784	7.9%	6.0%

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* Less than one percent

(1) Includes 8,333 shares issuable upon the exercise of warrants that are exercisable within 60 days of June 30, 1996.

(2) Includes 96,997 shares held by a trust for the benefit of Glenn and Mary Louise Penisten. Also includes 75,000 shares issuable upon the exercise of stock options that are exercisable within 60 days of June 30, 1996.

(3) Includes 1,035 shares held of record by Trust Fund FBO Charles Crocker. Also includes 4,625 shares issuable upon the exercise of stock options and 2,778 shares issuable upon the exercise of a warrant, all of which are exercisable within 60 days of June 30, 1996. Does not include 113,094 shares beneficially owned by BEI Electronics, Inc., and 2,778 shares issuable upon the exercise of a warrant which is exercisable by BEI Electronics, Inc., within 60 days of June 30, 1996. Mr. Crocker is the Chairman of the Board of Directors of BEI Electronics, Inc., and he disclaims any beneficial ownership of such shares.

(4) All shares are issuable upon the exercise of stock options that are exercisable within 60 days of June 30, 1996.

(5) Includes 24,062 shares issuable upon the exercise of stock options that are exercisable within 60 days of June 30, 1996.

(6) Includes 15,313 shares issuable upon the exercise of stock options that are exercisable within 60 days of June 30, 1996.

(7) Includes 11,250 shares issuable upon the exercise of stock options that are exercisable within 60 days of June 30, 1996.

(8) Includes 2,778 shares issuable upon exercise of a warrant held by Mr. Crocker and 232,933 shares issuable upon exercise of stock options held by executive officers and directors that are exercisable within 60 days of June 30, 1996.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, $0.001 par value per share, and 2,000,000 shares of Preferred Stock, $.001 par value per share.

COMMON STOCK

As of July 31, 1996, there were 6,060,348 shares of Common Stock outstanding and held of record by 154 shareholders. Holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Subject to the rights of holders of Preferred Stock, the holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally

available therefor. See "Price Range of Common Stock and Dividend Policy." In the event of a liquidation, dissolution or winding up of the Company, subject to the rights of the holders of Preferred Stock, the holders of Common Stock are entitled to share ratably in all assets. The Common Stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be outstanding upon consummation of the offering will be fully paid and non-assessable.

PREFERRED STOCK

Pursuant to the Company's Certificate of Incorporation, the Board of Directors is authorized to issue up to 2,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions, including the dividend rights, conversion rights, voting rights, redemption price or prices, liquidation preferences, and the number of shares constituting any series or the designations of such series, without further vote or action by the stockholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change of control of the Company without further action of the stockholders. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others. No shares of Preferred Stock are outstanding. The Company has no present plans to issue any shares of Preferred Stock.

CERTAIN ANTI-TAKEOVER MATTERS

The Company is a Delaware corporation and is subject to Section 203 of the Delaware General Corporation Law. In general, subject to certain exceptions, Section 203 prohibits a Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless (i) prior to such date the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, or (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding for purposes of determining the number of shares outstanding those shares owned by (x) persons who are directors and also officers and (y) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer), or (iii) on or subsequent to such date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder. Section 203 defines a "business combination" to include certain mergers, consolidations, asset sales and stock issuances and certain other transactions resulting in a financial benefit to an "interested stockholder." In addition, Section 203 defines an "interested stockholder" to include any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with such an entity or person.

WARRANTS

As of June 30, 1996, the Company had outstanding warrants to purchase up to 120,750 shares of Common Stock (the "UW Warrants") at an exercise price of $12.00 per share, originally issued to H.J. Meyers & Co., Inc., the managing underwriter of the Company's initial public offering, and warrants to purchase up to 44,447 shares of Common Stock (the "Bridge Warrants") at an exercise price of $9.00 per share originally issued to various individuals and entities. The UW Warrants and the Bridge Warrants expire on March 9, 1998 and December 28, 1997, respectively.

REGISTRATION RIGHTS

The UW Warrants provide for certain rights with respect to registration of the shares issuable upon exercise of the UW Warrants under the Securities Act. If the Company registers any of its Common Stock, for its own account or for the

account of other security holders, then all holders of UW Warrants are entitled to notice of such registration and are entitled to include their shares of Common Stock in the registration, subject to any limitations placed on the number of such shares included in any such registration by the underwriters.

In addition all holders of Bridge Warrants and their respective permitted transferees (the "Holders") are entitled to certain rights with respect to the registration of such shares under the Securities Act. Under the terms of agreements between the Company and the Holders, if the Company proposes registration of any of its Common Stock for its own account, the Holders are entitled to notice of such registration and are entitled to include shares of such Common Stock in such registration; provided, among other conditions, that the underwriters of any such offering have the right to limit the number of such shares included in such registration. In addition, the holders of at least 40% of securities with registration rights may require the Company, on not more than two occasions, to file a registration statement under the Act with respect to such shares, and the Company is required to use its best efforts to effect such registration. A Holder's right to include shares in an underwritten registration is subject to the ability of the underwriters to limit the number of shares included in the offering. Generally, the Company is required to bear the expense of all such registrations. The Holders also may require the Company on not more than one occasion every 12 months to register all or a portion of their shares with registration rights on Form S-3, at the sole expense of such Holders, when use of such form becomes available to the Company, provided the proposed aggregate selling price of the shares to be registered is at least $1 million. The Company may defer the filing of a registration statement for up to 120 days if, in the Company's good faith judgement, it would be seriously detrimental to the Company or its stockholders to file a registration statement.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Company's Common Stock is Boston Equiserve L.P.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have 8,060,348 shares of Common Stock outstanding (8,360,348 shares if the Underwriters' over-allotment option is exercised in full). These shares will be freely tradable without restriction or further registration under the Securities Act unless such shares are owned by "affiliates" of the Company as that term is defined under Rule 144 under the Securities Act or unless such securities are "restricted securities" as that term is defined under Rule 144. Shares of Common Stock that are deemed to be "restricted securities" within the meaning of the Securities Act may be publicly sold only if registered under the Securities Act or sold in accordance with an applicable exemption from registration, such as those provided by Rule 144 promulgated under the Securities Act, as described below. See "Principal Stockholders."

In general, under Rule 144 as currently in effect, if two years have elapsed since the later of the date of acquisition of restricted securities from the issuer or from an "affiliate" of the issuer, as that term is defined under the Securities Act, the acquirer or subsequent holder would be entitled to sell within any three-month

period a number of those shares that does not exceed the greater of one percent of the number of shares of such class of stock then outstanding or the average weekly trading volume of the shares of such class of stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the issuer. In addition, if three years have elapsed since the later of the date of acquisition of restricted securities from the issuer or from any affiliate of the issuer, and the acquirer or subsequent holder thereof is deemed not to have been an affiliate of the issuer of such restricted securities at any time during the 90 days preceding a sale, such person would be entitled to sell such restricted securities under Rule 144(k) without regard to the requirements described above.

The Company has agreed not to sell or issue additional shares of Common Stock, subject to certain limited exceptions, for 180 days after the date of

this Prospectus and its directors and certain officers have agreed not to offer, sell, contract to sell, grant any option or other right for the sale of, or otherwise dispose of any shares of Common Stock or any securities, indebtedness or other rights exercisable for or convertible or exchangeable into Common Stock owned or acquired in the future in any manner prior to the earlier of (i) 120 days after the date of this Prospectus and (ii) the date of the Company's public release of its financial results for the year ended December 31, 1996 without the prior written consent of Rauscher Pierce Refsnes, Inc. on behalf of the Underwriters.

No prediction can be made of the effect, if any, that sales of shares under Rule 144 or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time after the offering. The Company is unable to estimate the number of shares that may be sold in the public market under Rule 144, because such amount will depend on the trading volume in, and market price for, the Common Stock and other factors. Nevertheless, sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could adversely affect the market price of the Common Stock. See "Underwriting."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, each of Underwriters named below, for whom Rauscher Pierce Refsnes, Inc., Van Kasper & Company and H.C. Wainwright & Co., Inc. are acting as Representatives, have severally agreed to purchase 2,000,000 shares of Common Stock from the Company. The number of shares of Common Stock that each Underwriter has agreed to purchase is set forth opposite their names below. The nature of the obligations of the Underwriters is such that, if any of such shares are purchased, all must be purchased.

NAME	NUMBER OF SHARES
Rauscher Pierce Refsnes, Inc.	
Van Kasper & Company.....	
H.C. Wainwright & Co., Inc.	
Total.....	2,000,000

The Underwriters propose initially to offer the shares of Common Stock offered hereby to the public at the public offering price set forth on the cover page of this Prospectus. The Underwriters may allow a concession to selected dealers who are members of the National Association of Securities Dealers, Inc. ("NASD") not in excess of $ per share, and the Underwriters may allow and such dealers may reallow to members of the NASD a concession not in excess of $ per share. After this offering, the price to the public, the concession and reallowance may be changed by the Underwriters.

The Company has granted an option to the Underwriters, exercisable within 45 days after the date of this Prospectus, to purchase up to an additional 300,000 shares of Common Stock at the initial price to the public, less underwriting discount, set forth on the cover page of this Prospectus. The Underwriters may exercise such option only for the purpose of covering any over-allotments. To the extent that the Underwriters exercise such option, each Underwriter will be committed, subject to certain conditions, to purchase that number of the additional shares of Common Stock which is proportionate to such Underwriter's initial commitment.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

In addition, the Underwriting Agreement provides for payment by the Company of a non-accountable expense allowance of $150,000 payable to the Representatives.

The Company has agreed not to sell or issue additional shares of Common Stock, subject to certain limited exceptions, for 180 days after the date of this Prospectus and its officers and directors have agreed that for the period beginning the date of this Prospectus and ending the earlier of (i) 120 days after the date of this Prospectus or (ii) the date of the Company's public release of its financial results for the year ended December 31, 1996, they will not offer, sell or otherwise dispose of any shares of Common Stock beneficially owned or controlled by them (including subsequently acquired shares) without the prior written consent of Rauscher Pierce Refsnes, Inc. on behalf of the Underwriters.

The Underwriters and certain selling group members that currently act as marketmakers for the Common Stock may engage in "passive market making" in the Common Stock on Nasdaq in accordance with Rule 10b-6A under the Exchange Act. Rule 10b-6A permits, upon the satisfaction of certain conditions, underwriters and selling group members participating in a distribution that are also Nasdaq marketmakers in the security being distributed to engage in limited market making transactions during the period when Rule 10b-6 under the Exchange Act would otherwise prohibit such activity. In general, under Rule 10b-6A, any Underwriter or selling group member engaged in passive market making in the Common Stock (i) may not effect transactions in, or display bids for, the Common Stock at a price that exceeds the highest bid for the

Common Stock displayed on Nasdaq by a marketmaker that is not participating in the distribution of the Common Stock, (ii) may not have net daily purchases of the Common Stock that exceed 30% of its average daily trading volume in such stock for the two full consecutive calendar months immediately preceding the filing date of the Registration Statement of which this Prospectus is a part, and (iii) must identify its bids as bids made by a passive marketmaker.

LEGAL MATTERS

Certain legal matters with respect to the legality of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by Wilson Sonsini Goodrich & Rosati, A Professional Corporation, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Baker & Botts, L.L.P., Dallas, Texas.

EXPERTS

The financial statements as of December 31, 1994 and 1995 and for the three years in the period ended December 31, 1995 and the period from May 11, 1987 (inception) to December 31, 1995 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

The Company is subject to the information requirements of the Exchange Act, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by the Company with the Commission in accordance with the Exchange Act may be inspected and copied at the public reference facilities of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 7 World Trade Center, Suite 1300, New York, New York 10048 and Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, such material concerning the Company can be inspected at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006. The Commission maintains a World Wide Web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock offered hereby,

reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices and copies of all or any part of the Registration Statement may be obtained from such offices or by mail from the Public Reference Section of the Commission at its principal office upon the payment of the fees prescribed by the Commission. The Commission maintains a World Wide Web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

GLOSSARY OF TERMS

Accelerated Life Testing...	A sequence of tests in which equipment is put through a series of harsh temperature and humidity cycles that act to simulate years of operation in a few weeks. This allows manufacturers to determine the durability and reliability of the product.
Base Station.....	Electronic equipment including an antenna, transmitters, receivers, filters, amplifiers and other network interface electronics. This equipment transmits and receives wireless information. The base station connects the information transmitted over the airwaves to the telephone network.
CDMA.....	Code Division Multiple Access. A protocol for packaging digital information in PCS wireless communications.
Cellular.....	A concept in which territory is broken up into regions called cells, often in the configuration of a honeycomb. Because wireless systems operating at 800-900 MHz used this concept, voice communications networks in this frequency range are often called "cellular" systems.
CMOS.....	Complementary Metal Oxide Semiconductor. A common type of semiconductor device used in the fabrication of computer chips.
Cold Computing.....	The process by which cryogenic cooling is utilized to increase the speed of a computer.
CPU.....	Central Processing Unit. The chip that acts as the "brain" of a computing system by executing instructions and performing logical operations.
Critical Temperature.....	Also known as the transition temperature of a superconductor, it is the point at which a material reaches the superconducting threshold. Below this temperature, a superconducting material has significantly reduced resistance to electrical current flow.
Cross Talk.....	An undesired effect in which a cellular call interferes with another cellular call, resulting in information from one channel being received on the other channel.
Cryogenics.....	Technology associated with low temperatures, including very cold liquids known as cryogens and mechanical coolers which can chill a device to ultra-cold temperatures.

DARPA.....	U.S. Department of Defense Advanced Research Projects Agency.
Electrical Noise.....	Electrical disturbances in an electronic system which limit the system's capability to process very weak signals. Electrical noise often is manifested as "static" in radio-frequency communications.
Filter.....	An electronic component which allows desired frequencies to be received while blocking undesired frequencies. Filters are used in wireless communications base stations to make communications more clear.
Frequency.....	The number of periodic vibrations, or waves, per unit of time. Voice and data information are transmitted on specific frequencies in the radio spectrum in order to differentiate signals from one another.
Fully-Integrated.....	Containing all of the necessary components to run as a stand-alone system. The Company's SuperFilter(TM) products are fully-integrated systems that are incorporated into base stations.

GSM.....	Global System for Mobile communications. A protocol for packaging digital information in wireless communications.
Hertz (Hz).....	The international unit of frequency, equal to one cycle per second, commonly expressed in units of millions, or megahertz (MHz).
High-Speed Computing.....	The segment of the computer market with high processing speeds currently in the 200 MHz range or greater.
HTS.....	High Temperature Superconductor. Materials that have the ability to conduct electrical energy with little or no resistance when cooled to "critical" temperatures above 20K (-253 degrees Celsius). Some of these materials can operate as high as 100-130 Kelvin, therefore requiring less expensive cooling systems than their lower-temperature counterparts.
Interference.....	The mutual action of two radio waves of the same frequency in distorting each other; in cellular communications this can result in cross talk or dropped calls.
LNA.....	Low Noise Amplifier. A product that boosts the power of a radio signal while adding very little electrical noise.
OEM.....	Original Equipment Manufacturer.
PCS.....	Personal Communications Services. Wireless communications that occur within the 1800 MHz to 2000 MHz radio frequency spectrum.
Range.....	The maximum distance at which a wireless transmission can be received.
Resistance.....	A measure of the obstruction to the free flow of electrons in a material. Resistance causes electrical current to lose energy in the form of heat.
Retrofit.....	The upgrade of any existing product in order to increase performance. As it pertains to the Company, the retrofit market is defined as the

	upgrading of existing base stations with new filters and other components to increase performance.
Selectivity.....	The ability of a base station to filter out unwanted signals and clearly connect to a particular frequency channel.
Service Provider.....	A company that provides wireless communication services to the public. Service providers license frequencies from the FCC and administer the wireless communications infrastructure.
Standard Platform.....	A basic design structure that allows for tailoring to specific customer specifications with little or no modification of the subsystem. The Company's SuperFilter(TM) product is built on a standard platform.
SuperFilter(TM).....	The Company's proprietary wireless product, containing an HTS filter and a cryogenic cooling system. Some SuperFilter(TM) products contain LNAs.
TBCCO.....	Thallium Barium Calcium Copper Oxide. A superconducting material utilized by the Company with one of the highest known critical temperatures (125K (-148 degrees Celsius)).
TDMA.....	Time Division Multiple Access. A protocol for packaging digital information in PCS wireless communications.
Thin Film.....	A thin layer of HTS material on a supporting substrate material. A circuit design is etched into the HTS thin film.

Watt.....	A measure of electrical power, equal to one joule per second. Cellular systems are engineered to minimize the power consumed in watts due to the need for backup power systems in the event of power failures.
Wireless Communications....	The transmission of signals in the radio frequency spectrum. Devices in this area of communications transmit and receive signals via the airwaves and not through coaxial cables, fiberoptics, or telephone wires.
YBCO.....	Yttrium Barium Copper Oxide. A superconducting material utilized by the Company with a critical temperature of 93K (-180 degrees Celsius).

SUPERCONDUCTOR TECHNOLOGIES INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Stockholders of
Superconductor Technologies Inc. (a Development Stage Enterprise)

In our opinion, the balance sheet and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Superconductor Technologies Inc. (a Development Stage Enterprise) at December 31, 1994 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, and the period from May 11, 1987 (inception) to December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP
Woodland Hills, California
February 23, 1996

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEET

	DECEMBER 31,		
	1994	1995	JUNE 30, 1996 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,452,000	$ 2,430,000	$ 1,396,000
Short-term investments (Note 3)	5,478,000	2,814,000	1,433,000
Accounts receivable (Note 5)	1,157,000	1,113,000	1,184,000
Inventories (Note 5)	295,000	228,000	422,000
Prepaid expenses and other current assets	109,000	248,000	225,000
Total current assets	9,491,000	6,833,000	4,660,000
Note receivable from related party	150,000	150,000	150,000
Property and equipment, net (Notes 5, 6 and			

10)	2,868,000	2,369,000	2,004,000
Patents and licenses, net of accumulated amortization of $399,000, $603,000 and $726,000 (Note 4)	2,043,000	2,280,000	2,237,000
Other assets, net of accumulated amortization of $61,000, $77,000 and $83,000	61,000	46,000	39,000
Total assets	$ 14,613,000	$ 11,678,000	$ 9,090,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	$ 917,000	$ 733,000	$ 656,000
Long-term debt -- current (Note 6 and 10)	332,000	405,000	427,000
Total current liabilities	1,249,000	1,138,000	1,083,000
Long-term debt (Notes 6 and 10)	724,000	453,000	265,000
	1,973,000	1,591,000	1,348,000
Commitments (Note 10)			
Stockholders' equity: (Note 8)			
Preferred Stock, $.001 par value, 2,000,000 shares authorized, none issued	--	--	--
Common Stock, $.001 par value, 15,000,000 shares authorized, 5,955,170, 6,026,065 and 6,060,348 shares issued and outstanding	6,000	6,000	6,000
Capital in excess of par value	29,991,000	30,122,000	30,152,000
Common stock subscription receivable from related party	(33,000)	--	--
Deficit accumulated during development stage	(17,222,000)	(20,041,000)	(22,416,000)
Unrealized loss on available-for-sale securities	(102,000)	--	--
Total stockholders' equity	12,640,000	10,087,000	7,742,000
Total liabilities and stockholders' equity	$ 14,613,000	$ 11,678,000	$ 9,090,000

See accompanying notes to financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31,			MAY 11, 1987 (INCEPTION) TO DECEMBER 31,	SIX MONTHS ENDED		MAY 11, 1987 (INCEPTION) TO JUNE 30
	1993	1994	1995	1995	JULY 1, 1995	JUNE 30, 1996	1996
					(UNAUDITED)		(UNAUDITED)
Net revenues:							
Government contract revenues	$ 4,334,000	$ 4,979,000	$ 7,310,000	$ 29,900,000	$ 3,160,000	$ 2,894,000	$ 32,794,000
Commercial product revenues	280,000	450,000	300,000	1,473,000	144,000	87,000	1,560,000
Sub license royalties	388,000	75,000		463,000			463,000
Total net revenues	5,002,000	5,504,000	7,610,000	31,836,000	3,304,000	2,981,000	34,817,000
Costs and expenses:							
Contract research and development	2,862,000	4,030,000	5,414,000	23,489,000	2,366,000	2,289,000	25,778,000
Other research and development and commercial	1,998,000	2,085,000	2,397,000	13,966,000	1,298,000	1,748,000	15,714,000
Selling, general and administrative	2,468,000	2,928,000	2,871,000	15,608,000	1,529,000	1,376,000	16,984,000
	7,328,000	9,043,000	10,682,000	53,063,000	5,193,000	5,413,000	58,476,000
Loss from operations	(2,326,000)	(3,539,000)	(3,072,000)	(21,227,000)	(1,889,000)	(2,432,000)	(23,659,000)
Interest income	347,000	324,000	353,000	2,459,000	155,000	97,000	2,556,000
Interest expense	(172,000)	(39,000)	(100,000)	(1,154,000)	(105,000)	(40,000)	(1,194,000)
Other income (expense), net	13,000	(5,000)		(119,000)			(119,000)
Net loss	$(2,138,000)	$(3,259,000)	$(2,819,000)	$ (20,041,000)	$(1,839,000)	$(2,375,000)	$(22,416,000)
Net loss per share	$ (0.42)	$ (0.55)	$ (0.47)		$ (0.31)	$ (0.39)	

Weighted average number of shares outstanding.....	5,032,130	5,970,969	6,025,790				6,007,507	6,072,279	

See accompanying notes to financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 11, 1987 (INCEPTION) TO JUNE 30, 1996

	COMMON STOCK		CONVERTIBLE PREFERRED		CAPITAL IN EXCESS OF PAR	COMMON STOCK SUBSCRIPTIONS	DEFICIT ACCUMULATED DURING DEVELOPMENT	UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE	
	SHARES	AMOUNT	SHARES	AMOUNT	VALUE	RECEIVABLE	STAGE	SECURITIES	TOTAL
Common stock issued to directors.....	310,000	$1,000			$ 99,000				$ 100,000
Common stock issued for acquisition...	250,000				25,000				25,000
Common stock issued to employees and consultants...	772,542	1,000			222,000	$(176,000)			47,000
Common stock issued for services.....	6,000				42,000				42,000
Payment received on common stock subscription receivable....						3,000			3,000
Series A preferred stock issued.....			615,000	$ 1,000	427,000				428,000
Series B preferred stock issued.....			2,546,482	3,000	7,576,000				7,579,000
Repurchase of common stock and elimination of related subscription receivable....	(42,301)				(17,000)	23,000			6,000
Series D preferred stock issued.....			2,394,288	2,000	8,268,000				8,270,000
Compensation associated with stock options granted.....					178,000				178,000
Net loss from 5/11/87 (inception) through 12/31/92.....							$(11,825,000)		(11,825,000)
Balance at 12/31/92.....	1,296,241	2,000	5,555,770	6,000	16,820,000	(150,000)	(11,825,000)		4,853,000
Initial public offering of shares.....	1,500,000	1,000			12,730,000				12,731,000
Conversion of preferred shares.....	2,777,885	3,000	(5,555,770)	(6,000)	3,000				
Compensation associated with stock options granted.....					101,000				101,000
Common stock issued, exercise of stock options.....	194,437				100,000	(56,000)			44,000
Repayment of stockholder note.....						150,000			150,000
Net loss.....							(2,138,000)		(2,138,000)
Balance at 12/31/93.....	5,768,563	$6,000	--	$ --	$ 29,754,00	$ (56,000)	$(13,963,000)	$ --	$15,741,000

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 11, 1987 (INCEPTION) TO JUNE 30, 1996

	COMMON STOCK		CONVERTIBLE PREFERRED		CAPITAL IN EXCESS OF PAR VALUE	COMMON STOCK SUBSCRIPTIONS RECEIVABLE	DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT					
Balance forward...	5,768,563	$6,000			$29,754,000	$ (56,000)	$(13,963,000)		$15,741,000
Common stock issued, exercise of stock options...	186,607				145,000	23,000			168,000
Compensation associated with stock options granted...					92,000				92,000
Unrealized loss on available-for-sale securities...								$(102,000)	(102,000)
Net loss...							(3,259,000)		(3,259,000)
Balance at 12/31/94...	5,955,170	6,000			29,991,000	(33,000)	(17,222,000)	(102,000)	12,640,000
Common stock issued, exercise of stock options...	70,895				61,000	33,000			94,000
Compensation associated with stock options granted...					70,000				70,000
Unrealized gain on available for-sale securities...								102,000	102,000
Net loss...							(2,819,000)		(2,819,000)
Balance at 12/31/95...	6,026,065	6,000			30,122,000		(20,041,000)		10,087,000
Unaudited Information:									
Common stock issued, exercise of stock options...	32,936				22,000				22,000
Common stock issued, cashless exercise of warrants...	1,347								
Compensation associated with stock options granted...					8,000				8,000
Net loss...							(2,375,000)		(2,375,000)
Balance at 6/30/96...	6,060,348	$6,000	--	$ --	$30,152,000	$ --	$(22,416,000)	$ --	$ 7,742,000

See accompanying notes to financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 1993 TO JUNE 30, 1996
(NOTE 11)

	YEAR ENDED DECEMBER 31,			MAY 11, 1987 (INCEPTION) TO	SIX MONTHS ENDED		MAY 11, 1987 (INCEPTION) TO
	1993	1994	1995	DECEMBER 31, 1995	JULY 1, 1995	JUNE 30, 1996	JUNE 30, 1996
					(UNAUDITED)		(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net loss	$(2,138,000)	$(3,259,000)	$(2,819,000)	$ (20,041,000)	$(1,839,000)	$(2,375,000)	$(22,416,000)
Adjustments to reconcile net loss to net cash used for operating activities:							
Depreciation and amortization	845,000	958,000	1,145,000	5,735,000	572,000	579,000	6,314,000
Compensation expense associated with stock options granted	101,000	92,000	70,000	441,000	35,000	8,000	449,000
Loss on disposal of property and equipment				89,000			89,000
Common stock issued for services				42,000			42,000
Changes in assets and liabilities:							
Accounts receivable	463,000	(81,000)	44,000	(1,113,000)	327,000	(72,000)	(1,185,000)
Note receivable from employee				(150,000)			(150,000)
Inventory	48,000	(105,000)	66,000	(228,000)	45,000	(194,000)	(422,000)
Prepaid expenses and other current assets	(32,000)	25,000	(139,000)	(248,000)	(81,000)	23,000	(225,000)
Patents and licenses	(255,000)	(371,000)	(441,000)	(1,442,000)	(384,000)	(80,000)	(1,522,000)
Other assets	(61,000)	152,000		(134,000)			(134,000)
Accounts payable and accrued expenses	(389,000)	397,000	(184,000)	677,000	(176,000)	(77,000)	600,000
Net cash used for operating activities	(1,418,000)	(2,192,000)	(2,258,000)	(16,372,000)	(1,501,000)	(2,188,000)	(18,560,000)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Change in short-term investments	(6,262,000)	682,000	2,766,000	(2,814,000)	4,571,000	1,381,000	(1,433,000)
Change in noncurrent restricted cash	200,000						
Purchases of property and equipment	(442,000)	(1,198,000)	(426,000)	(5,022,000)	(280,000)	(85,000)	(5,107,000)
Proceeds from sale of property and equipment				922,000			922,000
Net cash provided by (used for) investing activities	(6,504,000)	(516,000)	2,340,000	(6,914,000)	4,291,000	1,296,000	(5,618,000)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Increase in note payable to bank		1,001,000	134,000	1,215,000		39,000	1,254,000
Principal payments on long-term obligations	(1,243,000)	(300,000)	(332,000)	(3,840,000)	(151,000)	(205,000)	(4,045,000)
Proceeds from sale of preferred and common stock	12,831,000	145,000	61,000	27,545,000	108,000	24,000	27,569,000
Decrease in common stock subscriptions receivable	94,000	23,000	33,000	152,000			152,000
Change in deferred offering costs	300,000						
Increase in notes payable to stockholders				150,000			150,000
Increase in note payable				353,000			353,000
Proceeds from sale -- lease back				141,000			141,000
Net cash (used for) provided by financing activities	11,982,000	869,000	(104,000)	25,716,000	(43,000)	(142,000)	25,574,000
Net (decrease) increase in cash and cash equivalents	4,060,000	(1,839,000)	(22,000)	2,430,000	2,747,000	(1,034,000)	1,396,000
Cash and cash equivalents at beginning of period	231,000	4,291,000	2,452,000	--	2,452,000	2,430,000	--
Cash and cash							

equivalents at end of period.....	$ 4,291,000	$ 2,452,000	$ 2,430,000	$ 2,430,000	$ 5,199,000	$ 1,396,000	$ 1,396,000

See accompanying notes to financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- THE COMPANY

Superconductor Technologies Inc. (the "Company") was incorporated in Delaware on May 11, 1987 and maintains its facilities at a single location in Santa Barbara, California. Since formation, the Company has been principally engaged in research and development activities relating to advanced electronic products that incorporate high temperature superconducting ("HTS") materials. The Company has recently shifted its focus to the commercialization of its HTS and cold computing products, while continuing to pursue product development activities. The Company has targeted its products toward a variety of commercial applications in the worldwide wireless communications, high-speed computing and government markets. In addition, the Company is involved as either contractor or subcontractor on a number of contracts with the United States Government. Credit risk related to accounts receivable arising from such contracts is considered minimal. For the years ended December 31, 1993, 1994 and 1995, government related contracts accounted for 87%, 90% and 96% of the Company's revenues, respectively.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

The unaudited financial information furnished herein reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management, are necessary to fairly state the Company's financial position, the results of its operations and its cash flows for the periods presented.

The results of operations for the six months ended June 30, 1996 are not necessarily indicative of results for the entire fiscal year ending December 31, 1996.

In fiscal year 1993, the Company adopted a 13-week quarter reporting period ending on the Saturday nearest the calendar quarter end. The Company's fiscal year-end is December 31.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates and such differences may be material to the financial statements.

Revenue Recognition

Revenues are principally generated under research and development contracts. Contract revenues are recognized utilizing the percentage-of-completion method measured by the relationship of costs incurred to total estimated contract costs. If the current contract estimate were to indicate a loss utilizing the funded amount of the contract, a provision would be made for the total anticipated loss. Revenues from research related activities are derived primarily from contracts with agencies of the United States Government. These contracts include cost-plus, fixed price and cost sharing arrangements and are generally short-term in nature.

All payments to the Company for work performed on contracts with agencies of the U.S. Government are subject to adjustment upon audit by the Defense Contract Audit Agency. Based on historical experience and review of current projects in process, management believes that the audits will not have a

significant effect on the financial position, results of operations or cash flows of the Company.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs incurred solely in connection with research and development contracts are charged to contract research and

development expense. Other research and development costs are charged to research and development expense.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers investments with original maturities of three months or less to be cash equivalents.

Short-Term Investments

Short-term investments consist of highly liquid investments with original maturities in excess of three months. Such investments are stated at fair market value. Management believes that the financial institutions and companies in which it has made such short-term investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

Inventories

Inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and major improvements are capitalized. Expenditures for repairs and maintenance and minor improvements are charged to expense as incurred. When property or equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from retirements and disposals are recorded as other income or expense.

Property and equipment and furniture and fixtures are depreciated over their estimated useful lives ranging from three to seven years. Leasehold improvements and assets financed under capital leases are amortized over their useful lives or the lease term, whichever is shorter. Depreciation and amortization are computed using the straight-line method.

Patents and Licenses

Patents and licenses are recorded at cost and are amortized using the straight-line method over their estimated useful lives or seventeen years, whichever is shorter. The recoverability of carrying values of patents and licenses is evaluated on a recurring basis.

Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. SFAS 109 utilizes an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers events other than enactments of changes in the tax law or rates.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short

term nature of these instruments. The Company estimates

that the carrying amount of the note payable approximates fair value based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Net Loss Per Share

Net loss per share is computed on the basis of weighted average common shares and common stock equivalent shares outstanding, if dilutive. Options granted during the period June 1991 through December 1992 are assumed to be outstanding since inception and included in the computation of net loss per share.

NOTE 3 -- SHORT-TERM INVESTMENTS

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"). The adoption of SFAS 115 requires that certain investments in short-term debt securities held by the Company be classified as "available-for-sale" and measured at fair value. Available-for-sale securities are those securities that may be sold prior to maturity in response to liquidity or other factors. Prior to 1994, the Company carried its investment in debt securities at market value which approximated cost. At December 31, 1994, the aggregate fair market value of such debt securities was $6,726,000, which was less than the aggregate cost by $102,000. The net unrealized loss is included as a separate item in stockholders' equity. At December 31, 1995, the aggregate fair market value of the debt securities including cash equivalents was $3,973,000 and approximated the aggregate cost.

NOTE 4 -- PATENTS AND LICENSES

In April 1992, the Company obtained an exclusive license from the University of Arkansas (the "University") to use the superconducting material thallium barium calcium copper oxide ("TBCCO"). The Company's primary research and development activities to date have used TBCCO. Upon execution of the license, the Company paid $250,000 and issued 350,000 shares of its Series D Preferred Stock to the University. (Such Series D shares were subsequently converted into 175,000 shares of common stock in connection with the Company's March 1993 initial public offering).

Since April 1995, the Company has been obligated to pay a four percent royalty on sales of certain products. Commencing in April 1997, the royalty payments are subject to an annual minimum of $100,000. The Company was initially obligated to prepay royalties of $750,000 over a twenty-four month period. In October 1992, the Company issued an additional 50,000 shares of Series D Preferred Stock (subsequently converted to 25,000 shares of common stock) to the University as consideration for extending the payment period for the prepaid royalties to thirty-six months. The Company has fulfilled its royalty prepayment obligation. The license is being amortized over thirteen years which represents the estimated useful life of the patent and the underlying material (TBCCO).

The Company sublicensed certain of its rights in 1993 and 1994 in exchange for non-refundable payments and royalties based on future sales, if any, by the sublicensor. The Company has no future obligations with respect to such sublicenses.

NOTE 5 -- DETAILS OF CERTAIN FINANCIAL STATEMENT COMPONENTS

	DECEMBER 31,	
	1994	1995
Accounts receivable:		
Unbilled accounts receivable.....	$ 829,000	$ 849,000
Billed accounts receivable.....	328,000	264,000
	$1,157,000	$1,113,000

Unbilled accounts receivable represent costs and profits in excess of billed amounts on contracts-in-progress at period end. Such amounts are billed based upon the government's notification of contract funding. Such amounts are generally collected within one year.

	DECEMBER 31,	
	1994	1995
Inventories:		
Raw materials.....	$ 236,000	$ 134,000
Work-in-process.....	50,000	84,000
Finished goods.....	9,000	10,000
	$ 295,000	$ 228,000

	DECEMBER 31,	
	1994	1995
Property and equipment:		
Equipment.....	$ 5,454,000	$ 5,869,000
Leasehold improvements.....	1,334,000	1,346,000
Furniture and fixtures.....	80,000	80,000
	6,868,000	7,295,000
Less: accumulated depreciation and amortization.....	(4,000,000)	(4,926,000)
	$ 2,868,000	$ 2,369,000

At December 31, 1994 and 1995, property and equipment includes $51,000 and $38,000 of assets financed under capital lease arrangements, net of $41,000 and $54,000 of accumulated amortization, respectively. Depreciation expense amounted to $690,000, $781,000 and $933,000 for the years ended December 31, 1993, 1994 and 1995, respectively.

	DECEMBER 31,	
	1994	1995
Accounts payable and accrued expenses:		
Accounts payable.....	$593,000	$415,000

Accrued salaries	133,000	149,000
Accrued vacation	101,000	121,000
Other accrued expenses	90,000	48,000
	$917,000	$733,000

NOTE 6 -- LONG-TERM DEBT

In August 1994 the Company entered into an equipment financing agreement with a bank. The agreement provided for borrowings of up to $1,500,000 through the end of 1994, which are secured by substantially all of the Company's assets. Amounts borrowed pursuant to this agreement accrue interest at the annual rate of prime plus 1% and are to be repaid in 36 monthly installments beginning January 1995. In October 1995, the Company extended and amended its equipment financing arrangement in order to borrow an additional $500,000 through the end of 1995 at the same interest rate of the initial agreement.

Long-term debt comprises the following:

	DECEMBER 31,	
	1994	1995
Note payable to bank	$1,001,000	$820,000
Capitalized lease obligations payable in monthly installments aggregating approximately $2,200 including interest calculated at rates ranging from 16.55% to 20.01% through 1997 (note 10)	55,000	38,000
Total	1,056,000	858,000
Current portion	332,000	405,000
Noncurrent portion	$ 724,000	$453,000

NOTE 7 -- INCOME TAXES

As of December 31, 1995, the Company had federal net operating loss carryforwards of approximately $13,160,000 and California net operating loss carryforwards of approximately $6,324,000. The federal carryforwards will expire during the years 1999 through 2010 and the California carryforwards will expire during the years 1996 through 2000. As a result of research and development activities to date, the Company has accumulated research and development credit carryforwards of $605,000 and $203,000 for federal and California purposes, respectively. These federal credit carryforwards will expire during the years 2002 through 2010, while the California credit has no expiration date. As of June 30, 1995, the provisions of the federal research and development credit expired. Accordingly, no federal research and development credits may be claimed for expenses incurred after June 30, 1995.

Due to the uncertainty surrounding the realization of the favorable tax attributes of such net operating loss carryforwards and credits in future tax returns, the Company has recorded a valuation allowance against its otherwise recognizable deferred tax assets. Accordingly, no deferred tax asset has been recorded in the accompanying balance sheet.

Under the provisions of the Tax Reform Act of 1986, when there has been a change in an entity's ownership of fifty percent or greater, utilization of net operating loss carryforwards may be limited. As a result of certain equity transactions, the Company will be subject to such limitations. The annual limitations have not been determined.

NOTE 8 -- STOCKHOLDERS' EQUITY

Preferred Stock

Pursuant to the Company's Certificate of Incorporation, the Board of Directors is authorized to issue up to 2,000,000 shares of Preferred Stock (par value $.001 per share) in one or more series and to fix the rights, preferences, privileges and restrictions, including the dividend rights, conversion rights, voting rights, redemption price or prices, liquidation preferences, and the number of shares constituting any series or the

designations of such series, without further vote or action by the stockholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change of control of the Company without further action of the stockholders. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others. The Company has no present plans to issue any shares of Preferred Stock.

Stock Options

Effective October 1988, the Board of Directors adopted the Superconductor Technologies Inc. 1988 Stock Option Plan (the "1988 Plan") and reserved 600,000 shares of common stock for issuance under the 1988 Plan. The 1988 Plan has been amended to increase the number of shares reserved for issuance as follows: January 1991 to 772,883; May 1994 to 1,072,883 and May 1995 to 1,472,883. Pursuant to the 1988 Plan, key employees, directors and consultants are granted options to purchase the Company's common stock under the following terms:

TERM	10% OR GREATER SHAREHOLDER	OTHER
Option duration	No longer than 5 years	No longer than 10 years
Option price	Not less than 110% of fair market value	Not less than 100% of fair market value
Exercise period	Four equal installments beginning one year after the date of grant	Same

In addition, the Company adopted the 1992 Directors' Stock Option Plan (the "Directors' Plan"). The Directors' Plan provides for the grant of nonstatutory stock options to nonemployee directors of the Company. An aggregate of 51,000 shares have been authorized for issuance under this plan. At December 31, 1995, options to purchase 42,500 shares of Common Stock are outstanding pursuant to this plan of which 10,625 are exercisable at an average price of $6.22. Options to purchase 15,000 shares of Common Stock were granted during the year ended December 31, 1995.

The Company also adopted the 1992 Stock Option Plan. The terms of the plan are similar to the 1988 Plan. An aggregate of 240,293 shares were authorized and options to purchase the entire amount were granted in November 1992.

Exercise prices are determined by the Board of Directors and represent estimated fair values of the Company's common stock at grant date. The table below summarizes stock option activity through December 31, 1995:

	AMOUNT	EXERCISE PRICE
Outstanding at December 31, 1992	917,881	$ .70 - 8.00
Granted	251,262	6.00 - 10.00
Canceled	(27,089)	.80 - 8.00
Exercised	(194,455)	.70 - .80
Outstanding at December 31, 1993	947,599	$ .70 - 10.00
Granted	311,151	6.38 - 7.25
Canceled	(62,314)	.80 - 7.25
Exercised	(186,607)	.70 - 7.00
Outstanding at December 31, 1994	1,009,829	$ .70 - 10.00
Granted	228,750	3.875 - 7.125
Canceled	(109,586)	.80 - 7.50
Exercised	(70,895)	.70 - 6.25
Outstanding at December 31, 1995	1,058,098	$ .70 - 10.00

Based upon certain factors, the Company subsequently determined that options granted during the period June 1991 through October 1992 were issued at exercise prices which were less than fair market value. As such, the difference between the fair market value of these options and their exercise price is being charged against results of operations as compensation expense over the options' vesting period. Related compensation expense recorded was $101,000, $92,000 and $70,000, for the years ended December 31,1993, 1994 and 1995 respectively. Deferred compensation was fully amortized at December 31, 1995.

In November 1995, the Board of Directors approved a Stock Option Re-pricing Program for all employees. The Re-pricing Program has been offered on an optional basis to reprice the outstanding options held by the employees to $4.875, the closing price of the Company's Common Stock as quoted on the Nasdaq National Market on November 9, 1995. If the employee elects to reprice the options then a new measurement date is established and the options start a new vesting schedule. For options repriced with less than one year vesting, a new four year vesting schedule is started. For options with more than one year and less than two years vesting, a three year vesting schedule is started with the first vesting after nine months. For options with over two years vesting, a two year vesting schedule is started with the first vesting in six months. No options were repriced as of December 31, 1995. Fifty-one employees with a total of 135 grants equal to 797,055 shares were eligible for repricing. The employees had until January 15, 1996 to exercise the repricing option. Forty-two employees chose to reprice 102 of these grants with a total of 633,268 shares. There was no compensation expense recognizable under the Repricing Program.

Warrants

In conjunction with certain obligations under capitalized leases entered into in January 1988, the Company issued Series C warrants to two lessors to purchase 83,333 shares of preferred stock. The warrants were exercisable for $3.00 per share five years from the date of issue. Such warrants expired in January 1993. In May 1991, the Company entered into an additional equipment financing agreement with one of these same lessors. In connection with this agreement, the lessor was granted a Series D warrant to purchase 17,142 shares of preferred stock at a price of $3.50 per share. This warrant expires in 1996.

In May 1991, in connection with a previous equipment financing agreement, a bank was granted a Series D warrant to purchase 11,429 shares of preferred stock at a price of $3.50 per share. This warrant expires in 1996. Upon consummation of the initial public offering in March 1993, all series of preferred stock warrants were automatically converted into common stock warrants at a rate of

two shares to one. Additionally, in conjunction with the initial public offering, five-year warrants to purchase 120,750 shares of Common Stock were issued to the underwriters of the offering.

The following table summarizes warrant activity through December 31, 1995:

	COMMON STOCK	SERIES C WARRANTS	SERIES D WARRANTS
Outstanding at December 31, 1992	44,447	83,333	28,571
Granted	120,750		
Conversion of preferred stock warrants to common stock warrants	55,952	(83,333)	(28,571)
Expired	(41,667)		
Outstanding at December 31, 1993, 1994 and 1995 (exercisable at prices ranging from $6.00 to $9.00)	179,482	--	--

NOTE 9 -- EMPLOYEE SAVINGS PLAN

In December 1989, the Board of Directors approved a 401(k) savings plan (the "401(k) Plan") for the employees of the Company which became effective in fiscal 1990. Eligible employees may elect to make contributions under the terms of the 401(k) Plan, however, contributions by the Company are made at the discretion of management. The Company has made no contributions to the Plan.

NOTE 10 -- COMMITMENTS

The Company leases its facilities under operating leases which contain escalation clauses for increases in annual rent based upon increases in the Los Angeles area consumer price index. Lease expirations range from December 1997 to December 1999. In addition, the Company leases certain property and equipment under capital lease arrangements. Future minimum payments under lease commitments are as follows:

YEAR ENDING DECEMBER 31,	OPERATING LEASES	CAPITAL LEASES
1996	$ 235,000	$27,000
1997	244,000	18,000
1998	141,000	
1999	147,000	
Total minimum obligations	$ 767,000	45,000
Less amount representing interest		7,000
Present value of net minimum obligations		38,000
Less current portion		21,000
Long-term portion		$17,000

For the years ended December 31, 1993, 1994 and 1995 rent expense was $231,000, $245,000 and $252,000 respectively.

NOTE 11 -- SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH ACTIVITIES

The Company paid $172,000, $39,000 and $100,000 in interest expense during the years ended December 31, 1993, 1994 and 1995, respectively. The Company paid $105,000 and $40,000 in interest expense during the six month periods ended July 1, 1995 and June 30, 1996, respectively.

In 1992, the Company issued 400,000 shares of Series D preferred stock valued at $1,382,000 as partial consideration to acquire a patent (Note 4).

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NO DEALER, SALESPERSON, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR ANY OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO ITS DATE.

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2,000,000 SHARES

LOGO

COMMON STOCK

PROSPECTUS

RAUSCHER PIERCE REFSNES, INC.

VAN KASPER & COMPANY

H.C. WAINWRIGHT & CO., INC.

, 1996

APPENDIX

DESCRIPTION OF GRAPHICS

INSIDE FRONT COVER:

OVERALL CAPTION AT TOP OF PAGE: Wireless Communications HTS Filter Systems.

GRAPHICS ON UPPER LEFT AND MIDDLE PANELS DEPICT HTS MATERIALS AND AN HTS FILTER.

GRAPHIC CAPTION: HTS Filter.

GRAPHIC ON MIDDLE LEFT PANEL DEPICTS A SUPERFILTER(TM) SYSTEM.

GRAPHIC CAPTION: The SuperFilter(TM) System.

GRAPHIC ON LOWER LEFT PANEL DEPICTS A CRYOPACKAGE.

GRAPHIC CAPTION: Cryopackage.

GRAPHIC ON LOWER MIDDLE PACKAGE DEPICTS A CRYOGENIC COOLER.

GRAPHIC CAPTION: Cryogenic Cooler.

GRAPHIC ON RIGHT PANEL DEPICTS A BASE STATION.

GRAPHIC CAPTION: Base Station.

INSIDE BACK COVER:

GRAPHICS ON LEFT DEPICT A CRYOGENIC COOLER AND A COMPUTER WITH MONITOR AND KEYBOARD.

GRAPHIC CAPTION: Cold Computing Products.

GRAPHICS IN CENTER DEPICT A CELLULAR PHONE AND A SUPERFILTER(TM) SYSTEM.

GRAPHIC CAPTION: Wireless Communications Filters.

GRAPHICS ON RIGHT DEPICT A SWITCHED FILTER BANK AND A MILITARY JET AIRCRAFT.

GRAPHIC CAPTION: Government Communications Products.

OVERALL CAPTION ON BOTTOM OF PAGE: Superconductor Technologies, preceded by the Company's logo.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discount, payable by the Registrant in connection with the sale of Common Stock being registered. All amounts are estimates except the SEC

registration fee and the NASD filing fee.

	AMOUNT TO BE PAID
SEC registration fee	$ 5,899
NASD filing fee	2,211
NASDAQ additional listing application fee	17,500
Printing and engraving expenses	70,000
Legal fees and expenses	150,000
Accounting fees and expenses	50,000
Blue Sky qualification fees and expenses	10,000
Transfer agent and registrar fees	25,000
Non-accountable underwriting expense allowance	150,000
Miscellaneous fees	19,390
Total	$500,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Act"). Article 10 of the Registrant's Certificate of Incorporation, Article 10 of the Registrant's Restated Certificate of Incorporation and Article VI of the Registrant's Bylaws provide for indemnification of its directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. In addition, the Registrant has entered into Indemnification Agreements with its officers and directors. Reference is also made to Section 8 of the Underwriting Agreement contained in Exhibit 1.1 hereto, which provides for the indemnification of officers, directors and controlling persons of the Registrant against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since August 1, 1993, the Registrant has issued and sold the following unregistered securities:

(1) In March 1996, the Registrant issued 481 shares of Common Stock to Western Technology Investments pursuant to the exercise of warrants dated June 12, 1990 and May 17, 1991 at an exercise price of $7.00 per share.

(2) In May 1996, the Registrant issued 866 shares of Common Stock to Silicon Valley Bancshares pursuant to the exercise of a warrant dated May 17, 1991 at an exercise price of $7.00 per share.

The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of such Act as transactions by an issuer not involving any public offering. In addition, the recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
1.1	Form of Underwriting Agreement.
(b)3.1	Amended and Restated Certificate of Incorporation of Registrant.
3.2	Amended and Restated Bylaws of Registrant.
(a)4.1	Form of Registrant's Common Stock Certificate.
5.1	Opinion of Wilson Sonsini Goodrich & Rosati regarding legality of the securities being issued.
(a)*10.1	Technology Agreement between the Registrant and Lockheed Corporation dated January 8, 1988.
(a)10.2	Technical Information Exchange Agreement between the Registrant and Philips dated September 1989.
(a)10.3	Standard Industrial Lease between the Registrant and UML Real Estate Partnership dated January 1, 1990; Sublease between Registrant and Consolidated Packaging Machinery Company dba Industrial Automation Corporation dated October 25, 1989.
(a)10.4	Form of Consulting Agreement.
(a)10.5	Form of Employee Proprietary Information Agreement.
(a)10.6	Offer of Employment Letter to William D. Baker dated December 21, 1991.
(a)10.7	Offer of Employment Letter to Gregory L. Hey-Shipton dated May 7, 1991, as amended.
(a)10.8	1992 Director Option Plan.
(a)10.9	Form of Indemnification Agreement.
(a)10.10	License Agreement between the Registrant and the University of Arkansas dated April 9, 1992, as amended.
(a)10.11	Loan and Security Agreement between the Registrant and Silicon Valley Bank dated May 17, 1991, as amended.
(a)10.12	1992 Stock Option Plan.
(a)10.13	Proprietary Information & Patents Inventions Agreement among the Registrant, E-Systems, Inc. and various other parties; Purchase Order dated October 10, 1991.
(a)*10.14	Joint Venture Company (JVC) Agreement between the Registrant and Sunpower Incorporated dated April 2, 1992.
(a)10.15	Government Contract issued to Registrant by the Defense Advanced Research Projects Agency through the Office of Naval Research dated September 4, 1991.
(a)10.16	Offer of Employment Letter to Daniel Hu dated November 23, 1992.
(b)*10.17	License Agreement between the Registrant and E.I. DuPont de Nemours and Company dated December 1992.
(a)10.18	Note and Warrant Purchase Agreement dated December 28, 1992.
(b)10.19	Form of Representative's Warrant Agreement.
(c)*10.20	Superconductor Technologies Inc. Purchase Agreement.
(d)10.21	Loan and Security Agreement between Registrant and Silicon Valley Bank dated August 26, 1994.
(d)10.22	Form of Distribution Agreement.
(d)10.23	Amended and Restated 1988 Stock Option Plan, as amended, with form of stock option agreement.
(e)10.24	Amendment to Loan and Security Agreement between Registrant and Silicon Valley Bank dated June 27, 1995.
+10.25	Joint Venture Agreement between the Registrant and Alantac Technologies (S) Pte Ltd., dated May 20, 1996.
23.1	Consent of Wilson Sonsini Goodrich & Rosati (included in Exhibit 5.1).
23.2	Consent of Price Waterhouse LLP (see page II-6).
24.1	Power of Attorney (See page II-5).

(a) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (Reg. No. 33-56714).
(b) Incorporated by reference from Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-56714).
(c) Incorporated by reference from the Registrant's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1993.
(d) Incorporated by reference from the Registrant's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1994.
(e) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
* Confidential treatment has been previously granted for certain portions of these exhibits.
+ Confidential treatment requested.

(b) Financial Statement Schedule

Not Applicable

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial

statements or notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

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

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Barbara, State of California, on this 21st day of August, 1996.

SUPERCONDUCTOR TECHNOLOGIES, INC.

By: /s/ DANIEL C. HU

Daniel C. Hu
President and Chief Executive Officer
and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel C. Hu and James G. Evans, Jr., and each of them singly, as true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign the Registration Statement filed herewith and any or all amendments to said Registration Statement (including

post-effective amendments and registration statements filed pursuant to Rule 462 and otherwise), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as full to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitute, may lawfully do or cause to be done by virtue hereof.

Witness our hands on the date set forth below.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURES	TITLE	DATE
/s/ DANIEL C. HU Daniel C. Hu	President and Chief Executive Officer and Director	August 21, 1996
/s/ JAMES G. EVANS, JR. James G. Evans, Jr.	Vice President, Chief Financial Officer and Secretary	August 21, 1996
/s/ GLENN E. PENISTEN Glenn E. Penisten	Chairman of the Board	August 21, 1996
/s/ ROBERT P. CAREN Robert P. Caren	Director	August 21, 1996
/s/ CHARLES CROCKER Charles Crocker	Director	August 21, 1996
/s/ DENNIS HOROWITZ Dennis Horowitz	Director	August 21, 1996
/s/ J. ROBERT SCHRIEFFER J. Robert Schrieffer	Director	August 21, 1996
/s/ E. RAY COTTEN E. Ray Cotten	Director	August 21, 1996

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated February 23, 1996 relating to the financial statements of Superconductor Technologies Inc., which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Woodland Hills, California
August 20, 1996

INDEX TO EXHIBITS

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* Confidential treatment has been previously granted for certain portions of these exhibits.
+ Confidential treatment requested.

SUPERCONDUCTOR TECHNOLOGIES INC.

COMMON STOCK
(PAR VALUE $.001 PER SHARE)

FORM OF UNDERWRITING AGREEMENT

_____, 1996

Rauscher Pierce Refsnes, Inc.,
Van Kasper & Company,
H. C. Wainwright & Co., Inc.
As Representatives of the several
Underwriters named in Schedule I hereto,
c/o Rauscher Pierce Refsnes, Inc.
Cityplace
2711 N. Haskell Avenue, Suite 2400
Dallas, Texas 75204-2936

Dear Sirs:

Superconductor Technologies Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of _____ shares and, at the election of the Underwriters, up to _____ additional shares of Common Stock, par value $.001 per share ("Stock") of the Company propose, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of _____ shares of Stock. The aggregate of _____ shares to be sold by the Company is herein called the "Firm Shares" and the aggregate of _____ additional shares to be sold by the Company is herein called the "Optional Shares." The Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares".

1. (a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement in respect of the Firm Shares and Optional Shares has been filed with the Securities and Exchange Commission (the "Commission"); such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; no other document with respect to such registration statement has heretofore been filed with the Commission; and no

stop order suspending the effectiveness of such registration statement has been issued and noproceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act"), being hereinafter called a "Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the registration statement at the time it was declared effective;

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty

shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(iii) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(iv) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, that is material to the general affairs, management, financial position, stockholders' equity or results of operations of the Company and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock, short-term debt or long-term debt of the Company or any material adverse change, or any development involving a prospective material adverse change, in or affecting

the general affairs, management, financial position, stockholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Prospectus;

(v) The Company has good and marketable title in fee simple or, in jurisdictions outside of the United States, the substantive equivalent thereto, to all material real property and good and marketable title to all material personal property owned by it, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company; and any material real property and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company;

(vi) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction;

(vii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus;

(viii) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and nonassessable and will conform to the description of the Stock

contained in the Prospectus;

(ix) The issue and sale of the Firm Shares and Optional Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, sale/leaseback agreement or other agreement or instrument (collectively, the "Specified Documents") to which the Company or any of its subsidiaries is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation, as amended, or the By-laws of the Company or any statute or any order, rule or regulation of any court or government agency or body having jurisdiction over the Company or any of its properties; and no

consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(x) Other than as set forth or contemplated in the Prospectus, there are no legal or governmental proceedings pending to which the Company is a party or of which any property of the Company is the subject which, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the consolidated financial position, shareholders' equity or results of operations of the Company; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(xi) Price Waterhouse LLP, who have certified financial statements of the Company, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder;

(xii) The Company owns, or possess adequate rights to use, all the patents, trademarks, service marks, trade names and copyrights ("Intellectual Property") necessary for the conduct of its business as currently conducted by it. To the best knowledge of the Company, none of the activities engaged in by the Company infringes or conflicts with Intellectual Property rights of others; and

(xiii) Except as set forth in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities offered pursuant to the Prospectus to be registered pursuant to a registration statement.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company at a purchase price per share of $_____, the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by the Company as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all the Underwriters from the Company hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees,

severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to _____ Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. Certificates in definitive form for the Shares to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as Rauscher Pierce Refsnes, Inc. may request upon at least 48 hours' prior notice to the Company shall be delivered by or on behalf of the Company to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in same day funds, or by payment in such other manner as shall be agreed to in writing by the Company and Rauscher Pierce Refsnes, Inc., all at the offices of Rauscher Pierce Refsnes, Inc. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:00 a.m., Dallas time, on _____, 1996 , or at such other time and date as you and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:00 a.m., Dallas time, on the date specified by you in the written notice given by you of the Underwriters' election to purchase such Optional Shares, or at such other time and date as you and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery."

Physical Delivery Provision: If registration of any certificate shall be requested in a name other than that of an Underwriter, there shall be delivered to [_____] a Transfer Application with respect to the person in whose name registration of such certificate is so requested. The certificates will be made available for checking and packaging at least 24 hours prior to each Time of Delivery at such place as is designated by Rauscher Pierce Refsnes, Inc.

If certificates in temporary form are issued, the Company agrees to cause definitive certificates to be prepared as soon as practicable following the Time of Delivery. After the preparation of definitive certificates, the temporary certificates shall be exchangeable for definitive certificates upon surrender of the temporary certificates, without charge to the holder thereof. Until so exchanged, the Company agrees that the temporary certificates shall in all respects be entitled to the same benefits as the definitive certificates.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day

following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the Registration Statement, or any amendment thereto, has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the Prospectus in such quantities as you may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of the issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be

necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than 18 months after the effective date of the Registration Statement (as defined in Rule 158(c)), an earnings statement of the Company (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including at the option of the Company Rule 158);

(e) (i) During the period beginning from the date hereof and continuing to and including the date _____ days after the effective date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of Stock or other securities which are substantially similar to the Stock or which are convertible or exchangeable into Stock or other securities which are substantially similar to the Stock,

without your prior written consent (other than pursuant to stock option or purchase plans existing, or on the exercise, conversion or exchange of convertible, exercisable or exchangeable securities outstanding, on the date of this Agreement); and (ii) that it will use its reasonable efforts to cause each person who has entered into a Lock-up Agreement to comply therewith, will not grant any waivers or consents to non-compliance therewith and will otherwise enforce its rights under each such agreement, in each case unless and to the extent that it shall have obtained your prior written consent;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flow of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of five years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such

additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company are consolidated in reports furnished to its stockholders generally or to the Commission); and

(h) To use its best efforts to have the Shares accepted for quotation on the NASDAQ National Market.

6. The Company covenants and agrees with the several Underwriters that, except as provided below, the Company will pay or cause to be paid all costs and expenses incident to the performance of the Company's obligations hereunder including: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) the filing fees and the fees and disbursements of counsel for the Underwriters incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (v) the cost of preparing stock certificates; (vi) the cost and charges of any transfer agent or registrar; and (vii) a non-accountable expense allowance of $150,000 payable to the Representatives. It is understood, however, that the Company shall bear, the cost of any other matters not directly relating to the sale and purchase of the Shares pursuant to this Agreement and that, except as provided in this Section, Section 8 and Section 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of such Time of Delivery, true and correct, the condition that the Company shall have performed all of its and their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional

information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Baker & Botts, L.L.P., counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to the incorporation of the Company, this Agreement, the validity of the Shares being delivered at such Time of Delivery, the Registration Statement, the Prospectus, and other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Wilson Sonsini Goodrich and Rosati, P.C., counsel for the Company, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery, but with respect to such Shares to be issued and delivered by the Company, when issued and delivered by the Company pursuant to this Agreement against payment therefor) have been duly and validly authorized and issued and are fully paid and non-assessable; and the Shares conform to the description of the Stock contained in the Prospectus;

(iii) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon certificates of Secretaries of State or other appropriate public officials and in respect of matters of fact upon certificates of officers of the Company, provided that such counsel shall state that they believe that both you and they are justified in relying upon such officer's certificates);

(iv) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company is a party or of which any property of the Company is the subject which, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of

the Company; and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(v) This Agreement has been duly authorized, executed and delivered by the Company;

(vi) The issue and sale to you of the Shares being delivered at such Time of Delivery by the Company in accordance with and upon the

terms and conditions set forth herein and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any Specified Document known to such counsel (based solely on their review of the documents on a list of all Specified Documents of the Company as certified by the Chief Executive Officer and the Chief Financial Officer of the Company and such other Specified Documents, if any, known to members of such counsel devoting substantive attention to matters as to which such counsel has been retained by the Company), nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties;

(vii) No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters; and

(viii) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder; they have no reason to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not

misleading or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be described in the Registration Statement or the Prospectus which are not filed or described as required;

In rendering such opinion, such counsel may state that they express no opinion as to the laws of any jurisdiction other than the laws of the State of [California] (excluding conflict of law rules), the General Corporation Law of the State of Delaware, and the federal laws of the United States;

(d) At 9:00 a.m., Dallas time, on the effective date of the Registration Statement and the effective date of the most recently filed post-effective amendment to the Registration Statement and also at each Time of Delivery, Price Waterhouse LLP shall have furnished to you a letter or letters, dated the respective date of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto;

(e) (i) The Company shall not have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock (other than issuances of stock upon the exercise of stock options which were outstanding on the date of the latest balance sheet included in the Prospectus), short-term or long-term debt of the Company or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in Clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(f) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York authorities; or (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this Clause (iii) in your judgment makes it impracticable or inadvisable to proceed with

the public offering or delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated by the Prospectus;

(g) The Shares to be sold by the Company at such Time of Delivery shall have been duly accepted, subject to notice of issuance, for quotation on the Nasdaq National Market;

(h) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, and as to such other matters as you may reasonably request and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and [___] of this Section and as to such other matters as you may reasonably request; [and]

(i) On or prior to the First Time of Delivery, _____, _____, _____ [etc.] shall have entered into a Lock-up Agreement with the Underwriters that, during the period beginning from the date hereof and continuing to and including the date ____ days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of any Stock (other than pursuant to bona fide gifts to persons who agree in writing with you to be bound by the terms of such agreement).

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter

through you expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or

supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (d) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions

received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault 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 on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purposes) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at the Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within 36 hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notify you that they have so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus

which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as

provided in subsection (a) above, the aggregate number of Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any nondefaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not be under any liability to any Underwriter except as provided in Section 6 and Section 8 hereof; but, if for any other reason any Shares are not delivered by on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Rauscher Pierce Refsnes, Inc. on behalf of you as the Representative.

All statements, requests, notices, and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representative in care of Rauscher Pierce Refsnes, Inc. at Cityplace, 2711 N. Haskell Avenue, Suite 2400, Dallas, Texas 75204-2936, Attention: Corporate Syndicate Department, and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company by you on request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters and the Company and, to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same

instrument.

If the foregoing is in accordance with your understanding, please sign and return to us seven counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

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Very truly yours,

SUPERCONDUCTOR TECHNOLOGIES INC.

By: _____

Name: _____

Title: _____

Accepted as of the date hereof:

RAUSCHER PIERCE REFSNES, INC.
VAN KASPER & COMPANY
H. C. WAINWRIGHT & CO., INC.

By: _____
(Rauscher Pierce Refsnes, Inc.)
On behalf of each of the Underwriters

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SCHEDULE I

UNDERWRITER	TOTAL NUMBER OF FIRM SHARES TO BE PURCHASED	NUMBER OF OPTIONAL SHARES TO BE PURCHASED IF MAXIMUM OPTION EXERCISED
Rauscher Pierce Refsnes, Inc.	000,000	000,000
Van Kasper & Company		
H. C. Wainwright & Co., Inc.		
[Names of other Underwriters]		
Total		

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SCHEDULE II

	TOTAL NUMBER OF FIRM SHARES TO BE SOLD	NUMBER OF OPTIONAL SHARES TO BE SOLD IF MAXIMUM OPTION EXERCISED
The Company.....	0,000,000	000,000
Total.....		

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ANNEX I

Pursuant to Section 7(d) of the Underwriting Agreement, Price Waterhouse LLP shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited (and, if applicable, prospective financial statements and/or pro forma financial information examined) by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, prospective financial statements and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished to the representatives of the Underwriters (the "Representatives");

(iii) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company, inspection of the minute books of the Company since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) any unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows as of dates or for periods beginning after _____ included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder, or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with the basis for the audited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus;

(B) any other unaudited income statement data and balance sheet items for the periods or as of the dates referred to in Clause (A) above included in the Prospectus do not agree with the corresponding items in the unaudited

consolidated financial statements from which such data and items were derived, and any such

unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements as of dates or for periods beginning after _____ and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in Clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the consolidated long-term debt of the Company, or any decreases in consolidated net current assets or net assets or other items specified by the Representatives or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus; except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(iv) In addition to the audit referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraph (iii) above, they have carried out certain specified procedures,

not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and have found them to be in agreement.

EXHIBIT 3.2

BYLAWS

OF

SUPERCONDUCTOR TECHNOLOGIES INC.
A DELAWARE CORPORATION

(AS AMENDED AND RESTATED ON MAY 31, 1996)

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BYLAWS

OF

SUPERCONDUCTOR TECHNOLOGIES INC.

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

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

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, the chairman of the board, the president, the chief executive officer or one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent of the votes at that meeting (the "10% Stockholders"); provided that, notwithstanding the above and any provision contained in these bylaws to the contrary, effective upon such time as (i) shares of capital stock of the corporation are designated as qualified for trading as National Market System securities on the National Association of Securities Dealers, Inc. Automated Quotation System (or any successor national market system), and (ii) the corporation has at least 800 holders of shares of its capital stock, the 10% Stockholders shall no longer be entitled to call such meeting.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or

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

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.6 of these bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES AND STOCKHOLDER BUSINESS

To be properly brought before an annual meeting or special meeting, nominations for the election of director or other business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a stockholder. For such nominations or other business to be considered properly brought before the meeting by a stockholder, such stockholder must have given timely notice and in proper form of his intent to bring such business before such meeting. To be

timely, such stockholder's notice must be delivered to or mailed and received by the secretary of the corporation not less than 90 days prior to the meeting; provided, however, that in the event that less than 100 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. To be in proper form, a stockholder's notice to the secretary shall set forth:

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

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

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

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

to be proposed by the board of directors; and

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

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

2.6 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the

records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.7 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stock holders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting, or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provisions of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of the question.

2.8 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Sections 2.12 and 2.14 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.11 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action required by this chapter to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

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

Notwithstanding the foregoing, effective upon the closing of the corporation's initial public offering of securities pursuant to a registration statement file under the Securities Act of 1933, as amended, the stockholders of the corporation may not take action by written consent without a meeting but must take any such actions at a duly called annual or special meeting.

2.12 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors

may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

If the board of directors does not so fix a record date, the fixing of such record date shall be governed by the provisions of Section 213 of the General Corporation Law of Delaware.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.13 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after 3 years from its date, unless the proxy

provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.14 LIST OF STOCKHOLDERS ENTITLED TO VOTE

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

2.15 CONDUCT OF BUSINESS

Meetings of stockholders shall be presided over by the chairman of the board, if any, or in his absence by the president, or in his absence by a vice president, or in the absence of the foregoing persons by a chairman designated by the board of directors, or in the absence of such designation by a chairman chosen at the meeting. The secretary shall act as secretary of the meeting, but in his absence

the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and conduct of business.

ARTICLE III

DIRECTORS

3.1 POWERS

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

3.2 NUMBER

The number of directors of the corporation shall be seven. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, at each annual meeting of stockholders, directors of the corporation shall be elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law.

Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for

directors may be prescribed.

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the corporation. Stockholders may remove directors with or without cause. Any vacancy occurring in the board of directors with or without cause may be filed by a majority of the remaining members of the board of directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced.

Unless otherwise provided in the certificate of incorporation or these bylaws:

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

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

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

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

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a

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quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.7 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.8 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

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

3.9 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation.

3.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special

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meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.11 ADJOURNED MEETING; NOTICE

If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.12 CONDUCT OF BUSINESS

Meetings of the board of directors shall be presided over by the chairman of the board, if any, or in his absence by the chief executive officer, or in their absence by a chairman chosen at the meeting. The secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of any meeting shall determine the order of business and the procedures at the meeting.

3.13 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.14 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.15 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares

of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.16 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. If at any time a class or series of shares is entitled to elect one or more directors, the provisions of this Article 3.16 shall apply to the vote of that class or series and not to the vote of the outstanding shares as a whole.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corpo ration. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof

present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so

provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.7 (regular meetings), Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment and notice of adjournment), Section 3.12 (conduct of business) and 3.13 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a chief executive officer, one or more vice presidents, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, a president, a chief operating officer, one or more executive, senior or assistant vice presidents, assistant secretaries and any such other officers as may be appointed in accordance with the provisions of Section 5.2 of these bylaws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS

Except as otherwise provided in this Section 5.2, the officers of the

corporation shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment. The board of directors may appoint, or empower an officer to appoint, such officers and agents of the business as the corporation may require (whether or not such officer or agent is described in this Article V), each of whom shall hold office for such period, have such authority, and

perform such duties as are provided in these bylaws or as the board of directors may from time to time determine. Any vacancy occurring in any office of the corporation shall be filled by the board of directors or may be filled by the officer, if any, who appointed such officer.

5.3 REMOVAL AND RESIGNATION OF OFFICERS

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

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

5.4 CHAIRMAN OF THE BOARD

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no chief executive officer, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.5 of these bylaws.

5.5 CHIEF EXECUTIVE OFFICER

The chief executive officer of the corporation shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board at all meetings of the board of directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer of a corporation, including general supervision, direction and control of the business and supervision of other officers of the corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

The chief executive officer shall, without limitation, have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

5.6 PRESIDENT

Subject to such supervisory powers as may be given by these bylaws or the board of directors to the chairman of the board or the chief executive officer, if there be such officers, the president shall have general supervision, direction and control of the business and supervision of other

officers of the corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws. In the event a chief executive officer shall not be appointed, the president shall have the duties of such office.

5.7 VICE PRESIDENT

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

5.8 SECRETARY

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

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

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

5.9 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the

corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

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

5.10 ASSISTANT SECRETARY

The assistant secretary, or, if there is more than one, the assistant secretaries in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

5.11 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

6.2 INDEMNIFICATION OF OTHERS

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

6.3 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the General Corporation Law of Delaware.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

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

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the

right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent

to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or' award such other and further relief as the Court may deem just and proper.

7.3 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

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

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

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

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

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

any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by

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

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

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

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained

in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of Delaware. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

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

ARTICLE X

DISSOLUTION

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

resolution and of a meeting of stockholders to take action upon the resolution.

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

ARTICLE XI

CUSTODIAN

11.1 APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES

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

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

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

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

11.2 DUTIES OF CUSTODIAN

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

EXHIBIT 5.1

[WILSON SONSINI GOODRICH & ROSATI LETTERHEAD]

August 21, 1996

Superconductor Technologies Inc.
460 Ward Drive, Suite F
Santa Barbara, CA 93111-2310

Re: REGISTRATION STATEMENT ON FORM S-1

Ladies and Gentlemen:

We have examined the Registration on Form S-1 filed by you with the Securities and Exchange Commission on August 21, 1996 (the "Registration Statement") in connection with the registration under the Securities Act of 1933, as amended, of 2,300,000 shares of your Common Stock (the "Shares") which are authorized but heretofore unissued. The Shares include an over-allotment option for 300,000 shares granted to the underwriters. The Shares are to be sold to the underwriters for resale to the public as described in the Registration Statement and pursuant to the Underwriting Agreement filed as an exhibit thereto. As your counsel, we have examined the proceedings proposed to be taken in connection with the sale and issuance of the Shares.

It is our opinion that, upon completion of the proceedings being taken or contemplated by us, as your counsel, to be taken prior to the issuance of the Shares, and upon completion of the proceedings being taken in order to permit such transactions to be carried out in accordance with the securities laws of the various states, where required, the Shares when issued and sold in the manner referred to in the Registration Statement will be legally and validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement, and further consent to the use of our name wherever appearing in the Registration Statement, including the prospectus constituting a part thereof, and any amendment thereto.

Very truly yours,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

/s/ WILSON SONSINI GOODRICH & ROSATI

EXHIBIT 10.25

REDACTED
CONFIDENTIAL TREATMENT REQUESTED

JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT is entered into the 20th day of May 1996

BETWEEN

(1) SUPERCONDUCTOR TECHNOLOGIES INC., a corporation incorporated under the laws of the State of Delaware and having its place of business at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, USA ("STI"); and

(2) ALANTAC TECHNOLOGIES (S) PTE LTD., a company incorporated under the laws of the Republic of Singapore and having its registered office at Block 3016A Ubi Road 1 #01-07, Singapore 408707 ("Alantac").

WHEREAS

(A) STI carries on the business, inter alia, of research, development and manufacture of products and components for use in the electronics, computer and communication industries, and wishes in particular to manufacture in Singapore its line of cryogenic coolers as listed in Schedule I hereto ("the Products").

(B) Alantac carries on the business, inter alia, of manufacturers of products and components for use in the electronic and computer-related industries, and has the ability to assist STI in setting up and operating the necessary equipment and facilities for the manufacture of the Products.

(C) STI and Alantac desire to form a joint venture, the purpose of which will be to create and operate in Singapore, a private company limited by shares, to manufacture in Singapore the Products utilising STI's manufacturing and designing expertise and Alantac's assistance in the setting up and operating of the necessary equipment and facilities for the manufacture of the Products.

(D) STI and Alantac each represents to the other that it has the power and the necessary authorisation to enter into this Agreement and to carry out its obligations hereunder.

IT IS HEREBY AGREED as follows :

1. INTERPRETATION

1.1 In this Agreement, unless the contrary intention appears, the following definitions shall apply:

"Ancillary Agreements"	the Licence Agreement and the Lease Agreement, or any one or more of them;
"Board"	the board of Directors for the time being of the Company;

"Business"	the business of the Company as described in Clause 5, and subject to Clause 9.1.1 such other business as the parties may agree in accordance with Clause 10.1.20 should be carried on by the Company;
"Company"	the joint venture vehicle, being a private company limited by shares and to be incorporated in Singapore by the parties in accordance with Clause 2;
"Completion Date"	May 21, 1996 or such other date as the parties shall agree;
"Director"	a director of the Company, including where applicable an alternate director;

"Licence Agreement"	the agreement to be entered into between the Company and STI substantially in the form annexed hereto as Schedule III;
"Lease Agreement"	the agreement to be entered into between the Company and Alantac substantially in the form annexed hereto as Schedule IV;
"party or parties"	STI and/or Alantac, as the case may be;
"Person"	includes an individual, a corporation, a firm or other body of persons;
"Products"	the models of cryogenic coolers listed in Schedule I hereto;
"related"	as defined in Section 6 of the Companies Act corporation"(Cap. 50) of Singapore;
"shares"	shares of the Company;
"US$", "US Dollars"	the lawful currency of the United States of America.

1.2 Reference to a statute or statutory provision includes a reference to it as from time to time amended, extended or re-enacted.

1.3 Words denoting the singular number only include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

1.4 Unless the context otherwise requires, reference to a Clause or Schedule is to a Clause of or Schedule to this Agreement.

1.5 Clause headings in this Agreement are inserted for convenience of reference only and shall be ignored in the construction or interpretation of this Agreement.

CONFIDENTIAL TREATMENT REQUESTED

2. INCORPORATION OF THE JOINT VENTURE COMPANY

2.1 The parties hereby agree that as soon as possible after the execution of this Agreement, they will take all necessary steps to incorporate the Company under the name of "Cryo Asia Pte Ltd" or such other name as the Registrar of Companies & Businesses in Singapore may approve.

2.2 The Memorandum and Articles of Association of the Company shall be in such form as the parties may agree, and substantially in the form annexed hereto as Schedule II.

3. SHARE CAPITAL OF COMPANY

3.1 The initial authorised share capital of the Company shall be US Dollars One Hundred Thousand (US$100,000) which shall be represented by 100,000 ordinary shares each with a par value of US Dollars One (US$1.00).

3.2 For the purpose of the incorporation of the Company, the initial subscribers shall be STI and Alantac. STI shall subscribe for six ordinary shares of US$1.00 each and Alantac shall subscribe for four ordinary shares of US$1.00 each, all at par value.

3.3 On the Completion Date, each of the parties shall subscribe for additional shares, at the subscription price of US Dollar [**********] per share, in the following manner:

Party	No. of shares
STI (and/or its nominee)	[**********]

Alantac (and/or its nominee) [**********]

3.4 Subject to the provisions of this Agreement and in particular Clauses 13.5 and 15.4 of this Agreement, or unless and otherwise agreed to among the parties hereto in writing, the ratio of shareholding in the Company held by each party shall not be changed, and in the event of any increase in the issued share capital of the Company, each party shall have the pre-emptive right to subscribe for additional shares in the Company in proportion to their respective shareholdings.

4. COMPLETION

4.1 Completion shall take place in Singapore at the offices of Messrs Rodyk & Davidson at Six Battery Road #38-01, Singapore 049909 on the Completion Date or such other date or place as the parties may agree.

4.2 At Completion :-

(a) the parties shall procure that the following be done:-

(i) the approval and execution of the Licence Agreement; and

(ii) the approval of a Lease Agreement between the Company and Alantac (substantially in the form annexed hereto as Schedule IV), and subject to receipt of the relevant approval from the Jurong Town Corporation, its execution upon the commencement of manufacturing operations by the Company; and

(b) the parties shall subscribe for the number of shares as provided in Clause 3.3 of this Agreement and shall accordingly complete, sign and deliver to the Company the form of subscription of shares (as set out in Schedule V).

4.3 The obligations of the parties to subscribe for the shares as provided for in Clause 3.3 of this Agreement shall be conditional upon the other provisions of Clause 4.2 being fully complied with. If any of the said provisions are not complied with on or before the Completion Date (or such other date as the parties may agree), then this Agreement shall be null and void, and the parties shall forthwith take such steps as may be necessary to procure the dissolution of the Company. The costs of effecting the dissolution of the Company shall be shared among the parties in proportion to their respective shareholdings. Save for such costs, upon the dissolution of the Company, neither party shall have further liability to the other in respect of their obligations under this Agreement.

5. BUSINESS OF THE COMPANY

With effect from the Completion Date, or such later date as the parties may agree, the Company shall carry on the business of manufacturing the Products designed by STI for the purpose of sale back to STI and/or (subject to the terms of the Licence Agreement) marketing the same to third parties in Asia (excluding Japan).

6. OBLIGATIONS OF STI

STI shall grant to the Company certain rights and licences to manufacture and market the Products in accordance with the terms of the Licence Agreement.

7. OBLIGATIONS OF ALANTAC

7.1 Alantac shall provide to the Company such assistance as the Company may reasonably require in the establishment and conduct of the Business, and in particular, shall :

(i) provide the Company with all reasonable assistance in setting up its manufacturing operations in Singapore, including but not limited to the procurement of all necessary equipment and material;

(ii) provide sub-contracting services to the Company for the manufacture

of parts and components required in the manufacture of the Products, upon competitive terms acceptable to Alantac and no worse than those extended to Alantac's best customers;

(iii) assist the Company in reducing production costs by reviewing the designs for the Products and proposing changes in such designs for manufacturability.

Save for the sub-contracting services referred to in Sub-Clause 7.1(ii) above, Alantac shall provide the abovementioned assistance to the Company free-of-charge, provided that any disbursements reasonably incurred by Alantac in providing such assistance, and approved by the parties from time to time in writing, shall be borne by the Company, and provided further that Alantac shall retain all proprietary rights to processes and know-how relating to the manufacture of the abovementioned components. Alantac shall identify such proprietary rights as soon as possible after the execution of this Agreement and hereby agrees to grant to the Company a licence upon terms to be mutually agreed between the parties, to use any such processes and know-how which are reasonably required by the Company for the manufacture of the Products.

7.2 Upon the commencement of manufacturing operations by the Company, but subject to receipt of the relevant approvals from the Jurong Town Corporation, Alantac shall grant to the Company a lease in respect of the premises at Block 3016A #01-07 Ubi Road Singapore 1440 ("the Premises"), substantially in the form annexed hereto as Schedule IV, at a fair rent to be mutually agreed, provided that Alantac hereby undertakes to use its best endeavours to procure the approval of the Jurong Town Corporation (and such other approvals as may be necessary) for the grant of the Lease, and to comply with any terms or conditions (if any) as may be imposed upon Alantac in relation to the grant of such approval(s).

8. MANAGEMENT OF THE COMPANY

8.1 The maximum number of Directors holding office at any time shall be five, unless otherwise agreed in writing by each of the parties. Each of the parties shall be entitled to appoint up to such respective number of Directors as is specified in the following provisions of this Clause.

8.2 As long as STI or any of its related corporations holds any shares in the Company, STI shall be entitled to appoint three Directors, and as long as Alantac or any of its related corporations holds any shares in the Company, Alantac shall be entitled to appoint two Directors, and each party shall be entitled at any time to require the removal or substitution of any Director so appointed by it pursuant to the powers conferred on the relevant party hereunder. The Directors so appointed by STI shall be designated "STI Directors" and the Directors so appointed by Alantac shall be designated "Alantac Directors". For the purpose of the incorporation, the first Directors shall be :

Name of Director	Nominated by
James Graff Evans, Jr.	STI
Lau Kin Hong	Alantac

Forthwith or as soon as practicable after the incorporation of the Company, the parties shall procure the appointment of the following as additional Directors of the Company :

Name of Director	Nominated by
Daniel C. Hu	STI
	STI
Eric Chan	Alantac

8.3 Any exercise by a party of the power of appointment, removal or

substitution of a Director conferred on it pursuant to the above provisions shall be in writing and shall be served upon the other party together with a form of shareholders' resolution in writing signed by the party giving the notice, which the other party, upon receiving the same, shall immediately sign and deliver to the registered office of the Company marked for the attention of the Secretary. Any such exercise of these powers of appointment, removal or substitution shall take effect when the written resolution (which may be contained in more than one document) signed by or on behalf of the parties is so delivered to the registered office of the Company.

8.4 If any party to whom the parties' resolutions referred to in Clause 8.3 is sent shall delay in signing and/or delivering the same to the registered office of the Company, such party hereby irrevocably:

8.4.1 appoints the first party to sign a further copy of the said parties' resolutions on behalf of itself; and

8.4.2 authorises the first party to deliver the same to the registered office of the Company marked for the attention of the Secretary.

For the purpose of this Clause, the failure by a party to sign and deliver the signed resolution to the registered office within 14 days of receipt of the same by that party shall be treated as a delay entitling the other party to exercise the power of attorney granted to it hereunder, and the first-mentioned party hereby ratifies and confirms any action taken by the Company in connection with the exercise by the other party of such power.

8.5 The Chairman of the Board of Directors shall be appointed by the Directors from the STI Directors. The first Chairman of the Board of Directors shall be Mr Daniel C. Hu.

8.6 The quorum for a Board Meeting shall be one STI Director and one Alantac Director. In the case of an equality of votes at any meeting of the Board or the parties, the Chairman shall be entitled to a second or casting vote.

8.7 Subject to whatever limitations which may be imposed upon the Directors by resolution of the Company's shareholders and this Agreement, the Directors shall have the powers and responsibilities set forth in the Memorandum and Articles of Association of the Company. Subject to the express provisions of this Agreement, all decisions or actions the Directors may take shall be taken by majority vote.

8.8 The Board of Directors shall conduct annual reviews of the operations of the Company, including but not limited to the following:

4.5.1 the retention of profits of the Company;
4.5.2 the continuation of the Company; and
4.5.3 the strategic direction of the Company

8.9 Unless otherwise agreed, the parties shall procure that Board Meetings are convened and held at least two times a year and that a written agenda specifying the matters to be raised at any Board Meeting of the Company shall (either together with the notice convening the meeting or not less than seven days prior to the date of the meeting) be sent to all Directors (or their alternates) entitled to receive notice of any such meeting. It is further agreed that unless in any particular case, all the Directors present and forming a quorum shall otherwise agree, no resolution relating to any business may be proposed or passed at any Board Meeting unless the nature of the business is specified in such agenda.

8.10 Any Director or member of a committee of Directors may participate in a meeting of the Directors or such committee by means of conference telephones or similar communication equipment whereby all persons participating in the meeting can hear each other, and any Director participating in a meeting in this manner shall be deemed to be present in person at such meeting.

8.11 A resolution in writing, signed or approved by letter or facsimile or telex or telegram by the Directors, being not less than the number

required to constitute a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Directors.

8.12 The Board of Directors shall appoint to the office of Chief Executive Manager (who may or may not be a Director of the Company) a person nominated by Alantac whose responsibility shall be to direct the operations of the Company. The Chief Executive Manager shall be subject to the supervision of the Board of Directors. Subject to the provisions of any service or employment contract, the Board of Directors shall be entitled at any time to require the removal or substitution of the Chief Executive Manager.

9. CONDUCT OF THE COMPANY'S AFFAIRS

9.1 The parties shall exercise all voting rights and other powers of control available to them in relation to the Company so as to procure that at all times during the term of this Agreement:

9.1.1 The business of the Company shall, subject to Clause 10.1.20, consist exclusively of the business described in Clause 5 above, and shall be conducted in the best interests of the Company on sound commercial profit making principles so as to generate (but without prejudice to the terms of Clause 11) the maximum achievable maintainable profits available for distribution;

CONFIDENTIAL TREATMENT REQUESTED

9.1.2 The Company shall bid competitively for piece parts required in the manufacture of the Products to ensure the best pricing, and nothing herein shall prevent the Company from purchasing such piece parts from Alantac accordingly;

9.1.3 Transfer pricing for each Product type manufactured by the Company and sold to STI will be established on a quarterly basis, by the mutual agreement of the parties at the beginning of each quarter, taking into consideration the respective efforts of each party and the Company in the design, manufacture and marketing thereof, provided that it is hereby agreed that after the first 9 months of operations, the Company shall be allowed to sell the Products manufactured by it to STI at a minimum gross profit margin of between [**********]. For the purpose of this provision, the term "gross profit margin" shall mean the amount representing profit before tax net of all operating expenses, overheads, input costs and depreciation (determined in accordance with general industry practice).

9.1.4 In determining the transfer pricing, the parties shall develop a formula to allow for the distribution of gross profits generated by the sale of Products to STI (or its subsidiary incorporated for the purpose of holding STI's entitlement to shares in the Company under this Agreement, as the case may be) between STI and Alantac based on an equitable allocation considering the relative values of the design and marketing efforts attributable to STI and the manufacturing efforts attributable to Alantac and the Company. The proposed formula shall be based on the average selling price of the Products with allocation of a certain percentage to cover the design and marketing overheads, and provision for a return on the investment to STI outside the Company, so structured to enable the Company to receive additional profits associated with the manufacturing efforts provided by it.

9.1.5 The parties shall each be entitled to examine the books and accounts to be kept by the Company and to be supplied with all relative information, including monthly management accounts and operating statistics and such other trading and financial information in such form as they may

reasonably require to keep each of them properly informed about the business of the Company and generally to protect their interest;

9.1.7 The Company shall comply with the provisions of its Memorandum and Articles of Association (as adopted in accordance with Clause_2.2); and

9.1.8 Such Memorandum and Articles of Association shall not be altered and no further articles or resolutions inconsistent therewith will be adopted or passed unless the terms of such articles or resolutions have been previously approved in writing by each of the parties;

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9.1.9 The Company shall enter into and shall not terminate or cause to be terminated the Licence Agreement.

10. MATTERS REQUIRING CONSENT OF BOTH PARTIES

10.1 Subject to the provisions of the Licence Agreement, the parties shall exercise all voting rights and other powers of control available to them in relation to the Company so as to procure that the Company shall not without the prior written consent of both STI and Alantac :

10.1.1 create any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any part of the undertaking, property or assets of the Company, except for the purpose of securing the indebtedness of the Company to its bankers for sums borrowed in the ordinary and proper course of the Business;

10.1.2 borrow any sum (except for normal trade credits and other borrowings from the Company's shareholders pursuant to Clause 13 hereof up to the maximum aggregate of US$[**********]) in excess of a maximum aggregate sum outstanding at any time of US$[**********];

10.1.3 make any loan or advance or give any credit (other than normal trade credit) in excess of US$[**********] to any Person except for the purpose of making deposits with bankers which shall be repayable upon the giving of no more than 7 days' notice;

10.1.4 give any guarantee or indemnity to secure the liabilities or obligations of any Person where the Company's liability under such guarantee or indemnity would exceed US$[**********] in total;

10.1.5 sell, transfer, lease, assign, or otherwise dispose of a material part of the undertaking, property and/or assets of the Company (or any interest therein), or contract so to do;

10.1.6 enter into any contract, arrangement or commitment involving expenditure on capital account or the realisation of capital assets if the amount or the aggregate amount of such expenditure or realisation by the Company would exceed US$[**********] in any one year or in relation to any one project, and for the purpose of this paragraph the aggregate amount payable under any agreement for hire, hire purchase or purchase on credit sale or conditional sale terms shall be deemed to be capital expenditure incurred in the year in which such agreement is entered into;

10.1.7 take or agree to take any leasehold interest in or licence over any land save as permitted by this Agreement;

10.1.8 issue any unissued shares for the time being in the Company's share capital or create or issue any new shares,

except as expressly permitted by the Company's Articles of Association and this Agreement;

10.1.9 consolidate, sub-divide or convert any of the Company's share capital or in any way alter the rights attaching thereto;

10.1.10 issue renounceable allotment letters or permit any Person entitled to receive an allotment of shares to nominate another Person to receive such allotment except on terms that no such renunciation or nomination shall be registered unless the renouncee or Person nominated is approved by the parties; or

10.1.11 create, acquire or dispose of any subsidiary or of any shares in any subsidiary;

10.1.12 enter into any partnership or profit sharing agreement with any Person save as permitted by this Agreement;

10.1.13 do or permit or suffer to be done any act or thing whereby the Company may be wound up (whether voluntarily or compulsorily), save as otherwise expressly provided for in this Agreement;

10.1.14 issue any debentures or other securities convertible into shares or debentures or any share warrants or any options in respect of shares;

10.1.15 enter into any contract or transaction except in the ordinary and proper course of the Business and on arm's length terms save as permitted by this Agreement;

10.1.16 acquire, purchase or subscribe for any shares, debentures, mortgages or securities (or any interest therein) in any company, trust or other body;

10.1.17 appoint or dismiss any Director but without prejudice to the rights conferred on each of the parties pursuant to Clause 8 to appoint and remove Directors;

10.1.18 appoint any committee of the Directors or any local board and delegate any of the powers of the Directors to such committee or local board;

10.1.19 hold any meeting of shareholders or purport to transact any business at any such meeting unless there shall be present duly authorised representatives or proxies for each of the parties; and

10.1.20 cease to conduct or carry on the Business substantially as defined in this Agreement or change the nature or scope of the Business.

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11. REINVESTMENT OF DIVIDEND

The parties shall procure that for the first three years of the Company's operations, all of the profits of the Company available for distribution shall be re-invested into the Company and none of it shall be distributed by the Company to the parties by way of dividends, unless otherwise agreed by the parties in writing.

12. ADDITIONAL SHARE CAPITAL

If at any time in the future, the parties determine by agreement that, in accordance with sound and prudent business practice, additional capital is required for the operation of the Company, the parties hereby agree to provide the Company with such additional capital by subscribing for

additional shares in the Company in proportion to their respective shareholdings, provided that the parties shall not be obliged to subscribe for more than US$[**********] in aggregate in additional capital during the first 30 months of the Company's operations nor to subscribe for any shares hereunder if the other party shall have materially breached their obligations under this Agreement or any of the Ancillary Agreements.

13. LOAN FINANCE

13.1 Subject to Clause 10.1, the parties shall each use reasonable endeavours to procure that the requirements of the Company for working capital to finance the Business are met as far as practicable by borrowings from banks and other similar sources on the most favourable terms reasonably obtainable as to interest, repayment and security, but without allowing any prospective lender a right to participate in the equity share capital of the Company as a condition of any loan. If any security is required to be given by the parties, then such security shall be given on a joint and several basis, in proportion to their respective shareholdings, subject to such indemnities or contribution agreements as may be required from the Company or the other parties.

13.2 If the Board shall determine at any time during the currency of this Agreement that borrowing from a bank or other outside source is not desirable, the parties shall each extend loans to the Company as may be determined by the Board to be necessary for the purposes of financing the Business on the terms of this clause and such additional terms as the Board may determine and in the following manner:

13.2.1 the Board shall, at such times as it resolves that additional capital is so required, issue to each of the parties a requirement notice in writing, specifying the amount of loan each of them is required to extend and the terms of such loan; and

13.2.2 each of the parties shall extend the amount of loan stated in such requirement notice within four weeks of the date thereof in cash at par.

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13.3 The amount of loan requested by the Board from the parties in accordance with Clause 13.2 shall be contributed by the parties and any repayment thereof repaid by the Company to each of the parties in the proportions of their shareholding. The maximum aggregate amount of loan for which the parties shall be liable to extend (taken as a whole) shall be US$[**********].

13.4 If either of the parties fails to contribute the amount of loan properly requested by the Board hereunder within the time specified in Clause 13.2.2, the Company shall be entitled to take such action as it thinks fit for obtaining payment of such contribution towards the loan including (without limitation) commencing proceedings against the defaulting party for breach of its obligations hereunder and the defaulting party shall refrain from using its voting rights and other powers of control in relation to the Company to prevent or delay any such action being taken by the Company.

13.5 If either of the parties fails to contribute the amount of loan properly requested by the Board hereunder within the time specified by Clause 13.2.2, the other party shall be entitled (subject to its due contribution of the amount of loan required from it hereunder) to pay to the Company in cash the amount due to the Company by the defaulting party and such amount shall be wholly applied (notwithstanding any other provision of this Agreement) (at its option) in extending the additional loan at par and/or subscribing for additional shares at par in the same class as those shares already held or beneficially owned by such party. If, as a result of exercising the foregoing right, either party becomes the holder or beneficial owner of seventy-five per cent (75%) or more in nominal value of the issued equity capital of the Company (regardless of class) then the provisions of Clauses 8.6, 9 and 10 of this Agreement shall thereupon cease to apply.

14. PUBLIC OFFERING OF SECURITIES

14.1 In the event of a public offering of the securities of the Company, the parties hereby agree to use their reasonable endeavours, taking into consideration among other things, the recommendation of underwriters to such offering, to procure, subject to any applicable laws, that the employees and shareholders of the Company shall benefit from such offering by way of a preferential grant or offer of such securities or share or stock options, warrants or other similar rights to acquire such securities, the amount of such grant or offer to be determined according to each of their respective efforts towards the profitability of the Company and subject to the agreement of the parties.

14.2 In the event that STI determines that a public offering be made in respect of the securities of STI's subsidiary (incorporated for the purpose of holding STI's entitlement to shares in the Company under this Agreement) in lieu of a public offering of the securities of the Company, STI agrees to use its reasonable endeavours to procure, subject to any applicable laws, that certain employees and shareholders of the Company shall similarly benefit from such offering by way of a preferential grant or offer of such securities or share or stock options, warrants or other similar rights to acquire such securities, the amount of such grant or offer to be determined according to each of their respective efforts towards the profitability of such STI subsidiary and subject to the determination of the board of directors of such

subsidiary or compensation or similar committee of such board based upon, among other things, the advice and recommendations of the parties.

15. TRANSFER OF SHARES

15.1 In the event a party desires to sell or transfer all or part of its shares in the Company to a Person other than a related corporation, it shall first offer to sell the shares to the other party. If the party to which the offer is made does not accept the offer within 60 days from the date of receipt thereof, then the offering party may sell or transfer the offered shares made by the offering party to a third party within six months after the date of the offer, at the same purchase price per share and on no better terms and conditions as were offered to the other party provided always that such third party is not a related corporation of the party which makes the offer. The purchase price of the shares shall be payable in cash upon transfer of the shares.

The requirement that a party first offers to sell its shares to the other party shall not apply in any case where the sale or transfer is made with the prior written consent of the other party.

15.2 Unless the parties otherwise agree in writing, where there is a change in control of either one of the parties, the party which is the subject of such change in control shall be deemed to have made an offer to the other party to sell all the shares held by it in the Company in the manner aforementioned. For the purposes of this clause "change in control" shall mean a change in shareholding of 50 per cent or more of the issued share capital in a party.

15.3 Subject to the provisions of this Clause, any transfer of shares shall be regulated in accordance with the provisions set out in the Company's Articles of Association.

15.4 Notwithstanding the aforesaid, the parties hereby agree to each divest 0.5% of their respective shareholdings to Magnetics Technology Center ("MTC") or its nominee in acknowledgement of MTC's assistance and contribution to the establishment of the Company, provided that such shares shall be transferred to MTC upon terms that :

(i) MTC shall not be deemed to be a joint venture partner;

(ii) MTC shall not be entitled to any pre-emption right in respect of any future issue or transfer of shares in the Company;

(iii) MTC shall not be entitled to nominate Directors to the Board;

(iv) in the event that MTC wishes to divest its shares, it shall offer the shares to STI and Alantac in proportion to their respective shareholdings;

and that MTC shall execute such deed as the parties may require in relation to its rights and obligations as a passive shareholder in the Company, which shall incorporate the above terms. The foregoing provisions relating to the transfer of shares by the parties shall not apply to such divestment.

16. DISPOSAL OR CHARGING OF THE SHARES

Subject to Clause 15.4 of this Agreement, neither of the parties shall, except with the prior written consent of the other, create or permit to subsist any pledge, lien or charge over, or grant any option or other rights or dispose of any interest in, all or any of the shares held by it (otherwise than by a transfer of such shares in accordance with the provisions of the Company's Articles of Association and this Agreement) and any Person in whose favour any such pledge, lien, or charge is created or permitted to subsist or such option or rights are granted or such interest is disposed of shall be subject to and bound by the same limitations and provisions as embodied in this Agreement.

17. ISSUE OF SHARES

Subject to Clause 3.4, the issue of new shares shall be regulated in accordance with the provisions set out in the Company's Articles of Association.

18. EXERCISE OF VOTING RIGHTS

18.1 Each party undertakes with the other as follows:

18.1.1 to exercise all voting rights and powers of control available to it in relation to the Company so as to give full effect to the terms and conditions of this Agreement including, where appropriate, the carrying into effect of such terms as if they were embodied in the Company's Memorandum and Articles of Association;

18.1.2 to procure that the Directors nominated by it and its other representatives will support and implement all reasonable proposals put forward at Board and other meetings of the Company for the proper development and conduct of the Business as contemplated in this Agreement;

18.1.3 to procure that all third parties directly or indirectly under its control shall refrain from acting in a manner which will hinder or prevent the Company from carrying on the Business in a proper and reasonable manner; and

18.1.4 generally to use its best endeavours to promote the Business and the interests of the Company.

19. NON-COMPETITION / OTHER VENTURES

19.1 Alantac shall not, nor shall any of its directors, employees or agents, directly or indirectly manufacture, distribute, market or sell the Products or components thereof during the term of this Agreement except in the manner as provided herein (including the Schedules annexed hereto).

19.2 During the term of this Agreement, neither Alantac, its directors, employees or agents may engage in or have any interest in business

ventures of any nature which may compete with the Business of the Company.

20. THIS AGREEMENT NOT TO CONSTITUTE A PARTNERSHIP

None of the provisions of this Agreement shall be deemed to constitute a partnership between the parties and neither of them shall have any authority to bind the other in any way.

21. COSTS

Until the establishment of the Company, all costs and expenses incurred by each party shall be accounted for and borne separately by each of the respective parties, such costs however, to be apportioned between the parties in proportion to their respective shareholdings in the Company after the establishment of the Company.

22. NON-DISCLOSURE OF INFORMATION

Neither of the parties shall divulge or communicate to any person (other than those whose province it is to know the same or with proper authority) or use or exploit for any purpose whatever any of the trade secrets or confidential knowledge or information or any financial or trading information relating to the other party and/or the Company which the relevant party may receive or obtain as a result of entering into this Agreement, and shall use its reasonable endeavours to prevent its employees from so acting. This restriction shall continue to apply after the termination of this Agreement without limit in point of time but shall cease to apply to independently developed information or information or knowledge which may properly come into the public domain through no fault of the party so restricted.

23. TERM AND TERMINATION

23.1 The effective date of this Agreement shall be the date of its execution by both parties.

23.2 Subject to Clause 4.3, this Agreement shall continue in full force and effect until terminated in accordance with the provisions of this clause.

23.3 A party ("the first party") to this Agreement shall be entitled to terminate this Agreement immediately by notice ("the termination notice") in writing to the other party (but not later after 90 days of the event in question first coming to the attention of the first party) if any of the events ("events of default") set out below shall occur. The said events are :

23.3.1 if the other party or the Company (as the case may be) shall commit a material breach of any of its obligations under this Agreement or under any of the Ancillary Agreements, and shall fail to remedy such breach (if capable of remedy) within 30 days after being given notice by the first party so to do; or

23.3.2 any distress, execution, sequestration or other process being levied or enforced upon or sued out against the property of the other party which is not discharged, stayed, vacated or dismissed within 60 days after the filing thereof; or

23.3.3 the presentation of a petition or resolution being passed for the winding up of the other party (whether voluntarily or involuntarily) otherwise than for the purpose of a bona fide reconstruction or amalgamation without insolvency previously approved by the other party (such approval not to be unreasonably withheld); or

23.3.4 any encumbrancer taking possession of or a receiver, judicial manager or trustee being appointed over the whole or any substantial part of the undertaking, property or assets of the other party or the other party compounding with or convening a meeting of its creditors ; or

23.3.5 if the other party shall dispose of the whole or substantially

the whole of its business or undertaking or in the case of STI, the whole or substantially the whole of its business or undertaking relating to cryogenic coolers, otherwise than for the purpose of a bona fide reconstruction or amalgamation (which reconstruction or amalgamation shall include any disposition to a related company) without insolvency previously approved by the other party (such approval not to be unreasonably withheld): or

23.3.6 if the other party takes or suffers any other action which, in the reasonable opinion of the party giving notice, means that the other party may be unable to pay its debts; or

23.3.7 if the parties are unable to resolve a deadlock in the manner provided under Clause 24 below.

23.4 If this Agreement is terminated pursuant to any of the above events of default"), the first party may at it its discretion, by notice ("the option notice") in writing given to the other party at the same time or at any time within 30 days of the termination notice :

23.4.1 offer to sell all its shares in the Company to the other party at the prescribed price, and thereupon the other party shall be bound to purchase the same at the prescribed price; or

23.4.2 offer to purchase all the other party's shares in the Company at the prescribed price, and thereupon the other party shall be bound to sell its shares at the prescribed price; or

23.4.3 inform the other party of the first party's intention to, and thereafter the first party may, either initiate voluntary winding up proceedings against the Company or petition for the winding up of the Company, in which event the other party shall not be entitled to object or stand in the way of such winding up and shall exercise its voting power in favour of the resolution for winding up. The liquidation shall be nominated by the first party.

23.5 Either party hereto shall have the right to terminate this Agreement forthwith and demand a voluntary winding up of the Company giving the other party written notices to that effect upon the occurrence of any of the following events:

23.5.1 if for reasons beyond the reasonable control of the parties, the Company fails to commence the Business within one calendar year from the date of this Agreement, or is unable to or ceases indefinitely to engage in the Business;

23.5.2 the Company fails to make any profit from the Business for the period commencing on the incorporation date of the Company and ending three calendar years thereafter;

23.5.3 the parties are unable to resolve a deadlock in the manner provided under Clause 24 below; or

and if either party desires to continue the operation of the Company, then upon written notice ("option notice") given by that to the other, that party shall buy and the other party shall sell its shares at the prescribed value as at the date of the notice. If either party fails to given such notice within 30 days of any such event occurring, then either party may initiate voluntary winding up proceedings against the Company or petition for the winding up of the Company, in which event the other party shall not be entitled to object or stand in the way of such winding up, and shall exercise its voting power in favour of the resolution for winding up.

23.6 In this Clause 23, the prescribed price of the shares shall mean such price as may be agreed between the parties within 30 days of the date of the option notice or, in default of such agreement, such price as the auditors of the Company for the time being shall certify to be in their opinion the fair value of the shares as between a willing buyer and a

willing seller contracting on arm's length terms having regard to the fair value of the Company as a giving concern as at the date of the option notice. The procedure for the transfer of the shares shall follow as closely as reasonably possible the provisions of the Articles of Association of the Company.

23.7 This Agreement shall terminate if at any time as a result of a transfer of shares made in accordance with this Agreement and the Company's Articles of Association either party (or its nominee) holds no shares in the capital of the Company but without prejudice to any rights which either party may have against the other party arising prior to such termination (including without limit the provisions of Clause 23).

23.8 This Agreement shall terminate immediately if an effective resolution is passed to wind up the Company or if a liquidator is otherwise appointed (but without prejudice to any rights either party may have against the other arising prior to such termination).

23.9 Upon the termination of this Agreement for whatever reason, each of the Ancillary Agreements shall be deemed also to be terminated, provided that any such termination shall be without prejudice to any rights which either party may have against the other party arising prior to such termination nor any specific obligations provided under this Agreement or under any of the Ancillary Agreements to survive such termination.

24. DEADLOCK

This Clause shall apply in any case where the parties are unable to agree on any matter provided under Clause 10 which requires the unanimous consent of the parties. In any such case, herein referred to as a "deadlock", each party shall within seven days of such deadlock having arisen or becoming apparent, cause its appointee(s) on the Board of Directors to circulate to its chief executive officer a memorandum setting out its position. Each such memorandum shall be considered by the respective chief executive officers who shall use reasonable endeavours to resolve such dispute. If they agree to a resolution of the matter within twenty-one (21) days of such deadlock or such additional period of time as the parties may mutually agree in writing, the parties shall exercise their voting rights and other powers in the Company to procure that such resolution is fully and promptly carried into effect. If despite the efforts of the respective chief executive officers of the parties, no resolution is reached within the aforementioned period, then each of the parties may pursue such further or additional actions or rights that they may have available to them under the terms of this Agreement, the Company's Memorandum and Articles of Association, at law or in equity.

25. ASSIGNMENT

Neither of the parties shall assign or transfer or purport to assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party, except to a related corporation of such proposing assignor and upon such related corporation executing a deed in accordance with the provisions of Clause 26 and the assignor guaranteeing by deed under seal the due performance of the assignee's obligations thereunder.

26. SUCCESSORS AND ASSIGNS

This Agreement shall enure for the benefit of and be binding on the respective successors in title and permitted assigns of each party, who shall procure in transferring any of its shares in the Company that each such transferee shall execute a deed with the other party by which the transferee agrees to be bound by terms identical, mutatis mutandis, to the terms of this Agreement (including the terms of this clause as regards any subsequent transfer of the shares).

27. WAIVER AND FORBEARANCE

No failure or delay on the part of either of the parties to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy as the case may be. The rights and remedies provided in this Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

28. GOVERNING LAW AND JURISDICTION

28.1 Subject to the provisions of the following clause, the construction, validity and performance of this Agreement shall be governed in all respects by Singapore law and the parties submit to the non-exclusive jurisdiction of the courts of Singapore.

28.2 Unless otherwise agreed between the parties, all disputes arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and resolved by arbitration. The arbitration shall be held in Singapore and conducted in accordance with the Arbitration Rules of the Singapore International Arbitration Centre for the time being in force which rules are deemed to be incorporated by reference into this clause. Judgement upon the award rendered may be entered in any court having jurisdiction or application may be made to such court for a judicial acceptance of the award and an order for enforcement (as the case may be). The number of arbitrators shall be one, and the language to be used in the arbitral proceedings shall be English.

29. SEVERABILITY

29.1 If any provision or term of this Agreement shall become or be declared illegal, invalid or unenforceable for any reason whatsoever such provision or term shall be divisible from this Agreement and shall be deemed to be deleted from this Agreement, provided always that if such deletion substantially affects or alters the commercial basis of this Agreement, the parties shall negotiate in good faith to amend and modify the provisions and terms of this Agreement so as to achieve so far as possible the same economic effect without rendering the Agreement so amended or modified illegal, invalid or unenforceable.

30. NOTICE

30.1 Any notice or other document to be given under this Agreement shall be in writing and shall be deemed to have been duly given if left at or sent by hand or by registered post, in the case of overseas post, by air mail; or by telex, facsimile or other electronic media to a party at the address, telex or facsimile number set out below for such party or such other address as one party may from time to time designate by written notice to the other.

30.2 Any such notice or other document shall be deemed to have been received by the addressee five working days following the date of despatch if the notice or other document is sent by registered post, or simultaneously with the delivery or transmission if sent by hand or if given by telex, facsimile or other electronic means.

30.3 STI's address for service is:

Address:	460 Ward Drive Suite F Santa Barbara, CA 93111-2310
Attention:	Mr James Evans, Chief Financial Officer
Facsimile:	805-967-0342

30.4 Alantac's address for service is:

Address:	Block 3016A Ubi Road 1 #01-07 Singapore 408707
Attention:	Mr Lau Kin Hong

Facsimile: 65 741 0688
65 745 0018

31. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding of the parties and supersedes all prior oral or written agreements, understandings or arrangements between them relating to the subject matter of this Agreement. Neither party shall be entitled to rely on any agreement, understanding or arrangement which is not expressly contained in this Agreement and no change may be made to this Agreement except in writing signed by duly authorised representatives of both parties.

32. THE TERMS OF THIS AGREEMENT TO PREVAIL

In the event of any ambiguity or conflict arising between the terms of this Agreement and those of the Company's Memorandum and Articles of Association, the terms of this Agreement shall prevail as between the parties, and the parties shall exercise all their voting rights and other powers of control available to them to amend the Company's Memorandum and Articles of Association to conform to the terms of this Agreement.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first above written.

SIGNED by)
)
for and on behalf of the abovenamed)
SUPERCONDUCTOR)
TECHNOLOGIES INC. in the)
presence of:-)

/s/ JAMES G. EVANS, JR.

Name: James G. Evans, Jr.
Designation: V.P. & Chief Financial Officer

SIGNED by)
)
for and on behalf of the abovenamed)
ALANTAC TECHNOLOGIES (S))
PTE LTD in the presence of:-)

/s/ LAU KIN HONG

Name: Lau Kin Hong
Designation: Managing Director

SCHEDULE I

(Recital (A))

Products to be manufactured by the Company in Singapore

1. STI internal design cooler which provides 4 watts of lift at 77K, to be designated as the "STI 77K cooler".

2. Sunpower design cooler which provides 4 watts of lift at 77K to be designated as the "SP 77K cooler".

3. Sunpower design cooler which provides 35 watts of lift at 220K to be designated the "SP 220K cooler".

SCHEDULE II

(Clause 2.2)

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THE COMPANIES ACT, (CAP. 50)

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

CRYO-ASIA PTE LTD

- ---

1.	The name of the Company is Cryo-Asia Pte Ltd.	Name
2.	The objects for which the Company is established are:-	Objects
(1)	[To carry on the business of manufacturing and marketing cryogenic coolers.]	[To manufacture and market cryogenic coolers]
(3)	To subscribe for, underwrite, buy or otherwise acquire and hold, and to sell, exchange or otherwise dispose of stocks, shares, funds, bonds, debentures, debenture stock, obligations, securities and investments, however constituted and wherever issued, and any options or rights in respect thereof.	To subscribe for shares
(4)	To acquire any such shares, stock debentures, debenture stock, obligations or securities by original subscription, tender, purchase, exchange or otherwise either for cash or tender a consideration other than cash and to subscribe for the same, either conditionally or otherwise and to underwrite, or sub-underwrite or guarantee the subscription thereof in any manner and to exercise and enforce all or any of the rights and powers conferred by or incident to the ownership thereof.	To acquire by subscription tender

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(5)	To issue debentures, debenture stock, bonds, obligations, and securities of all kinds, and to frame, constitute and secure the same, as may seem expedient, with full power to make the same transferable by delivery, or by instrument of transfer or otherwise, and either perpetual or terminable, and either redeemable or otherwise, and to charge or secure the same by trust, deed, or otherwise, on the undertaking of the Company, or upon any specific property and rights, present and future, of the Company (including, if thought fit, uncalled capital), or otherwise howsoever.	To issue debentures
(6)	To facilitate and encourage the creation, issue, or conversion, of debentures, debenture stock, bonds, obligations, shares, stock, and securities, and to act as trustees in connection with any such securities, and to take part in the conversion of business concerns and undertakings into companies.	To facilitate creation of debentures
(7)	To take part in the formation, management, supervision, or control of the business or operations of any company or undertaking, and for that purpose to appoint and remunerate any directors, accountants, or other experts or agents.	To take part in operations of other companies
(8)	To constitute any trusts with a view to the issue of preferred and deferred or any other special stocks or	To constitute trusts

	securities based on, or representing any shares, stock, or other assets, specifically appropriated for the purpose of any such trust, and to settle and regulate, and if thought fit to undertake and execute any such trusts, and to issue, dispose of, or hold any such preferred, deferred, or other special stocks or securities.	
(9)	To lend and advance money or give credit to any person or company, to secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company and to otherwise financially assist any person or company.	To lend money

(10)	To borrow or raise money or secure obligations (whether of the Company or any other person) in such manner as may be thought fit, and for that purpose to issue notes, debentures, or debenture stock, perpetual or redeemable, or to accept bills of exchange or make promissory notes and to secure the repayment of any moneys borrowed or raised or owing by the Company by a charge or lien upon or conveyance of the whole or any part of the Company's property or assets, including its uncalled capital, upon such terms as to priority or otherwise, as the Company shall think fit and to give to lenders and creditors or trusts on their behalf, powers of sale and all other usual and necessary powers.	To borrow money
(11)	To charge or create any encumbrance over all or part of the undertaking, property, assets and rights present and future and uncalled capital of the Company by any means whatsoever to secure any liabilities or obligations (whether monetary or otherwise) of the Company or of any third party, whether or not the Company receives any consideration or advantage in respect of the creation of such charge or other encumbrance.	To charge assets
(12)	To guarantee or give any indemnity or otherwise support or secure the payment of money by or the performance of contracts or other obligations of any person or company in such manner as the Company may think fit and whether or not it receives any benefit therefrom and to secure such obligations of the Company by charging all or any part of the property, assets and undertaking of the Company.	To guarantee obligations
(13)	To purchase, take on lease, or in exchange, hire, or otherwise acquire and hold for any estate or interest and work and develop, any lands, buildings, easements, rights, privileges, concessions, machinery, patents, plants, stock in trade, and immovable and movable property of any kind.	To acquire land
(14)	To build, construct, alter, improve, maintain, develop, work, manage, carry out or control any buildings, factories, warehouses, shops, stores, houses, and other works and conveniences which may seem calculated directly or indirectly to advance the Company's interests and to contribute and subsidize or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control hereof.	To construct buildings
(15)	To transact or carry on any kind of agency business, and in particular in relation to the investment of money, the sale of property and the collection and receipt of money.	To transact agency business
(16)	To apply for, purchase, or otherwise acquire use, assign, sell and generally deal in patents, patent rights, trademarks, designs, or other exclusive or limited rights or privileges, and to use, develop, grant licences and otherwise turn to account the same, or any interests thereunder, and at pleasure to dispose of the same in any way.	To acquire patents, trademarks

(17)	To pay for any property or rights acquired by the Company, either in cash or in fully or in partly paid shares, with or without preferred or deferred rights in respect of dividends or repayment of capital or otherwise, or by the issue of securities, or partly in one mode and partly in another and generally on such terms as may be arranged or determined.	To pay in cash or shares
(18)	To acquire and undertake the whole or any part of the business, goodwill and assets of any person, firm or company carrying on or proposing to carry on any of the businesses which this Company is authorized to carry on and as part of the consideration for such acquisition to undertake all or any of the liabilities of such person, firm, company or to acquire an interest in, amalgamate with or enter into any arrangements for sharing profits or for cooperation or for limiting competition or for mutual assistance with any such person, firm or company and to give or accept by way of consideration for any of the acts or things aforesaid or for any property acquired, any shares, debentures, or securities that may be agreed upon and to hold good and retain or sell, mortgage and deal with any shares, debentures or securities so received.	To acquire business
(19)	To promote any other company for the purpose of acquiring all or any of the property and undertaking and all or any of the liabilities of this Company or of undertaking any business or operations which may appear likely to assist or benefit this Company or to enhance the value of any property or business of this Company and to place or guarantee the placing of, underwrite, apply for, accept and hold or subscribe, the whole or any part of the capital or securities or to lend money or to guarantee the performance of the contract of any such company.	To promote any other company

(20)	To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, dispose of, turn to account or otherwise deal with the whole or any part of the undertaking, property, assets and rights of the Company, either together or in portions for such consideration as may be agreed and in particular for shares, debentures, debenture stock or securities of any company purchasing the same.	To deal with undertaking
(21)	To draw, make, accept, endorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures, stock and other negotiable or transferable instruments.	To issue negotiable instruments
(22)	To acquire or obtain from any government or authority, supreme, municipal, local or otherwise, or any corporation, company or person any charters, rights, privileges, and concessions which may be conducive to any of the objects of the Company and to accept, make payments under, carry out, exercise and comply with any such charters, rights, privileges and concessions.	To acquire rights
(23)	To act as agents or brokers and subject to compliance with any restrictions imposed by law as trustees for any person, firm or company and also to act in any of the businesses of the Company through or by means of agents, brokers, sub-contractors, or others.	To act as agents, brokers
(24)	To grant pensions or gratuities to any past or serving directors, officers, or employees of the Company or to the relations, connections, or dependents of any such persons,	To grant pensions

or to effect and make payment towards insurances in respect of and for the benefit of any such persons and to establish or support associations, institutions, clubs, funds and trusts (whether solely connected with the trade, carried on by the Company or any subsidiary company or not) which may be considered or calculated to benefit any such persons or otherwise advance the interests of the Company or of its members.

(25) To remunerate any person, firm or company rendering services to the Company either by cash payment or by the allotment to him or them of shares or securities of the Company credited as fully paid up in full or in part or otherwise. — To remunerate any person

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(26) To pay all or any expenses incurred in connection with the formation and incorporation of the Company or to contract with any person, firm or company to pay the same and to pay commissions to brokers and others for underwriting, placing, selling, or guaranteeing the subscription of any shares, debentures or securities of this Company or a company promoted by this Company. — To pay expenses

(27) To effect insurances against losses, damage risks and liabilities of all kinds which may effect any person or company having contractual relationship with the Company. — To effect insurances

(28) To distribute among the members of the Company in kind any property of the Company and in particular any immovable property or any shares, debentures or securities of other companies belonging to this Company or of which this Company may have the power of disposing, but so that no distribution involving a reduction of the capital may be made without such sanctions as may be required by law. — To distribute property in kind

(29) To establish branches and agencies for the purposes of the Company. — To establish branches

(30) Subject to compliance with the restrictions imposed by law to undertake and execute any trusts the undertaking whereof may seem desirable and either gratuitously or otherwise. — To undertake and execute trusts

(31) To invest and deal with the moneys of the Company not immediately required upon such securities or without security and in such manner as may from time to time be determined. — To invest moneys

(32) To appoint from time to time either with full or restricted powers of sub-delegation and either with or without remuneration agents, attorneys, local or managing directors, or any person or corporation under power of attorney or otherwise within or outside the Republic of Singapore for the purpose of carrying out and completing all or any of the objects of the Company as mentioned in this Memorandum of Association and of arranging, conducting or managing the business or businesses of the Company or any matter or concern whatsoever in which the Company now is or may from time to time be or become or be about to become interested or concerned with the same or more limited powers than the Directors of the Company have and to delegate such powers. — To appoint agents, attorneys

(33) To amalgamate with any other company. — To amalgamate

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(34) To enter into any arrangement for sharing profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly to benefit this Company and to take or otherwise acquire shares and securities of any such company and to sell hold re-issue with or without guarantee or otherwise deal with the same. — To enter into arrangement for profit sharing

(35) To cause the Company to be registered or recognised in any foreign country or place. — To register in foreign country

(36) To make donations for patriotic or for charitable purpose. — To make donations

(37) To transact any lawful business in aid of Singapore in the prosecution of any war or hostilities in which Singapore is engaged. — To assist in war

(38) Unless expressly excluded or modified herein or by the Company's Articles of Association to exercise each and every one of the powers set forth in the Third Schedule to the Companies Act, (Cap. 50). — To exercise powers in Third Schedule

(39) To do all or any of the above things in any part of the world and either as principals, agents, trustees, contractors, or otherwise and either alone or in conjunction with others, and either by or through local managers, agents, sub-contractors, trustees or otherwise. — To do any other things

(40) To carry on in connection with the above such other businesses as may be conveniently or profitably carried on therewith or may usefully employ or turn to account or enhance the value of or render profitable any of the Company's property or rights and to do all such other things as are incidental or conducive to the above objects or any of them. — To carry on incidental activities

AND IT IS HEREBY DECLARED as follows:

(A) The word "company" in this clause except where used in reference to the Company shall wherever the context so permits be deemed to include any partnership or other body of persons whether incorporated or not, and whether domiciled in the Republic of Singapore or elsewhere; — Definition of "company"

(B) The objects set forth in any sub-clause of this Clause 2 shall not be construed restrictively but the widest interpretation shall be given to them and they shall not, except when the context expressly so requires, be in any way limited to or restricted by reference to or inference from any other object or objects set forth in such sub-clause or from the terms of any other sub-clause or by the name of the Company. None of such sub-clause or the object or objects therein specified or the powers thereby conferred shall be deemed subsidiary or ancillary to the objects or powers mentioned in any other sub-clause, but the Company shall have full power to exercise all or any of the powers and to achieve or to endeavour to achieve all or any of the objects conferred by and provided in any one or more of the said sub-clause. — Construction of objects clauses

3. The liability of the members is limited. — Liability of members

4. The authorised share capital of the Company is US$100,000 divided into 100,000 shares of US$1.00 each, with power to the Company to increase, subdivide, consolidate or reduce such capital and to divide the shares forming the capital (original, increased or reduced) into several classes and to attach thereto respectively preferential, deferred, special or qualified rights, privileges or conditions, as regards dividends, repayment — Capital

of capital. voting or otherwise.

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We, the several persons whose names and addresses are subscribed are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
Mr. James Graff Evans, Jr. [Address:]	SIX
Chief Financial Officer	
For and on behalf of SUPERCONDUCTOR TECHNOLOGIES INC. a Company incorporated under the laws of the State of Delaware and having its registered office at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, USA pursuant to a Letter of Authority dated	
Total number of shares taken	SIX

Dated this day of 1996.

Witness to the above signature:

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NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
Mr. Lau Kin Hong [Address:] [Occupation:]	FOUR
For and on behalf of ALANTAC TECHNOLOGIES (S) PTE LTD a Company incorporated in Singapore and having its registered office at Block 3014A #02-03 Ubi Road 1, Singapore 408703, pursuant to a Letter of Authority dated	
Total number of shares taken	FOUR

Dated this day of 1996.

Witness to the above signature:

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THE COMPANIES ACT (CAP. 50)

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

CRYO-ASIA PTE LTD

- ---

PRELIMINARY

1. The regulations contained in Table A in the Fourth Schedule to the Companies Act (Cap. 50) shall not apply to the Company, except so far as the same are repeated or contained in these Articles. — Table 'A' excluded

2. In these Articles, unless the context otherwise requires:- — Definitions

"the Act"	means the Companies Act (Cap. 50) or any statutory modification thereof for the time being in force;
"'Article"	means these Articles of Association in their original form or as amended from time to time;
"Directors, or the Board"	means the Directors for the time being of the Company as a body or a quorum of the Directors present at a meeting of the Directors;
"dividend"	includes bonus;
"Joint Venture Agreement"	means the Joint Venture Agreement dated and entered into between Superconductor Technologies Inc. and Alantac Technologies (S) Pte Ltd;
"member"	means a member of the Company;
"month"	means a calendar month;
"office"	means the registered office of the Company;
"seal"	means the common seal of the Company;

"Secretary"	means any person appointed to perform the duties of a secretary of the Company and includes a Deputy Secretary or an Assistant Secretary;
"Statutes"	means the Act and every other Act being in force concerning companies and affecting the Company;
"$"	refers to the lawful currency of Singapore;

expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form;

words or expressions contained in these Articles shall be interpreted in accordance with the provisions of the Interpretation Act (Cap. 1) and of the Act;

words denoting the singular number only shall include the plural number and vice versa; words denoting the masculine gender only shall include the feminine and neuter genders; words denoting persons shall include corporations and other bodies of persons;

the marginal notes in these Articles are inserted for convenience and reference only and are in no way designed to limit or circumscribe the scope of these Articles.

PRIVATE COMPANY

3. The Company is a private company, and accordingly: - Private Company

(a) no invitation shall be issued to the public to subscribe for any shares or debentures of the Company;

(b) the number of the members of the Company (not including persons who are in the employment of the Company, and persons who, having been formerly in the employment of the Company, were while in that employment, and have continued after the determination of that employment to be, members of the Company) shall be limited to 50, provided that where two or more persons hold one or more shares in the Company jointly they shall, for the purposes of this Article, be treated as a single member;

(c) the right to transfer the shares of the Company shall be restricted in manner hereinbefore appearing; and

(d) no invitation shall be issued to the public to deposit money with the Company for fixed periods or payable at call, whether bearing or not bearing interest.

BUSINESS

4. Any branch or kind of business which by the Memorandum of Association of the Company or these Articles is either Company expressly or by implication authorized to be undertaken by the Company may be undertaken by the Directors at such time or times as they shall think fit and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not, so long as the Directors may deem it expedient not to commence or proceed with such branch or kind of business. Business of Company

5. The office shall be at such place in the Republic of Singapore as the Directors shall from time to time determine. Office of Company

SHARES

6. (a) No shares shall be issued by the Directors without the prior approval of the Company in general meeting. Issue of shares

(b) Unless otherwise determined by the Company by special resolution or otherwise agreed by the holders of all the shares for the time being issued, all unissued shares shall before issue be offered for subscription to the members in proportion as nearly as the circumstances will admit to the number of shares then held by them. Any such offer shall be made by notice specifying the number and class of shares and the price at which the same are offered and limiting the time (not being less than 28 days, unless the member to whom the offer is to be made otherwise agrees) within which the offer if not accepted will be deemed to be declined.

(c) Subject as aforesaid, all unissued shares shall be at the disposal of the Directors and they may allot grant options over or otherwise deal with or dispose of the same to such persons, at such times, and generally on such terms as they think proper, but so that no shares shall be issued at a discount except in accordance with the Act.

(d) Without prejudice to any special rights or privileges attached to any then existing shares in the capital of the Company, any new shares may be issued upon such terms and conditions, and with such rights and privileges attached thereto, as the Company by special resolution may direct or, if no such direction be given, as the Directors shall determine, and in particular such shares may be issued with preferential, qualified or deferred right to dividends and in the distribution of assets of the Company, and with a special or restricted right of voting, and any preference share may be issued on the terms that it is, or at the option of the Company liable to be redeemed.

7. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether at not the Variation of rights

Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares

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of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. Provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the meeting shall be as valid and effectual as a special resolution carried at the meeting.

Prohibition of dealing in its own shares

8. Except as is otherwise expressly permitted by the Act, the Company shall not give, whether directly or indirectly and whether by means of a loan, guarantee or the provision of security or otherwise, any financial assistance for the purpose of or in connection with the purchase of or subscription for the shares of the Company or its holding company or in any way purchase, deal in or lend money on its shares.

Power to charge interest on capital

9. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act and may charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant.

Power to pay commission and brokerage

10. The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of 10 percent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 percent of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

Exclusion of equities

11. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

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SHARE CERTIFICATES

Entitlement to certificate

12. Every person whose name is entered as a member in the Register of Members shall be entitled without charge to receive within two months after allotment or one month after the lodgment of transfer one certificate for all his shares of any one class, or upon payment of $2.00 (or such lesser sum as the Directors may from time to time determine) several certificates in reasonable denominations in respect of shares of any one class. Where a member transfers part only of the shares comprised in a certificate, one new certificate for the balance of such shares shall be issued in lieu of the old certificate without charge. In the case of a share held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery thereof to one of several joint holders shall be sufficient delivery to all such holders.

Form of share certificate

13. Every certificate of title to shares shall be issued under the seal in such form as the Directors shall from time to time prescribe, shall bear the autographic or facsimile signatures of either two Directors or one Director and the Secretary or some other person appointed by the Directors and shall specify the number and class of shares to which it relates and the amounts paid thereon. Every certificate of title to debentures shall bear the autographic or facsimile signature of a Director.

Replacement of certificate

14. Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and such letter of indemnity (if any) being given as the Directors of the Company may require, and in the case of defacement or wearing out on delivery of the old certificate and in any case on payment of such sum not exceeding $1.00 as the Directors may from time to time require. In the case of the certificate being destroyed, lost or stolen a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence

of such destruction or loss.

JOINT HOLDERS OF SHARES

15. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions: Rights and liabilities of joint holders

(a) the Company shall not be bound to register more than three persons as the holders of any share, except in the case of executors or trustees of a deceased shareholder;

(b) the joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share;

(c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons

recognised by the Company as having any title to such share but the Directors may require such evidence of death as they may deem fit;

(d) any one of such joint holders may give effectual receipts for any dividend payable to such joint holders; and

(e) only the person whose name stands first in the Register as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.

LIEN

16. The Company shall have a first and paramount lien on shares registered in the name of a member (whether fully paid or not) and on dividends from time to time declared in respect of such shares for all moneys due to the Company from him or his estate either alone or jointly with any other person whether a member or not and whether such moneys are presently payable or not. Company's lien

17. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy. Sale of shares subject to lien

18. To give effect to any such sale the Directors may authorize some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale. Rights of purchaser of such shares

19. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and accrued interest and expenses, and the residue, if any, shall be paid to the person entitled to the shares at the date of the sale, or, his executors, administrators or assignees or as he may direct. Application of proceeds of such sale

CALLS ON SHARES

20. The Directors may from time to time make calls upon the members in respect of any money unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, provided that no call shall exceed one fourth of the nominal value of Call on shares

the share or be payable at less than one month from the date fixed for the payment of the last preceding call, and each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.

21. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be Time when made

required to be paid by installments.

22. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding 8 percent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of that interest wholly or in part. Interest on calls

23. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture, or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified. Sum due on allotment

24. No member shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). Rights of member suspended until calls are duly paid

25. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment. Power to differentiate

26. The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) 8 percent per annum as may be agreed upon between the Directors and the member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest confer a right to participate in profits. Payment in advance of calls

TRANSFER OF SHARES

27. Subject to these Articles any member may transfer all or any of his shares. Every transfer must be in writing and in the usual form or in any form approved by the Directors. The instrument of transfer of a share shall be signed both by the transferor and by the transferee and be witnessed. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Shares of different classes shall not be comprised in the same instrument of transfer. Form of transfer

28. All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same. Retention of transfers

29. The Directors may decline to accept any instrument of transfer unless: Right to decline to accept transfer

(a) such fee not exceeding $2.00 as the Directors may from time to time determine is paid to the Company in respect thereof;

(b) the instrument of transfer is duly stamped in accordance with any law for the time being in force relating to stamp duty;

(c) the instrument of transfer is deposited at the office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) such fee not exceeding $1.00 as the Directors may from time to time determine is paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

30. No share shall in any circumstances be transferred to any infant or bankrupt or person of unsound mind. Infant, bankrupt or person of unsound mind

31. (1) Unless otherwise agreed by the holders of all the shares for the time being issued, any person proposing to transfer a share (hereinafter called "the proposing transferor") shall give notice in writing (hereinafter called "a transfer notice") to the Company that he desires to transfer the same. Such notice shall specify the sum he fixes as the fair value and shall constitute the Company his agent for the sale of the share to the other members in proportion to their Pre-emption rights

shareholdings in the Company (hereinafter called "the purchasing member") at the price so fixed or at the option of the purchasing member at the fair value to be fixed by the auditors of the Company in accordance with Article 31(4) hereof.

(2) A transfer notice may include several shares and in such case shall operate as if it were a separate notice in respect of each. A transfer notice shall not be revocable except with the sanction of the Directors. Directors' right to refuse transfer of shares

(3) If the Company shall within 28 days after being served with a transfer notice find a purchasing member and shall give notice thereof to the proposing transferor, he shall be bound upon payment of the fair value as fixed in accordance with paragraph (1) or (4) of this Article 31 to transfer the share to the purchasing member.

(4) In case any difference arises between proposing transferor and the purchasing member as to the fair value of a share, the auditors shall on the application of either party certify in writing the sum which in their opinion is the fair value and such sum shall be deemed to be the fair value and in so certifying the auditors shall be considered to be acting as experts and not as arbitrators and accordingly the Arbitration Act (Cap. 10) shall not apply. The interval between the date of the application to the auditors and the date of their certificate shall not be taken into consideration in calculating the period referred to in the preceding paragraph.

(5) If in any case the proposing transferor after having become bound as aforesaid makes default in transferring the share, the Company may receive the purchase money and the proposing transferor shall be deemed to have appointed any one Director or the Secretary of the Company as his agent to execute a transfer of the share to the purchasing member, and upon the execution of such transfer the Company shall hold the purchase money in trust for the proposing transferor. The receipt of the Company for the purchase money shall be a good discharge to the purchasing member, and after his name has been entered in the Register in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

(6) If the Company shall not within the period referred to in paragraph (3) of this Article 31 find a purchasing member and give notice in the manner aforesaid the proposing transferor shall at any time within three months afterwards be at liberty, subject to Article 29 hereof, to sell and transfer the share (or where there are more shares than one, those not placed) to any person and at a price which is not less than that specified by him in the transfer notice.

32. The Directors may refuse to register the transfer of any share:

(a) if the share has not been fully paid or is subject to a lien; or

(b) if the provisions of these Articles relating to the transfer of shares have not been complied with.

33. If the Directors shall refuse to register the transfer of any share they shall within one month of the date on which the application for transfer was made serve on the transferor and transferee a notice in writing stating the reasons justifying the refusal to transfer and a notice of refusal as required by the Act. Directors to give reasons for refusal to transfer

34. The Company shall maintain a Register of Transfers which shall be kept under the control of the Directors, and in which shall be entered the particulars of every transfer of shares. The Register of Transfers may be closed at such times and for such periods as the Directors may from time to time determine provided always that it shall not be closed for more than 30 days in the aggregate in any year. Register of Transfers

TRANSMISSION OF SHARES

35. In case of the death of a member the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased Transmission on death

joint holder from any liability in respect of any share which had been jointly held by him with other persons.

36. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy.

Persons becoming entitled on death or bankruptcy of member may be registered

37. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions, and provisions of these Articles relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.

Rights or persons becoming entitled on death or bankruptcy of member

38. Where the registered holder of any share dies or becomes bankrupt his personal representative or the assignee of his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends and other advantages, and to the same rights (whether in relation to meetings of the Company, or to voting, or otherwise), as the registered holder would have been entitled to if he had not died or become bankrupt; and where two or more persons are jointly entitled to any share in consequence of the death of the registered holder they shall, for the purposes of these Articles be deemed to be joint holders of the share.

Rights of unregistered executors and trustees

FORFEITURE OF SHARES

39. If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

Notice requiring payments of calls

40. The notice shall name a further day (not earlier than the expiration of 14 days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

Notice to state time and place

41. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Forfeiture on non-compliance with notice

42. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

Sale or disposition of forfeited shares

43. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all money which, at the date of forfeiture, was payable by him to the Company in respect of the shares (together with interest at the rate of 8 percent per annum from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of such interest), but his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares.

Rights and liabilities of persons whose shares have been forfeited

44. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Title to shares forfeited

45. Any share so forfeited shall be deemed to be the property of the Company. The Company may receive the consideration, if any, given for a forfeited share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or disposal of the share.

Powers of Company on sale or disposition of forfeited shares

46. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Articles as to forfeiture applicable to non-payment on shares

CONVERSION OF SHARES INTO STOCK

47. The Company may by ordinary resolution passed at a general meeting convert any paid-up shares into stock and reconvert any stock into paid-up shares of any denomination.

Power to convert into stock

48. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.

Transfer of stock

49. The holders of stock shall according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock which would not if existing in shares have conferred that privilege or advantage.

Rights of stockholders

50. Such of the Articles of the Company as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

Interpretation

ALTERATION OF CAPITAL

51. The Company may from time to time by ordinary resolution:

Power to increase share capital, consolidate, cancel and subdivide shares

(a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) subdivide its shares or any of them into shares of smaller amount than is fixed by the memorandum; so however that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

52. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to such consent as required by law.

Power to reduce share capital

GENERAL MEETINGS

53. An annual general meeting of the Company shall be held in each calendar year or at such time as may be permitted by the Act. All general meetings other than the annual general meetings shall be called extraordinary general meetings.

Annual General Meeting

54. Any Director may whenever he thinks fit convene an extraordinary general meeting, and extraordinary general meetings shall be convened on such requisition or in default may be convened by such requisitionists as provided by the Act.

Calling extraordinary general meetings

55. The time and place of any meeting shall be determined by the conveners of the meeting.

Time and place of meeting

NOTICE OF GENERAL MEETINGS

56. (1) Subject to the provisions of the Act as to special resolutions special notice and agreement for shorter notice, a meeting of the Company shall be called by 14 days' notice in writing at the least.

Notice of meetings

(2) The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of meeting and in case of special business the general nature of the business.

Period and form of notice

(3) In every notice calling a meeting there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote

Notice of right to appoint proxies

instead of him and that a proxy need not also be a member.

57. All business shall be special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance-sheets and the reports of the Directors and auditors and the appointment and fixing of the remuneration of the auditors. Special business

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58. (1) Notice of every general meeting shall be given in any manner authorized by these Articles to: Persons who should be given notice

(a) every member holding shares conferring the right to attend and vote at the meeting;

(b) the Directors (including alternate Directors) of the Company; and

(c) the auditors of the Company.

(2) No other person shall be entitled to receive notices of general meetings; provided that if the meeting be called for the alteration of the Company's objects, the provisions of the Act regarding notices to debenture holders shall be complied with. Notice given to debenture holders when necessary

(3) The accidental omission to give notice of a meeting to or to give the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings at the meeting. Accidental omission and non-receipt of notice

PROCEEDINGS AT GENERAL MEETING

59. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two members shall form a quorum. For the purposes of this Article "member" includes a person attending as a proxy or as representing a corporation which is a member, and joint holders of any share shall be treated as one member. Quorum

60. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place as the original meeting, or to such other day and at such other time and place as the Directors may determine. Adjournment if quorum not present

61. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he is not present within 10 minutes after the time appointed for the holding of the meeting or is unwilling to act, the Deputy Chairman shall preside as Chairman of the meeting. If there is no such Deputy Chairman present at the meeting and willing to act as Chairman the members present shall appoint a Director as Chairman of the meeting or if no Director is present or if all Directors present are unwilling to act, the members present shall elect one of their number to be Chairman of the meeting. Chairman

62. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment Adjournment

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took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

63. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before or on the declaration of the result of the show of hands a poll is demanded: Method of voting

(a) by the Chairman;

(b) by at least three members present in person or by proxy;

(c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth

of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn.

64. If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded. No poll shall be demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the meeting and without adjournment. Taking a poll

65. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. Other business to proceed

66. If at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, and be of sufficient magnitude to vitiate the result of the voting. Error in counting of votes

67. Any resolution signed in writing by all members for the time being of the Company entitled to attend and vote at general meetings of the Company shall be as valid as if it had been passed at a general meeting of the Company duly convened and held. Resolution by circular

VOTES OF MEMBERS

68. Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney. On a show of hands every member present in person or by proxy shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share he holds. 69. In the case of an equality of votes, whether on a show of hands Chairman's casting vote or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled as a member. Voting rights of members

69. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled as a member. Chairman's casting vote

70. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members. Voting rights of joint holders

71. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize any person to act as its representative at any general meeting of the Company or of any class of members of the Company and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation as a corporation would exercise if it were personally present at the meeting. Corporations acting by representatives

72. Every member shall be entitled to be present and to vote at any general meeting either personally or by proxy in respect of any shares upon which all calls due to the Company have been paid. Right to vote

73. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive. Objections

74. A member may appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing a proxy or representative shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy or representative may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. The instrument appointing a proxy shall be in the common form or in such other form as the Directors may from time to time approve. Appointment of proxies

75. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, or at such other place in Singapore as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Deposit of instrument appointing a proxy

76. A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of the authority under which the instrument was executed, or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation, or transfer as aforesaid has been received by the Company at the registered office before the commencement of the meeting or adjourned meeting at which the instrument is used.

Intervening death or insanity of principal not to revoke or proxy

DIRECTORS

77. The number of Directors shall not be less than two. All the Directors of the Company shall be natural persons. The first Directors shall be Mr James Graff Evans, Jr. and Mr Lau Kin Hong.

Number of Directors

78. A Director need not be a member of the Company, but shall be entitled to receive notice of and to attend all general meetings of the Company.

Director need not be member of Company

79. The fees payable to Directors shall from time to time be determined by the Company in general meeting. Such fees shall be divided amongst the Directors in such proportions and in such manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for the proportion of the fees related to the period during which he has hold office.

Directors fees

80. The Director may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

Expenses

81. Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such remuneration as the Directors may determine.

Extra remuneration

82. (1) A Director who is in any way whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with the Act, but notwithstanding his interest he may vote and be counted in the quorum present at any meeting of the Directors.

Declaration of Directors' interest in contract with Company

(2) A Director who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as Director shall declare the fact and the nature, character and extent of the conflict at a meeting of the Directors of the Company in accordance with the Act.

Declaration of Directors' conflict of interest

(3) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. No such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Power of Directors to hold office of profit and to contract with Company

(4) A Director of the Company may become or continue to be a Director or other officer of or otherwise be interested in any company whether or not the Company is interested as a shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interests in such other company unless the Company otherwise directs.

Holding of office in other companies

83. The Directors shall keep Registers as required by the Act.

Directors shall keep registers

APPOINTMENT AND REMOVAL OF DIRECTORS

84. The Directors may at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or as an addition to their number.

Directors' power to fill casual vacancies and to appoint additional Directors

85. The Company may by ordinary resolution remove any Director before the expiration of his period of office, and may by an ordinary resolution appoint

Removal of Director

another person as Director in his stead.

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86. The office of Director shall become vacant if the Director:- — Vacation of office of Director

(a) ceases to be a Director by virtue of the Act;

(b) becomes bankrupt or makes any arrangement or composition with his creditors generally;

(c) becomes prohibited by law from continuing to be a Director;

(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;

(e) resigns his office by notice in writing to the Company; or

(f) is removed from office pursuant to a resolution passed by the Company in general meeting.

POWERS AND DUTIES OF DIRECTORS

87. The business of the Company shall be managed by the Directors who may exercise all powers of the Company as are not, by the Act or by these Articles, required to be exercised by the Company in general meeting. The exercise of such powers of the Company by the Directors shall be subject to these Articles, the Act and such regulations being not inconsistent with these Articles or the Act as may be prescribed by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made. — General power of Directors to manage Company's business

88. Without prejudice to the generality of the preceding Article, any sale or disposal by the Directors of the whole or substantially the whole of the undertaking or property of the Company shall be subject to the prior approval of the Company in general meeting. — Power of sale or disposal of Company's property

89. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any third party. — Directors' borrowing power

90. The Directors may delegate any of their powers other than the powers to borrow and make calls to committees consisting of such persons (whether Directors or not) as they think fit. Any committee so formed shall in the exercise of the power so delegated conform to any regulations that may from time to time be imposed upon them by the Board. — Delegation of Directors' powers

91. The Directors may from time to time and at any time may establish any local boards or agencies for managing any of the affairs of the Company either in the Republic of Singapore or elsewhere and — Power to establish local boards

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may appoint any persons to be members of such local boards or any managers, inspectors or agents and may fix their remuneration and may delegate to any local board, manager, inspector or agent any of the powers, authorities and discretions vested in the Directors with power to sub-delegate and may authorize the members of any local board or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit and the Directors may remove any person so appointed and may annul or vary such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. Every Director while present in the country or territory in which any such local board or any committee thereof shall have been established shall be ex-officio a member thereof and entitled to attend and vote at all meetings thereof held while he is present in such country or territory.

92. The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him. — Power to appoint attorney

93. All cheques. promissory notes, drafts, bills of exchange and other negotiable instruments. and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise — Execution of negotiable instruments and receipts for money paid

executed, as the case may be, by any two Directors or in such other manner as the Directors from time to time determine.

94. The Directors may exercise the powers conferred upon the Company by the Act with regard to the keeping of a Branch Register, and the Directors may (subject to the provisions of the Act) make and vary such regulations as they may think fit respecting the keeping of any such Register.

Power to keep a branch Register

PROCEEDINGS OF DIRECTORS

95. The Directors may meet together for the despatch of business adjourn and otherwise regulate their meetings as they think fit. A Director may at any time and the Secretary shall at the request of a Director summon a meeting of the Directors.

Meetings of Directors

96. Subject to these Articles questions arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote.

Questions to be decided at meetings

97. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two.

Quorum

98. Any Director or member of a committee of Directors may participate in a meeting of the Directors or such committee by means of conference telephones or similar communication equipment whereby all persons participating in the meeting can hear each other and participating in a meeting in this manner shall be deemed to constitute presence in person at such meeting.

Meeting by conference telephone

99. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to the Articles of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of the Company, but for no other purpose.

Proceedings in case of vacancies

100. The Directors may elect a Chairman and a Deputy Chairman. The Chairman shall preside at all meetings of the Board but if at any time there is no Chairman or if at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting the Deputy Chairman shall preside at the meeting. If there is no Deputy Chairman or the Deputy Chairman is not present at the meeting the Directors present may choose one of their number to be Chairman of the meeting.

Chairman of Directors

101. A committee formed by the Directors to exercise powers delegated by them may elect a Chairman of its meetings; if no such Chairman is elected, or if at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting.

Chairman of committee

102. A committee may meet and adjourn its meeting as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman shall have a second or casting vote.

Meetings of committee

103. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Validity of acts of Directors in spite of some formal defects

104. A resolution in writing, signed or approved by letter or facsimile or telex or telegram by the Directors being not less than the number required to constitute a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Directors.

Resolutions in writing

105. The Directors shall cause minutes to be made:

Minutes of meeting

(a) of names of Directors present at all meetings of the Company and of the Directors; and

(b) of all proceedings at all meetings of the Company and of the Directors.

Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

ALTERNATE DIRECTORS

106. Any Director may appoint a person approved by the majority of the other Directors to be an alternate Director in his place during such period as he thinks fit. Any person while he so holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly, and to exercise all the powers of the appointor in his place. An alternate Director shall not require any share qualification, and shall ipso facto vacate office if the appointor vacates office as a Director otherwise than by retiring and being re-elected at the same meeting or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same. Any fee paid by the Company to the alternate Director shall be deducted from the remuneration payable to his appointor. — Appointment of Alternate Directors

MANAGING DIRECTORS

107. The Directors may from time to time appoint one or more of their body to the office of Managing Director for such period and on such terms as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke any such appointment. The appointment of a Director so appointed shall be automatically terminated if he ceases for any cause to be a Director. — Appointment of Managing Director

108. A Managing Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as the Directors may determine. — Remuneration of Managing Director

109. A Managing Director shall be subject to the control of the Directors. The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter, or vary all or any of those powers. — Powers of Managing Director

SECRETARY

110. The Secretary shall in accordance with the Act be appointed by the Directors for such term, at such remuneration, and upon such conditions as they may think fit and any Secretary so appointed may be removed by them. — Appointment of Secretary

111. A provision of the Act or these Articles requiring or authorizing a thing to be done by or in relation to a Director and the Secretary shall not be satisfied by its being done by or in relation to the same person acting both as Director and as, or in place of, the Secretary. — Same person cannot act as Director and Secretary

SEAL

112. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the Directors or of a committee of the Directors authorized by the Directors in that behalf. Every instrument to which the seal is affixed shall bear the autographic or facsimile signatures of a Director and the Secretary or a second Director or some other person appointed by the Directors for the purpose. Any facsimile signature may be reproduced by mechanical electronic or other method approved by the Directors. — Seal

113. The Company may exercise all the powers conferred by the Act to have an official seal for use abroad and such official seal shall be affixed by the authority and in the presence of and the instruments sealed therewith shall be signed by such person as the Directors shall from time to time by writing under the seal appoint. — Official Seal

114. The Company may have a duplicate common seal which shall be a facsimile of the common seal of the Company with the addition on its face of the words "Share Seal" and a share certificate under such duplicate seal shall be deemed to be sealed with the seal of the Company. — Duplicate Common Seal

ACCOUNTS

115. The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance-sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by Statute or authorized by the Directors or by the Company in general meeting. — Directors to keep proper accounts

116. The Directors shall from time to time in accordance with the Act cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance-sheets and reports as are required under the Act.

Presentation of accounts

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117. A copy of every balance-sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting together with a copy of the Auditors' report shall not less than 14 days before the date of the meeting be delivered or sent by post to every member of and every holder of debentures of the Company. Provided that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

Copies of accounts

AUDIT

118. Auditors shall be appointed and their duties regulated in accordance with the Act.

Appointment of Auditors

DIVIDENDS AND RESERVES

119. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Dividends

120. The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

Interim dividend

121. No dividend shall be paid otherwise than out of profits or shall bear interest against the Company.

Payment of dividends

122. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares in the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Power to carry profit to reserve

123. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.

Apportionment of dividends

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124. The Directors may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Deduction of debts due to Company

125. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one or more of such ways and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

Payment of dividend in specie

126. Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other money payable in respect of the shares held by them as joint holders.

Dividends payable by cheque

127. A transfer of a share shall not pass the right to any dividend declared in respect thereof before the transfer has been registered.

Effect of transfer

CAPITALIZATION OF PROFITS

128. The Company in general meeting may upon the recommendation of the Directors by ordinary resolution resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. A share premium account and a capital redemption reserve may, for the purposes of this Article, be applied only in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

Power to capitalize profits

129. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

Implementation of resolution to capitalize profits

NOTICES

130. A notice may be given by the Company to any member either personally or by sending it by post to him at his registered address, or such other address supplied by him to the Company for the giving of notices to him. Any notice to be sent to a member at an address outside Singapore shall be sent by airmail. Where a notice is sent by post, service of the notice shall be deemed to be affected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting on the day after the date of its posting, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

Service of notices

131. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register of Members in respect of the share.

Service of notices in respect of joint holders

132. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Service of notices after death or bankruptcy of a member

WINDING UP

133. If the Company shall be wound up, subject to due provision being made satisfying the claims of any holders of shares having attached thereto any special rights in regard to the repayment of capital, the surplus assets shall be applied in repayment of the

Distribution of surplus assets

capital paid up or credited as paid up on the shares at the commencement of the winding up. If the surplus assets shall be insufficient to repay the whole of the capital paid up or credited as paid up on the shares, such assets shall be distributed (as nearly as practicable) in proportion to the capital paid up or credited as paid up on the shares at the commencement of the winding up.

134.	If the Company shall be wound up, the liquidators may, with the sanction of a special resolution, divide among the members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the members, but so that if any division is resolved or otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 306 of the Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorize the distribution of any shares or other consideration receivable by the liquidators amongst the members otherwise than in accordance with their existing rights; and any such determination shall be binding upon all the members subject to the right of dissent and consequential rights conferred by the said Section.	Distribution of assets in specie
135.	In the event of a winding up of the Company every member of the Company who is not for the time being in Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some householder in Singapore upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day following that on which the letter is posted.	Service of notice by liqudiator
136.	Every Director, Managing Director, Agent, Auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 391 of the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust.	Indemnity of Directors and officers

JOINT VENTURE AGREEMENT

137.	In the event of any conflict between the provisions of these Articles and the Joint Venture Agreement, the provisions of the Joint Venture Agreement shall prevail.	Joint Venture Agreement to prevail

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NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

- ---

James Graff Evans, Jr.
[Address:]
[ ]
[ ]

Chief Financial Officer

For and on behalf of SUPERCONDUCTOR TECHNOLOGIES INC. a company incorporated under the laws of the State of Delaware and having its registered office at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, USA pursuant to a Letter of Authority dated

- ---

Dated this day of 1996.

Witness to the above signature:-

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- ---

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

- ---

Lau Kin Hong
[Address:]
[ ]
[ ]

[Occupation:]

For and on behalf of ALANTAC TECHNOLOGIES (S) PTE LTD a company incorporated in Singapore and having its registered office at Block 3014A #02-03 Ubi Road 1, Singapore 408703 pursuant to a Letter of Authority dated

- ---

Dated this day of 1996

Witness to the above signature:-

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SCHEDULE III

(Clause 4.2(a)(ii))

Licence Agreement

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AGREEMENT

THIS AGREEMENT is made the 20th day of May 1996.

BETWEEN

(1) SUPERCONDUCTOR TECHNOLOGIES INC., a corporation incorporated under the laws of the State of Delaware and having its place of business at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, U.S.A. (hereinafter referred to as the "STI"); and

(2) CRYO ASIA PTE LTD, a company incorporated under the laws of Singapore and having its registered office at [ ] (hereinafter referred to as the "Cryo Asia").

WHEREAS

(A) STI has developed and is the owner of technical information relating to the manufacture, assembly and commercial operation of the Products as described and specified below.

(B) STI and its Affiliates, as defined below have also obtained a licence from Sunpower, Inc., a corporation organised under the laws of the State of Ohio and having its principal place of business at 6 Byard

Street, Athens, Ohio 45701 (hereinafter referred to as "Sunpower") pursuant to an agreement dated 2 May 1995 (hereinafter referred to as the Sunpower Agreement") whereby STI and its Affiliates are granted rights to use inter alia Sunpower's patents, know-how, trade secrets and other information relating to free-piston products.

(C) STI is also the owner of the Trade Marks and Patents Rights as defined below.

(D) On [ ] ,STI and Alantac Technologies (S) Pte Ltd of Block 0316A Ubi Road 1, #01-07, Singapore 408709 (hereinafter referred to as "Alantac") entered into a Joint Venture Agreement (the "Joint Venture Agreement"), under which Cryo Asia would be established for the purpose of manufacturing and marketing the Products.

(E) For the purpose of facilitating the manufacturing and marketing of the Products, Cryo Asia wishes to receive and STI is willing on the terms and conditions setforth in this Agreement to divulge Sunpower's know-how, trade secrets and other information in respect of the abovementioned free-piston products so as to enable Cryo Asia to work Sunpower's Patent Rights and to manufacture the Products. Further, Cryo Asia is willing to receive and STI is willing to license Cryo Asia the use of STI's technical information and Trade Marks in respect of the Products and to work under the Patent Rights in order to manufacture and market the Products.

IT IS HEREBY AGREED as follows :

1. INTERPRETATION

1.1 In this Agreement, unless the contrary intention appears, the following definitions shall apply :

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"Affiliate"	means any individual, partnership, joint venture, association, trust, unincorporated organization, or corporation that is directly or indirectly controlled by or is under common control with STI or Atlantac, whether such control is exercised through the ownership of equity securities, by contract, or otherwise.
"Completion Date"	means the Completion Date as defined in the Joint Venture Agreement;
"Improvements"	all improvements, upgrades, enhancements, innovations, modifications or adaptations (whether or not patented or patentable) to any part of the Products and/or to the Technical Information which might reasonably be of commercial interest to either party in the design, manufacture or supply of the Products and which may be made or acquired by either party during the term of this Agreement (including any of the foregoing which may be made or acquired by Cryo Asia pursuant or under any agreement between Cryo Asia and Alantac or as to which Cryo Asia acquires any rights or licence under the Joint Venture Agreement);
"Joint Venture Agreement"	means the joint venture agreement entered into between STI and Alantac dated [ ];
"Net Sale Price"	means the sale price received by Cryo Asia on the sale of the Products in the Territories under the Trade Marks, net of insurance and carriage so far as the same are separately invoiced, and of all rebates, discounts, and other reductions actually granted, and exclusive of any goods and services tax or other duty;
"Products"	means the goods specified in Schedule 2;

"Patent Rights"	means patent applications that may hereafter be filed in the Territory by or on behalf of STI in respect of the Products or any Improvements thereof and shall include all patents that may be granted pursuant to any such applications;
"Quarter Day"	means 31 March, 30 June, 30 September and 31 December in each year;
"rate of exchange"	means the exchange rate for United States currency as referred to in The Asia Wall Street Journal;

"Technical Information"	means (unless specified otherwise) all know-how, trade secrets, experience, drawings, designs, methods, specifications, circuit diagrams, computer software, programs and all other technical information relating to manufacturing, assembling and operation of the Product whether belonging to STI, Sunpower, to both jointly or to others (whether patented or not, patentable or unpatentable and whether or not reduced to practice);
"Territory"	means the countries of Singapore, Malaysia, Indonesia, Thailand, Philippines, Myanmar, Brunei, Vietnam, South Korea, Taiwan, People's Republic of China, Hong Kong, India, Bangladesh, Pakistan, Sri Lanka, Australia and New Zealand;
"Trade Marks"	means the trade marks listed in Schedule 1;
"Sunpower's Patent Rights"	means the patents rights belonging to Sunpower as defined under the term "Sunpower's Patent Rights" in the Sunpower Agreement;
"Year"	means each period of twelve (12) calendar months commencing on the Completion Date or any anniversary of the Completion Date.

1.2 Reference to a statute or statutory provision includes a reference to it as from time to time amended, extended or re-enacted.

1.3 Words denoting the singular number only include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

1.4 Unless the context otherwise requires, reference to a Clause or Schedule is to a Clause of or Schedule to this Agreement.

1.5 Clause headings in this Agreement are inserted for convenience of reference only and shall be ignored in the construction or interpretation of this Agreement.

2. DURATION

This Agreement shall commence on the Completion Date and shall, unless terminated in any of the circumstances of Clauses 7.1, 14 and 16 of this Agreement, continue in force until the expiration or termination, for any reason whatsoever, of the Joint Venture Agreement or the Sunpower Agreement, whichever is the earlier.

3. RIGHTS GRANTED AND TERRITORY

3.1 STI hereby grants to Cryo Asia:

(a) a licence under the Patent Rights to use the subject-matter of such

Patent Rights in Singapore for purpose of manufacturing and selling the Products exclusively in Singapore;

(b) a licence to use the STI's Technical Information in Singapore for purpose of manufacturing and selling the Products exclusively in Singapore;

(c) without prejudice to Clause 3.1(a), a licence under the Patent Rights to use the subject-matter of such Patent Rights in the Territory for purpose of manufacturing and selling the Products on a non-exclusive basis;

(d) without prejudice to Clause 3.1(b), a licence to use the STI's Technical Information in the Territory for purpose of manufacturing and selling the Products on a non-exclusive basis; and

(e) a non-exclusive and non-transferable licence to use the Trade Marks in the Territory on or in relation to the Products.

3.2 The licenses granted under Clauses 3.1(a) to 3.1(b) shall be exclusive to Cryo Asia for a period of two Years from the Completion Date and thereafter become non-exclusive.

3.3 Notwithstanding any of the foregoing but subject to Clause 13.5, STI at all times retains its full rights to use and exploit the Technical Information, Patent Rights and Trade Marks in any manner in all parts of the world including the Territory and to use, sell or otherwise market products covered by this Agreement.

3.4 The licences under Clause 3.1 are personal to Cryo Asia and the grant does not include any right to grant sub-licences or for Cryo Asia to have the Products manufactured for it by any third party.

3.5 For the avoidance of doubt, it is hereby declared that Cryo Asia shall have no right hereunder to manufacture, use or sell the Products or to use the Technical Information, Patent Rights, Sunpower's Patent Rights or Trade Marks otherwise than as expressly stipulated in this Agreement.

4. TECHNICAL INFORMATION

4.1 Within sixty (60) days following the Completion Date, STI will supply Cryo Asia with all Technical Information in its possession that has not previously been disclosed and that is reasonably necessary to enable Cryo Asia to manufacture on a commercial scale and market Products of a quality at least equivalent to those produced by STI at the Completion Date. Cryo Asia agrees and undertakes to use the Technical Information only in accordance with the terms of this Agreement.

4.2 During the period of one hundred and eighty (180) days following the Completion Date, STI will supply Cryo Asia with technical assistance and training in accordance with a training and technical assistance plan to be agreed to between them, each party agreeing to use their reasonable best efforts toward the definition and completion of such a plan within the thirty (30) days following the Completion Date. The technical assistance and training contemplated under this Clause 4.2 will involve technical assistance and training at Cryo Asia's location at and at the Licensor's facility at 460 Ward Drive, Suite F, Santa Barbara, California 93111-2310, U.S.A. STI and Cryo Asia shall each be responsible for all

costs and expenses relating to their respective employees and staff members who are assigned to participate in such technical assistance and training, including, but not necessarily limited to wages, salaries, employee and social benefits, travel and lodging expenses and costs. STI and Cryo Asia shall each be responsible for assigning

to the technical assistance and training activities, members of their respective staffs who have suitable skills and education to provide and receive the training and assistance contemplated by this Clause 4. All such staff, while at the other party's premises, shall comply with and observe all reasonable safety and security regulations and rules of the other party.

4.3 STI and Cryo Asia agree that they will exert their reasonable best efforts to ascertain, not later than thirty (30) days prior to the expiration of the aforementioned one hundred and eighty (180) day period, the requirements, if any of Cryo Asia for continuing technical assistance and training after the expiration of the said one hundred and eighty (180) day period and, in conjunction therewith, what resources for technical assistance and training are available to Cryo Asia thereafter. Any arrangement for continuing technical assistance and training or sustaining engineering support after the expiration of such one hundred and eighty (180) day period will be set forth in a written amendment to this Agreement on such terms and conditions as are mutually acceptable to STI and Cryo Asia.

5. IMPROVEMENTS

5.1 Each party shall forthwith disclose to the other in confidence and in such detail as that other may reasonably require all Improvements that it may develop or acquire during the term of this Agreement except in so far as such disclosure would disclose information derived from and subject to confidentiality obligations in favour of a third party.

5.2 Improvements that STI is due to disclose to Cryo Asia under Clause 5.1 above shall be deemed to be part of the Technical Information and as part of the rights granted to Cryo Asia under Clause 3 hereof.

5.3 STI shall have a non-exclusive irrevocable world-wide royalty-free licence without limit of time with the right to :

a) use all Improvements Cryo Asia is due to disclose to STI under Clause 5.1 hereof and to grant sub-licences to Permitted Sublicensees (as defined herein) to the extent that such Improvements or any part thereof constitute, form or relates to "STI Patent Rights" and/or "STI Proprietary Information" (as these terms are defined in the Sunpower Agreement;

b) work all intellectual property rights that are owned by Cryo Asia or any of its successors in title in respect of the Improvements; and

c) allow Sunpower to use and work all Improvements and intellectual property rights as referred to in this Clause 5.3.

For purposes hereof, the term "Permitted Sublicensees" shall mean STI's Affiliates and any third parties to whom STI grants or will grant sublicense rights in respect of the Improvements as part of or in connection with licensing, cross-licensing or other similar arrangements involving the compromise, settlement or other resolution of any actual or threatened claims, proceedings, suits, arbitration or other similar controversies involving allegations or charges of patent or other intellectual property infringements on

the part of or involving STI or any of its Affiliates."

5.4 Save as otherwise provided therein and subject to the licenses granted under this Agreement, Improvements arising from work carried out by STI alone shall remain the exclusive property of STI and Improvements arising from work carried out by Cryo Asia alone shall remain the exclusive property of Cryo Asia.

5.5 Improvements arising from work carried out jointly shall belong to the parties equally unless they shall otherwise agree. Each party shall have the irrevocable right to use such joint Improvements independently of the other and to the extent necessary for such use a licence under all jointly held intellectual property rights relating thereto

including the right to grant sub-licences thereunder, save as otherwise provided by Clause 7.3 hereof. Each party hereby undertakes that on request it will confirm to any prospective licensee of the other the right of that other pursuant to this paragraph to grant such a licence.

6. CONFIDENTIALITY

6.1 Cryo Asia agrees to maintain secret and confidential all Technical Information obtained from STI both pursuant to this Agreement and prior to and in contemplation of it and all other information that it may acquire from STI in the course of this Agreement, to respect STI's and Sunpower proprietary rights therein, to use the same exclusively for the purposes of this Agreement, and to disclose the same only to those of its employees and contractors pursuant to this Agreement (if any) to whom and to the extent that such disclosure is reasonably necessary for the purpose of this Agreement.

6.2 The foregoing obligations of Clause 6.1 above shall not apply to Technical Information or other information which:-

(a) prior to receipt thereof was in the possession of Cryo Asia and at its free disposal;

(b) is subsequently disclosed to Cryo Asia without any obligations of confidence by a third party who has not derived it directly or indirectly from STI or Sunpower; and

(c) is or becomes generally available to the public through no act or default of Cryo Asia or its agents or employees.

6.3 Notwithstanding the foregoing provisions, the parties shall be entitled to disclose Technical Information to actual or potential customers for the Products in so far as such disclosure is reasonably necessary to promote the sale or use of Products; Provided however that before disclosing such Technical Information, Cryo Asia shall have entered into a confidentiality or non-disclosure agreement with the prospective recipient, such agreement containing terms that are consistent with this Clause 6 including an acknowledgment by the recipient of STI's rights to enforce such agreement as a third party beneficiary and as the owner-licensor of such Technical Information and containing restrictions on export or re-export that are consistent with Clause 20 below.

6.4 Cryo Asia shall procure that all its employees and contractors (if any) who

have access to any information of the other to which the obligations of Clause 6 apply shall be made aware of and subject to these obligations and shall further procure that so far as is reasonably practicable all of such employees and contractors shall enter into written undertakings in favour of STI to this end in a form previously approved by STI.

6.5 Without prejudice to Clause 11.2, Cryo Asia shall promptly notify STI immediately upon Cryo Asia's becoming aware of any actual or threatened breach of any actual or potential customer, employees, contractors or any other recipient of the confidentiality agreements, non-disclosure agreements or undertakings described in Clauses 6.3, 6.4 and 6.6.

6.6 In addition to the above, Cryo Asia understands and acknowledges that the information disclosed to it by STI may contain Technical Information belonging to Sunpower and Cryo Asia hereby agrees and undertakes to maintain secret and confidential all such information and to respect and protect Sunpower's proprietary rights therein.

6.7 STI shall promptly notify Cryo Asia immediately upon STI becoming aware of any actual or threatened breach by any actual or potential customer, employees or contractors who are resident in the Territory of the confidentiality agreements, non-disclosures agreements or other similar undertakings between Cryo Asia and such customers, employees or

contractors with respect to Technical Information as described in Clauses 6.3, 6.4 and 6.6.

7. PATENTS

7.1 If at any time during this Agreement Cryo Asia directly or indirectly opposes or assists any third party to oppose the grant of letters patent on any patent application within the Patent Rights and/or Sunpower's Patent Rights or disputes or directly or indirectly assists any third party to dispute the validity of any patent within the Patents Rights and/or Sunpower's Patent Rights or any of the claims thereof STI shall be entitled at any time thereafter to terminate this Agreement forthwith by notice thereof to Cryo Asia.

7.2 Where Cryo Asia has developed or acquired an Improvement to which Clause 5 above applies it shall not publish the same or do anything that might prejudice the validity of any patent that might subsequently be granted on it until STI has had at least [fifteen (15)] working days from disclosure in writing of all information relating to it to consider whether patent or other protection should be applied for. Cryo Asia will on request notify STI whether it intends to seek any relevant protection. If Cryo Asia does not wish to do so and if STI within the [fifteen (15)] working day period notifies Cryo Asia that it would like to seek patent or other protection, and if it is agreed between the parties that STI may do so, then this obligation shall continue for such time as may be reasonably required to prepare and file an application for patent or other protection.

7.3 Either party to this Agreement may at any time in respect of an Improvement elect not to pursue further an application for patent protection either jointly or on its own behalf or to maintain any such patent protection as it may have obtained and the party so electing shall notify the other party and shall if so requested assign all rights it may have therein to that other party provided that the party electing not to pursue the application or the resulting patent shall be entitled to a full irrevocable licence under all relevant rights with the right to sub-licence.

8. PRODUCTS

8.1 Cryo Asia shall market all Products in the Territory only and solely under the Trade Marks and shall comply with the specifications and standards of quality in relation to their manufacture, materials used, workmanship and design, packaging and storage set by STI from time to time. In addition to the foregoing and without prejudice to Clause 9.4, Cryo Asia shall comply with STI's directions if STI wishes to add any product markings or other trade marks on the Products and/or their packagings.

8.2 For the purpose of ensuring that Cryo Asia is complying with STI's directions, specifications and standards:

(a) Cryo Asia shall, as reasonably requested by STI from time to time, supply to STI at Cryo Asia's expense, samples of the Products for the purpose of inspecting and testing the same;

(b) STI by its authorised representative may on reasonable notice and at its own expense visit Cryo Asia's premises during normal business hours to inspect the method of manufacture of the Products, the materials used, and the packaging and storage of the Products.

8.3 Products which, in STI's opinion, are not of the quality required by STI under Clause 8.1 above or which do not comply with STI's directions, shall on notice being given by STI be forthwith withdrawn from production and sale by Cryo Asia and shall either by corrected or destroyed or the Trade Marks removed from them at STI's option. STI may inspect any such corrected products before they are marketed.

8.4 If at any time Cryo Asia becomes aware of any defect or insufficiency in the information provided by STI or of any defect in any Product

manufactured by Cryo Asia in accordance with such information, it shall immediately inform STI.

8.5 Without prejudice to 3.3, STI agrees not to for a period of two Years from the Completion Date licence another to manufacture or market products identical to the Products under this Agreement within the Territory.

8.6 Cryo Asia undertakes and agrees not to manufacture, market, sell or otherwise supply any components, sub-assemblies or parts and fittings of the Products to any party other than to STI.

9. USE OF THE TRADE MARKS

9.1 All use of the Trade Marks by Cryo Asia shall be for the benefit of STI and the goodwill accrued to Cryo Asia arising from its use of the Trade Marks shall accrue to and be held in trust by Cryo Asia for STI, which goodwill Cryo Asia agrees to assign to STI at its request at any time, whether during or after the term of this Agreement.

9.2 Whenever the Trade Marks are used by Cryo Asia they shall be accompanied by wording to show that they are trade marks (or as the case may be, registered trade marks) used by Cryo Asia with the permission of STI. The terms of such wording and its placing shall be as reasonably requested by STI.

9.3 Cryo Asia shall use the Trade Marks in the form stipulated by STI and shall observe any reasonable directions given by STI as to colours and size of the representations of the Trade Marks and their manner and disposition on the Products and their containers, packaging, labels, wrappers and any accompanying leaflets, brochures or other material, and in any advertising material prepared by Cryo Asia for the Products.

9.4 Cryo Asia shall submit all printed materials using the Trade Marks to STI for approval as to the manner and the context of the intended use of the Trade Marks and shall not make use of any such materials until they have been approved by STI, which approval shall not be unreasonably withheld. Cryo Asia shall however be

responsible for ensuring that all other requirements relating to labelling, packaging, advertising, marking and other such matters are complied with.

9.5 The use of the Trade Marks by Cryo Asia shall at all times be in keeping with and seek to maintain their distinctiveness and reputation as determined by STI, and Cryo Asia shall forthwith cease any use not consistent therewith as STI may reasonably require.

9.6 Cryo Asia shall not use any mark or name confusingly similar to the Trade Marks in respect of any goods similar to the Products and shall not use the Trade Marks on any goods or services other than the Products.

9.7 Cryo Asia shall not use the Trade Marks as part of any corporate business or trading name or style of Cryo Asia.

10. OWNERSHIP OF THE TRADE MARKS AND COPYRIGHTS

10.1 Cryo Asia undertakes not to do or permit to be done any act which would or might jeopardise or invalidate any application for registration or registration (as the case may be) of the Trade Marks nor to do any act which might assist or give rise to an application to remove any of the registered Trade Marks from the Register or which might prejudice the right or title of STI to any of the Trade Marks.

10.2 Cryo Asia will on request give to STI or its authorised representative any information as to its use of the Trade Marks which STI may require and will (subject to the provisions of Clause 11 below) render any assistance reasonably required by STI in maintaining the registration of the registered Trade Marks or in prosecuting any application therefor.

10.3 Cryo Asia will not make any representation or do any act which may be taken to indicate that it has any right, title or interest in or to the ownership or use of any of the Trade Marks except under the terms of this Agreement, and acknowledges that nothing contained in this Agreement shall give Cryo Asia any right, title or interest in or to the Trade Marks save as granted hereby.

10.4 Cryo Asia shall assist STI as may be reasonably necessary (including by executing any necessary documents) in recording Cryo Asia as a licensee or user of the Trade Marks on the Trade Mark Registers or such equivalent Registers in the Territory, and Cryo Asia hereby agrees that such entry may be cancelled by STI at any time and for whatever reason, and that it will assist STI so far as may be necessary to achieve such cancellation including by executing at the request of STI any documents necessary for that purpose.

10.5 The drawings, designs, programs, software, articles, manuals and other documents and materials (hereinafter collectively referred to as "Materials") supplied to Cryo Asia under this Agreement may contain copyright belonging to STI or others (hereinafter referred to as "Copyrights") and Cryo Asia shall not except as permitted under Clause 6 of this Agreement or with the prior written consent of STI:

10.5.1 reproduce or transmit the whole or any part of the Materials in any form or by any means;

10.5.2 modify, merge or combine the whole or any part of the Materials with other matters;

10.5.3 reverse engineer, decompile or by any other means convert, translate or decipher the whole or any part of a software provided to the licensee from object code into source code.

Without prejudice to the foregoing, Cryo Asia also agrees and undertakes not to do or permit to be done any acts which may jeopardise, invalidate, infringe or in any manner prejudice the right or title of STI to any of the Copyright in the Materials. Cryo Asia shall also at STI's request or upon the termination of this Agreement forthwith deliver up to STI all the Materials and any copies thereof which are in its possession or control.

11. INFRINGEMENTS

11.1 STI gives no warranty that the exercise of the rights granted to Cryo Asia hereunder will not result in the infringement of the patents, trade marks, copyrights and other intellectual property rights of third parties. STI also does not give Cryo Asia any indemnity against costs, damages, losses or expenses arising out of proceedings brought against Cryo Asia or any customer of Cryo Asia by any third party for whatever reason. Should Cryo Asia be sued for infringement of any patents, trade marks, copyrights and other intellectual property rights of a third party by reason of the manufacture use or sale of the Products, Cryo Asia shall give immediate written notice to STI and STI shall at the request and expense of Cryo Asia assist Cryo Asia in its defence to such action to the extent that in all the circumstances it is reasonable to do so but shall otherwise be under no obligations in respect thereof. All costs of any such action shall be borne by Cryo Asia to whom shall belong all sums that may be recovered from the third party.

11.2 Cryo Asia shall as soon as it becomes aware thereof give STI in writing full particulars of any unauthorised use of the Patent Rights, Sunpower's Patent Rights, Technical Information and/or Copyright by a third party or the use or proposed use by any other person, firm or company of a trade name, trade mark or get-up of goods or mode of promotion of advertising which amounts or might amount either to infringement of STI's rights in relation to the Trade Marks and/or to passing-off and/or any other acts of a third party which may constitute an infringement of_the Patent Rights, Sunpower's Patent Rights,

confidential information, Trade Marks, Copyrights and other intellectual property rights. STI shall have the sole right, at its expense, to bring any action on account of any such infringements or unauthorised use, and Cryo Asia shall give full cooperation to STI as STI may reasonably request in connection with any such action by STI and STI shall meet any reasonable expenses incurred by Cryo Asia to third parties in giving such assistance. Cryo Asia shall not be entitled to bring any action for infringement and STI shall not be obliged to bring or defend any proceedings if it decides in its sole discretion not to do so.

CONFIDENTIAL TREATMENT REQUESTED

11.3 If Cryo Asia becomes aware that any other person, firm or company alleges that the Patents Rights, Sunpower's Patent Rights, Trade Marks Copyrights are invalid or that the use of such Rights, Trade Marks and/or Copyright infringes any rights of another party or that the Patent Rights, Sunpower's Patent Rights, Trade Marks and/or Copyrights are otherwise attacked or attackable Cryo Asia shall immediately give STI full particulars in writing thereof.

12. SALES AND ROYALTIES

12.1 Cryo Asia shall pay on Completion Date to STI an initial sum of United States Dollars [**********].

12.2 In addition to Clause 12.1, Cryo Asia shall, during the continuance of this Agreement, pay to STI a royalty of [**********] of the Net Sales Price of all Products that are sold or otherwise supplied for money, or money's worth, by Cryo Asia to any parties other than STI, it being understood and agreed by Cryo Asia that the licence granted hereunder does not include a license for Cryo Asia to manufacture, market, sell or otherwise supply to any parties other than STI any parts, fitting, components or sub-assemblies of the Products. Any Products or parts, fittings, components or sub-assemblies thereof sold or otherwise supplied by Cryo Asia to STI shall be free of any royalty payment obligation.

12.3 If any Products are incorporated in any other equipment or apparatus sold by Cryo Asia hereunder at a price which is included in the price for the other equipment or apparatus, the Net Sales Price for the purpose of calculating royalties due hereunder shall be that proportion of the Net Sales Price of that other equipment or apparatus which is fairly attributable to such Products, comparing the manufacturing cost of the other equipment or apparatus to that of the Products as components thereof.

12.4 Cryo Asia shall within thirty (30) days of the first Quarter Day following the Completion Date and within thirty (30) days of each following (or subsequent) Quarter Day provide a statement to STI giving particulars of the sales of the Products during the preceding quarter (or in the first quarter during the period from the Completion Date to the first Quarter Day) showing the quantity of the Products sold, the price charged, any discounts or other rebates given, the Net Sale Price and the royalty due and if more than one type of the Products is sold, showing such information for each type, together with any other particulars as STI may reasonably require and shall pay the royalties to STI at the same time as rendering the statement.

12.5 Cryo Asia shall keep separate, detailed, true and accurate books and records of all sales of the Products to enable STI to check the accuracy of the information contained in the statements rendered under Clause 12.4 and STI shall be entitled at its expense to inspect the same by its authorised representative or representatives on reasonable notice during business hours and to take copies of or extracts from such books and records, save that this right shall not be exercisable in respect of any statement if no inspection has been made within three years of its being rendered to STI. In the event that the statements

rendered under Clause 12.4 are inaccurate by more than five per cent (5%), the costs of such inspection shall be paid by Cryo Asia. Any information about the business of Cryo Asia which may be obtained by STI as a result of any such inspection and which does not relate to the Products shall be kept confidential by STI.

12.6 Cryo Asia shall supply to STI within sixty (60) days of the end of each Year of this Agreement a certificate in writing by its auditors certifying the aggregated Net Sale Price of the Products sold or otherwise disposed of by Cryo Asia that Year and the amount of royalty due. If the amounts stated in the statements rendered under Clause 12.4 fall short of the amount of royalty due for the Year in question as stated in the certificate, Cryo Asia shall remit the balance to STI at the same time as rendering the certificate. The rendering of such certificate shall not preclude the right of inspection given to STI in Clause 12.5.

12.7 All sums due under this Agreement:-

(a) are exclusive of any Goods & Services Tax which shall be payable by Cryo Asia in addition on the rendering by STI of any appropriate Goods & Services Tax invoice;

(b) shall be made in United States currency to the credit of a bank account to be designated in writing by STI. Conversion into United States currency shall be calculated:-

(i) in the case of royalty payment for each quarter at the rate of exchange ruling on the Quarter Day for that quarter in question and from which the thirty (30) day period as referred to in Clause 12.4 commences;

(ii) in the case of all other payments at the rate of exchange ruling on the day payment is made or due whichever is earlier;

Provided always that where any payment is made after the date provided therefor herein conversion shall be at the rate ruling at the date of payment if this is more favourable to STI;

12.8 The parties agree to co-operate in all respects necessary to take advantage of such double taxation agreements or treaties as may be available between or among the countries in which the parties are domiciled or in which they are conducting business relating to this Agreement.

12.9 In addition to the above, Cryo Asia shall also keep and make available such books and records as may be required by STI to enable STI to comply with its obligations under Clause 3 of the Sunpower Agreement.

13. PERFORMANCE

13.1 During the continuance of this Agreement Cryo Asia shall :-

(a) use its best endeavours to promote and develop the distribution and sale of Products in the Territory as widely as its resources reasonably permit and will make available all necessary selling and manufacturing facilities to meet in full all demands for the Products throughout the Territory;

(b) sell Products to any suitable buyer independently of any other products of Cryo Asia if so required;

(c) ensure that all literature prepared by Cryo Asia and relating to Products bears an acknowledgment to the effect that they are subject

to a licence from STI, and attach to all Products a label stating that such Products are made under licence from STI;

(d) include in the terms and conditions of sale or other supply of the Products a guarantee to the effect that Cryo Asia will during a period (to be determined by reference to the warranty or product guaranty periods provided for similar products in the industry by comparable manufacturers, including for example, STI, but in any event not less than 90 days) from the date of such sale or supply replace at its own expense and free of charge any Products supplied by it that are defective by reason of faulty manufacture or through inadequate workmanship or materials; such terms, conditions and guarantees shall clearly state that the contract is solely between Cryo Asia and its customers, that Cryo Asia is not authorised to act on behalf of STI and that the customer shall not look towards or have any recourse against STI in the event of any breaches of the guarantee or the terms, conditions of the sale or supply, whether implied or express;

(e) provide adequate servicing facilities for any Products manufactured and/or supplied by Cryo Asia;

(f) not act as agent of STI and specifically not give any indication that it is acting otherwise than as principal and not make any representation or give any warranty on behalf of STI in any circumstances.

(g) not engage in advertising the Products specifically aimed at any country outside the Territory and shall not establish any branch or maintain any distribution depot for the Products in any such countries;

(h) not supply the Products to another if Cryo Asia is aware that the Products are likely to be or will be exported to a country outside the Territory.

(i) sell the Products or parts thereof to Sunpower and/or STI at the Transfer Pricing referred to in Clauses 9.1.3 and 9.1.4 of the Joint Venture Agreement provided that Cryo Asia does not sell or offer the Products or parts thereof to others at a lower price. In the event that the Products or parts thereof are sold or offered for less, then the lowest of such prices shall also apply to Sunpower and/or STI.

13.2 Cryo Asia shall not during the continuance of the Agreement and for a period of three (3) years from the date of its termination for any reason or until expiry of any relevant Patent Rights (whichever is the sooner) be directly or indirectly concerned in the manufacture, distribution, sale or other supply in any part of the Territory of any manufactured goods which by reason of their properties and performance are commercially competitive with any Products.

13.3 Cryo Asia acknowledges that it is or may be deemed to be an Affiliate of STI, that it has received a copy of the Sunpower Agreement and that as an Affiliate, it is entitled to use certain of the licensed rights under the Sunpower Agreement. Cryo Asia further acknowledges and agrees that it will not , directly or indirectly, engage in any activity, conduct, omission or commission that would interfere with the contractual relationship between STI and Sunpower or that would otherwise constitute or give effect to a breach, default or violation by STI of any of its obligations and duties to Sunpower under the Sunpower Agreement. The foregoing covenants of Cryo Asia include but are not limited to duties and obligations with respect to protection of confidential and proprietary information and trader secrets of Sunpower.

13.4 During the continuance of this Agreement, STI shall upon Cryo Asia's

written request provide such assistance as may be reasonably necessary to assist Cryo Asia in the customization of the Products. Cost of such assistance shall be borne by Cryo Asia on terms to be agreed by STI and Cryo Asia prior to the provision of the assistance.

13.5 During the period of two (2) years from the Completion Date, STI shall not:

a) join any party (other than Alantac or any of its Affiliates or any Affiliates of STI) in establishing a joint venture enterprise, similar to that described herein, for the purpose of producing and selling Products anywhere in the world; or

b) manufacture or have manufactured for it by any party other than Cryo Asia, any Products (provided, however that this restriction shall not prevent STI from manufacturing, or having manufactured for it by any of its Affiliates, any Products used as pilot-production or prototype units or any Products that are to be sold or otherwise disposed of directly or indirectly to the government, the military, quasi-governmental bodies or other body corporate, organisations, associations and/or entities that are connected or associated therewith).

14. TERMINATION

14.1 Either party may terminate this Agreement without prejudice to its other remedies forthwith by notice in writing to the other if that other either:

(a) commits a breach of this Agreement; provided that if the breach is capable of remedy the notice shall only be given if the party in breach shall not have remedied the same within thirty (30) days of having been given notice in writing specifying the breach and requiring it to be remedied; or

(b) is unable to pay its debts or enters into compulsory or voluntary liquidation (other than for the purpose of effecting a reconstruction or amalgamation in such manner that the company resulting from such reconstruction or amalgamation if a different legal entity shall agree to be bound by and assume the obligations of the relevant party under this Agreement) or compounds with or convenes a meeting of its creditors or has a receiver or manager or an administrative receiver or an administrator appointed of its assets or ceases for any reason to carry on business or takes or suffers any similar action which in the opinion of the party giving notice means that the other may be unable to pay its debts.

14.2 STI may terminate this Agreement forthwith by notice in writing if Cryo Asia is consistently late in paying royalties to STI, and for the purpose of this Clause Cryo Asia shall be deemed to be consistently late if either:

(a) it has failed for two consecutive quarters to render statements and pay royalties within the due time; or

(b) it has failed in any three out of any six consecutive quarters to render statements and to pay royalties within the due time; or

(c) it is at any time more than ninety (90) days late in rendering a statement or paying any royalties due; or

(d) it has failed to pay any balance of royalty due with the auditors' certificate as provided in Clause 12.6;

14.3 Termination of this Agreement for whatever reason shall not affect the accrued rights of the parties arising in any way out of this Agreement as at the date of termination and in particular but without limitation the right to recover damages from the other.

14.4 Termination of this Agreement for an reason shall not bring to an end:

(a) the secrecy obligation on the parties hereto;

(b) Cryo Asia's obligations to pay royalties or other sums which have accrued due or which will become due in respect of sales under Clause 14.5;

(c) the obligations on Cryo Asia under Clause 14.6.

14.5 On termination of this Agreement for any reason Cryo Asia shall cease to make any use of the Technical Information, Patent Rights, Sunpower's Patent Rights, Trade Marks, Copyrights and/or confidential information save that Cryo Asia shall continue to have the right for a period of ninety (90) days from the date of termination to complete deliveries on contracts in force at that date and to dispose of Products already manufactured subject to payment to STI of royalties thereon in accordance with clause 12 above.

14.6 On termination of this Agreement for any reason, Cryo Asia shall offer to STI at cost all stocks of Products, tooling, equipment in its possession or control and shall provide STI with all reasonable facilities to inspect the same.

14.7 All provisions of this Agreement which, in order to give effect to their meaning need to survive its termination, shall remain in full force and effect thereafter.

15 INDEMNITY AND DISCLAIMER

15.1 Cryo Asia shall be liable for and will indemnify STI (together with its officers, servants and agents) against any and all liability, loss, damages, costs, legal costs, professional and other expenses of any nature whatsoever incurred or suffered by STI whether direct or consequential (including but without limitation any economic loss or other loss of profits, business or goodwill) arising out of any dispute or contractual, tortious or other claims or proceedings brought against STI by a third party claiming relief against STI by reasons of the manufacture, use, sale or otherwise dealing of any Products by Cryo Asia and/or the use by Cryo Asia of the Technical Information, Patent Rights, Sunpower's Patent Rights, Trade Marks and/or Copyrights except insofar as any such claims may arise from:

(a) any breach of this Agreement by STI;

(b) instructions given to Cryo Asia by STI, provided such instructions have been properly carried out by Cryo Asia.

15.2 STI disclaims all express and implied warranties concerning or relating to the Technical Information, confidential information, Trade Marks, Improvements, Patent Rights and/or Sunpower's Patents Rights, including any implied warranties of merchantability, fitness for a particular purpose and against infringement. STI shall

not under any circumstances be liable, directly or indirectly, to Cryo Asia, to any of Cryo Asia's customers or to any other party for any consequential, incidental or special damages.

16. FORCE MAJEURE

Neither party shall be in breach of this Agreement if there is any total or partial failure of performance by it of its duties and obligations under this Agreement occasioned by any act of God, fire, act of government or state, war, civil commotion, insurrection, embargo, prevention from or hindrance in obtaining any raw materials, energy or other cause beyond the control of either party. If either party is unable to perform its duties and obligations under this Agreement as a direct result of the effect of one or more of such causes such party shall give written notice to the other of such inability stating the cause in question and the date on which such cause commenced. The operation of this Agreement shall be suspended

during the period (and only during the period) in which the cause continues to have effect. Forthwith upon the cause ceasing to have effect the party relying upon it shall give written notice thereof to the other. If the cause continues to have effect for a period of more than thirty (30) days the party not claiming relief under this Clause shall have the right to terminate this Agreement upon giving thirty (30) days written notice of such termination to the other party, but such notice shall not take effect if the other party gives notice within that period that the cause has ceased to prevent the operation of this Agreement and forthwith upon such cessation recommences the full and punctual performance of its obligations hereunder.

17. ILLEGALITY

If any provision or term of this Agreement shall become or be declared illegal, invalid or unenforceable for any reason whatsoever such provision or term shall be divisible from this Agreement and shall be deemed to be deleted from this Agreement provided always that if such deletion substantially affects or alters the commercial basis of this Agreement the parties shall negotiate in good faith to amend and modify the provisions and terms of this Agreement so as to achieve so far as possible the same economic effect without rendering the Agreement so amended or modified illegal, invalid or unenforceable.

18. GENERAL

18.1 This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective legal successors but the benefit and/or burden of this Agreement shall not otherwise be assignable or transferable by Cryo Asia without the prior written consent of STI.

18.2 In the event of an assignment this Agreement shall be binding upon such successor or assign and the name of a party appearing herein shall be deemed to include the names of any such successor or assign.

18.3 This Agreement constitutes the entire agreement and understanding of the parties and supersedes all prior oral or written agreements, understandings or arrangements between them relating to the subject matter of this Agreement. Neither party shall be entitled to rely on any agreement, understanding or arrangement which is not expressly contained in this Agreement.

18.4 No failure or delay on the part of either of the parties to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy as the case may be. The rights and remedies provided in this Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

18.5 The text of any press release, articles, statements or other communication to be published in any manner concerning the subject matter of this Agreement shall require the prior approval of both parties.

18.6 Each of the parties shall be responsible for its respective legal and other costs incurred in relation to the preparation of this Agreement In addition, Cryo Asia shall at its own expense submit a copy of this Agreement upon execution to the Singapore Stamp Office for purpose of formal adjudication on the amount of duties payable and shall pay all duties as imposed by the Stamp Office. Cryo Asia shall also forward the Agreement to the Stamp Office for the appropriate endorsement.

18.7 No variation or amendment of this Agreement shall bind either party unless made in writing and agreed to in writing by duly authorized officers of both parties.

18.8 None of the provisions of this Agreement shall be deemed to constitute a partnership between the parties and neither of them shall have any authority to bind the other in any way.

19. NOTICE

19.1 Any notice or other document to be given under this Agreement shall be in writing and shall be deemed to have been duly given if left at or sent by hand or by registered post; or by telex, facsimile or other electronic media to a party at the address, telex or facsimile number set out below for such party or such other address as one party may from time to time designate by written notice to the other.

19.2 Any such notice or other document shall be deemed to have been received by the addressee two (2) working days following the date of despatch if the notice or other document is sent by registered post, or simultaneously with the delivery or transmission if sent by hand or if given by telex, facsimile or other electronic means.

19.3 STI's address for service is:

Address: 460 Ward Drive, Suite F,
Santa Barbara,
California 93111-2310

Attention: Mr James G. Evans, Jr.
Facsimile: 805/967-0342

19.4 Cryo Asia's address for service is:
Address:

Attention:
Facsimile:

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19.5 In addition to the above obligations, Cryo Asia agrees and undertakes to immediately after despatching any notice or other document to be given under this Agreement copy the same via facsimile to Price, Postel & Parma of 200 East Carrillo Street, Santa Barbara, CA 93101 for the attention Raymond P. Le Blanc, Esq. at facsimile no. 805/965-3978.

20. GOVERNING LAW AND JURISDICTION

20.1 Subject to the below clauses, the construction, validity and performance of this Agreement shall be governed in all respects by Singapore law and shall be subject to the non-exclusive jurisdiction of the courts of Singapore.

20.2 Each party acknowledges that the exportation or re-exportation of the Patent Rights, Sunpower Patent Rights, Products, Technical Information, Know-How or other information is subject to compliance with the Export Administration Act of 1979 of the United States of America, as amended, and the rules and regulations promulgated from time to time thereunder (collectively "The Export Act") which restrict exports and re-exports of software, media, technical data, commodities and direct products of technical data. If a Validated License (as defined in The Export Act) is required under The Export Act for the transfer or release of any products, processes or technology to Cryo Asia, Cryo Asia understands and acknowledges that no such transfer or release can occur until such Validated License is obtained. In the event that a Validated License is required, STI (with the reasonable assistance of Cryo Asia, if requested) shall use its best reasonable efforts to obtain, promptly and at its own expense, such Validated License. Cryo Asia understands and acknowledges that the Export Act includes provisions which prohibit the export or diversion of certain technology to certain countries. Any and all obligations of STI under this Agreement to provide technology and technical assistance and information shall be subject, in all respects, to the Export Act and Cryo Asia agrees to cooperate with STI, including without limitation, providing required documentation in order to obtain licences, permits or exemptions under The Export Act. Cryo Asia warrants that it will, at all times, comply with the Export Act

and will indemnify and hold STI harmless from any breach of this representation.

20.3 Without in any way limiting the provisions of Clause 20.2 above, Cryo Asia agrees that unless prior written authorisation is obtained from the Bureau of Export Administration, the US Department of Commerce or other such agency or instrumentality of the US Government that is considered to be the responsible agency for administration of the Export Act, it shall not export, re-export or transship directly or indirectly, any of the technical data, software or products of such technical data which is disclosed or provided to Cryo Asia by STI to any prohibited countries or destinations, and further that it will not allow the release, dissemination or disclosure of any such technical data in any manner which will allow or result in any contravention of The Export Act.

SCHEDULE 1

Part 1: Unregistered Trade Marks

Mark or Representation or Description of Get-Up	Goods

Part 2: Applications

MARK	NO.	Class	Filing Date	Goods
1989/96	11		4 March 1996	Cooling appliances, installations and machines; cyogenic coolers

SCHEDULE 2

The Products

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first above written.

SIGNED by)
for and on behalf of)
SUPERCONDUCTOR)
TECHNOLOGIES INC.)
in the presence of:-)

/s/ DANIEL C. HU

Name: Daniel C. Hu
Designation: President and C.E.O.

SIGNED by)
for and on behalf of)
CRYO ASIA PTE LTD)
in the presence of:-)

/s/ JAMES G. EVANS, JR.

Name: James G. Evans, Jr.
Designation: Director

SCHEDULE V

(Clause 4.2(a)(vi))

Lease Agreement

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THIS AGREEMENT is made the_____ day of _____ One Thousand Nine Hundred and Ninety-six (1996) between ALANTAC ENGINEERING(S) PTE LTD, a company incorporated in Singapore and having its registered office at_____Singapore (hereinafter called "the Landlord" which expression shall where the context so admits include its successors and assigns) of the one part and CRYO-ASIA PTE LTD, a company incorporated in Singapore and having its registered office at_____ Singapore _____ (hereinafter called "the Subtenant") of the other part.

WHEREAS:

(I) The Landlord is possessed of a leasehold interest for the unexpired term of thirty (30) years commencing from 16 February 1993 in the Private Lot A12271 at Block 3016A Ubi Road 1, #01- 07, Singapore also

known as part of Government Survey Lot 4461 Mukim 23 Paya Lebar and situated in the Republic of Singapore and estimated to contain an area of 192 square metres more or less subject to survey (hereinafter called "the Leasehold Land") together with the building erected thereon (hereinafter called "the Building").

(II) The Landlord is desirous of subletting part of the Leasehold Land together with the Building to the Subtenant and Jurong Town Corporation, the superior landlord (hereinafter called "JTC") has consented to such subletting subject to the terms and conditions contained in its letter to the Landlord dated [ ] which terms and conditions have been accepted by the parties hereto.

NOW IT IS HEREBY AGREED as follows:

1. DEMISE

In consideration of the deposit, rent, service charges and other payments and of the Subtenant's covenants and agreements hereinafter reserved and contained, the Landlord hereby SUBLETS to the Subtenant ALL that portion of the Leasehold Land and the Building more particularly described and delineated in red on the plan annexed hereto estimated to contain an area of _____ square metres more or less subject to survey (hereinafter called "the Sublet Premises") together with (but to the exclusion of all other liberties, easements rights or advantages and subject always to the Landlord's rights to refuse access hereinafter contained) the right, for the Subtenant and others duly authorized by the Subtenant but only so far as necessary and as the Landlord can lawfully grant, of ingress to and egress from the Sublet Premises in, over and along all the usual entrances and passageways leading thereto in common with the Landlord and all others so authorized by the Landlord and all others so authorized by the Landlord and JTC and all other persons entitled thereto EXCEPTING AND RESERVING unto the Landlord and JTC the free and uninterrupted use of all gas and water pipes, electric, telephone and other wires and drains in, through or under the Sublet Premises TO HOLD the Sublet Premises unto the Subtenant for a period of_____ (_____) years commencing from_____1996 and ending on _____ 199_ (both dates inclusive) (hereinafter called "the Said Term") at the rent and service charge and upon the covenants and conditions herein set out.

2. RENT

The Subtenant shall during the said term without demand pay the Landlord monthly rent in the sum of Singapore Dollars _____ ($_____) for the sublet premises (hereinafter called "the Monthly Rent") which said sum shall be payable in advance without any deduction whatsoever and the first payment thereof to be made on the signing of this Agreement and all subsequent payments to be made on the first day of each calendar month.

3. SUBTENANT'S COVENANTS

The Subtenant for itself hereby covenants with the Landlord as follows:

(a) Payment of Rent

To pay the monthly rent without demand to the Landlord without abatement or deduction in the manner provided in Clause 2 hereof.

(b) Payment for Utilities

To pay for all water, electricity and any other services supplied to the Sublet Premises by the Public Utilities Board or other relevant authority and all telephone charges incurred by the Subtenant. If the Subtenant shall require telephone(s) to be installed in the Sublet Premises for use by the Subtenant, the Subtenant shall make the necessary applications

directly to the Telecommunications Authority of Singapore or other relevant authority and shall pay for all installation, handling and other charges in that connection.

(c) User

Not to carry on or permit or suffer to be carried on in the sublet premises or any part thereof any trade or business whatsoever other than those approved by the Landlord and/or JTC.

(d) Tenantable Repair

To keep the interior of the sublet premises including the ceiling flooring and interior plaster or other surface material or rendering on walls and the Landlord's fixtures and fittings therein, including but not limited to the doors windows glass locks keys fastening window frames window glass window fittings electric wires drainage water sanitary gas air-conditioning and electrical pipes appliances installation and fittings in a good and clean state and tenantable repair and working condition (fair wear and tear excepted) and to make good repair replace and reinstate to the reasonable satisfaction of the Landlord any damage or breakage caused to any part of the Sublet Premises or to the Landlord's fixtures and fittings therein, howsoever caused, including but not limited to that caused by the bringing in or removal of the Subtenant's goods or effects or resulting from any act neglect or default of the Subtenant its employees servants agents independent contractors invitees visitors or licensees and without prejudice to the generality of the foregoing, so often as the Landlord may reasonably require to paint, colour, clean or otherwise appropriately treat in a proper and workmanlike manner such part of the sublet premises which the Landlord considers necessary.

(e) Storage, Obstruction and Littering

Not to store any goods or things upon, or obstruct, litter or make untidy any part of the sublet premises and the surrounding grounds used in common with the Landlord JTC and persons authorized by them respectively.

(f) Access

To permit the Landlord, JTC and their duly authorized agents or servants with or without workmen and others and with or without tools and equipment at all reasonable times to enter upon the sublet premises to view the state and condition thereof and to do such works and things as may be required for any repairs, alterations or improvements to the sublet premises or any part or parts thereof and forthwith repair replace and make good in a proper and workmanlike manner any defects for which the Subtenant is liable and of which written notice shall have been given to the Subtenant or left on the Sublet Premises and to pay the costs of any surveyors or

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architect engaged by the Landlord and/or JTC or otherwise in respect of the repairs for which the Subtenant is liable. In the event that the Subtenant shall fail to carry out the repairs within fourteen (14) days from the date of the written notice given by the Landlord, the Landlord shall be entitled (but shall not be obliged) to carry out the repairs for which the Subtenant is liable and all costs and expenses incurred thereby shall be forthwith recoverable from the Subtenant as a debt.

(g) Dangerous Goods

Not to store or keep in or about or bring upon the sublet premises or any part thereof arms ammunition unlawful goods

volatile explosive or combustible compound or substance gun powders salt-petre chemicals petrol kerosene gas or any goods or things which in the opinion of the Landlord are of an obnoxious dangerous or hazardous nature. PROVIDED ALWAYS that if any of the aforesaid combustible explosive or inflammable material are stored in the Sublet Premises or any part thereof with the consent in writing of the Landlord and JTC any increase in the premium of fire or other insurance as may have been taken out by this Landlord shall be borne by the Subtenant. Notwithstanding anything herein contained to the contrary, if any loss or damage is caused to the Sublet Premises or any part thereof or to the Building or any part thereof or to any adjoining or other premises or buildings or to the occupiers thereof by reason of the Subtenant's failure to comply with the provision herein then the Subtenant shall make good all such loss or damage whether to property or to persons or otherwise and shall indemnify and keep indemnified the Landlord against all claims of any kind whatsoever arising by reason thereof.

(h) Unlawful Use and Nuisance

Not to use the Sublet Premises or any part thereof for any illegal unlawful or immoral purpose and not to use or permit the same to be used in any noisy noxious offensive manner and not to do or permit or suffer to be done any act or thing which may be or become or amount to a nuisance annoyance disturbance or inconvenience or cause any injury or damage to or give cause for reasonable complaint from the owners or occupants of adjoining or adjacent premises or of other parts of the leasehold land or any neighbouring areas.

(i) Other Non-Permitted Use

Not to use the Sublet Premises or any part thereof or permit the same to be used for the cooking or preparation of food nor to permit or suffer any one to sleep or reside therein and to keep the sublet premises securely fastened and locked at all times when they remain unattended.

(j) Alterations and Additions

Not to make or permit to be made alterations in or additions to the sublet premises or not to make or permit to be any part thereof or to the Landlord's fixtures, fittings and decorations therein and in particular not to make or permit to be made any such alterations without having first obtained the written consent of the Landlord and JTC and if the Landlord and JTC shall give such written consent, to carry out at the Subtenant's own expense such alterations or additions with such materials as shall be approved by the Landlord and in accordance with any terms required by JTC and/or the Landlord as conditions to the consent granted by JTC and/or the Landlord. The Subtenant shall at the Subtenant's own expense obtain all necessary approvals from the relevant authorities and shall comply with the conditions which may be imposed and upon the determination of the term hereby created and if requested by the Landlord the Subtenant shall restore the sublet premises to its original state and condition to the reasonable satisfaction of the Landlord at the expense of the Subtenant.

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(k) Excess Loading

Not to bring or allow to be brought to the sublet premises or any part of the grounds surrounding the sublet premises which are used in common with the Landlord and other tenants if any heavy machines or machinery and not at any time to load or suffer to be loaded any part of the floors of the Building or the Sublet Premises which may cause or lead to the subsidence or cracking of the ground or any part of the Building and

shall when required by the Landlord or the JTC distribute any load on any part of the floor of the Sublet Premises in accordance with the directions and requirements of the Landlord and in the interpretation and application of the provisions of this clause relating to loading the decision of the surveyor or architect of the Landlord or JTC shall be final and binding upon the Subtenant.

(l) Provision of Foundation

The Subtenant shall at his own cost and expense and subject to the prior approval in writing of the JTC and the relevant Government Authorities provide suitable and proper foundation for all machinery, equipment and installations in connection with the approved usage at the Sublet Premises. The JTC shall not be liable for any loss, damage or inconvenience that the Subtenant may suffer in connection with any defects caused to the ground/production floor slabs or apron slabs by overloading and any subsidence or cracking of the ground/production floor slabs, aprons, drains and driveways of the Sublet Premises or from other defects inherent or otherwise in the Sublet Premises.

(m) Avoidance of Policy and Additional Premium

Not to bring or do or permit to be done any act matter or thing upon the Sublet Premises whereby the policy or policies of insurance on the Building against loss or damage by fire or other risks on the Building for the time being subsisting may become void or voidable or whereby the rate of premium thereof may be increased or without limiting the generality of the foregoing which may conflict with the laws or regulations relating to fires or any insurance policy over any part of the Building or over any property therein or the rules and regulations of any Acts or statutes for the time being in force and to make good all damages suffered by the Landlord and to indemnity the Landlord against all sums paid by the Landlord by way of increased premium or increased contribution for premium and all expenses incurred by the Landlord in or about any renewal of such policy or policies rendered necessary by a breach or non-observance of this covenant and to comply at the Subtenant's cost and expense with all the recommendations of the insurers thereunder.

(n) Subtenant's Insurance

At all times during the said term hereby created and during any period of holding over at the costs and expense of the Subtenant to keep current:

(i) an adequate public liability policy in the joint names of the Landlord and the Subtenant which shall be taken out for an amount of Singapore Dollars _____ (S$_____) per claim in respect of the sublet premises;

(ii) an adequate insurance policy which shall be taken out on internal partitions and all goods chattels furniture fixtures and fittings belonging to or held in trust by the Subtenant in the sublet premises against loss or damage by fire or against any other such risks;

and to produce to the Landlord on demand policies referred to above as well as the receipts for payment of premium by the Subtenant in respect thereof and in default of

such delivery or production it shall be lawful (but not obligatory) for the Landlord to effect the aforesaid insurances in such sum as the Landlord shall think fit and all moneys paid by the Landlord in respect thereof shall be repaid

by the Subtenant to the Landlord as a debt due on demand.

(o) Signs

Not to put affix paint erect attach, or otherwise exhibit or permit or suffer to be put affixed painted erected attached or otherwise exhibited to or upon any part of the sublet premises any signboard, announcement, placard, poster, advertisement, nameplate, flag, flagstaff, wireless or television aerial, or any other thing whatsoever or on the exterior of the Sublet Premises or on the windows or doors thereof or in or about any part of the Sublet Premises without the written consent of the Landlord and/or JTC.

(p) Orders and Rules

At all times during the said term to comply with all such requirements as may be imposed on the Landlord or the Subtenant (as occupier of the Sublet Premises or otherwise) by any government department or authorities or by any legislation, law or any orders, rules, regulations, requirements or notices thereunder.

(q) Regulations and Restrictions

To observe and comply with all regulations and restrictions made by the Landlord and/or JTC or other duly authorized agents for the property management of the Sublet Premises and the grounds around the Sublet Premises and notified in writing by the Landlord or JTC or their duly authorized agents to the Subtenant from time to time.

(r) Information to Landlord

If the Subtenant shall receive any notice from the Government or any statutory public municipal or local authority with respect to the Sublet Premises to give notice thereof forthwith in writing to the Landlord.

(s) Assignment and Subletting

Not to assign, sublet, grant a license or part with or share the possession or occupation of the Sublet Premises or any part thereof or permit any other party or person by way of a license or otherwise to occupy the Sublet Premises or any part thereof at any time during the said term.

(t) Compliance with Terms and Condition

Not to cause or do or suffer to be done any act or thing which may as between the Landlord and JTC constitute or cause a breach by the Landlord of any of the terms covenants conditions or stipulations on the part of the Landlord to be observed or performed by virtue of the lease between the Landlord and JTC but shall do or permit to be done any act or thing to comply with or to prevent a breach of any of such terms, covenants, conditions or stipulations with no liability on the part of JTC for any inconvenience, loss, damage, costs, expenses or compensation whatsoever in the event that JTC, its servants or authorized agents with or without workmen, tools and equipment should enter upon the Landlord's premises or the Sublet Premises to do any act or thing which the JTC is entitled to do by virtue of the said lease or of any laws, by-laws, rules or regulations PROVIDED ALWAYS that the Landlord shall for the purposes of this sub-clause acquaint the Subtenant with the terms, covenants, conditions and stipulations of the lease between the Landlord and JTC and any variations or amendments thereto.

(u) Indemnity

That the Subtenant shall be responsible for and shall indemnify and keep indemnified the Landlord from and against:

(i) all losses which the Landlord may suffer as a result of the Subtenant's failure to comply with sub-clause (t) above including, but not limited to, all losses which the Landlord may suffer as a result of the termination of the head lease by JTC;

(ii) all claims liabilities demands writs summonses actions suits proceedings judgements orders decrees damages costs losses and expenses of any nature, whatsoever which the Landlord may suffer or incur in connection with loss of life personal or bodily injury or damage to property arising from or out of any occurrence in upon or at the sublet premises or the use or occupation of the Sublet Premises or any part thereof by the Subtenant or by any of the Subtenant's employees independent contractors servants agents invitees or licensees;

(iii) all loss and damage to the Sublet Premises and to all property therein caused directly or indirectly by the Subtenant or the Subtenant's employees visitors or licensees and in particular but without limiting the generality of the foregoing caused directly or indirectly by the use or misuse waste or abuse of water gas or electricity or fittings and fixtures or other equipment or apparatus of the Subtenant and

(iv) all loss and damage occasioned to any adjacent or neighbouring premises of the sublet premises and to all property therein and all loss and damage and injury to any person therein caused directly or indirectly by the Subtenant or the Subtenant's employees independent contractors servants agents invitees or licensees.

(v) Disposal of Waste

To make good and sufficient provision for the safe and efficient disposal of all waste, debris and rubbish including but not limited to pollutants to the requirements and satisfaction of the Landlord and JTC PROVIDED THAT in the event of default by the Subtenant under this covenant the Landlord may carry out the remedial measures as it thinks necessary and all costs and expenses incurred thereby shall be repaid on demand by the Subtenant.

(w) Contravention of Laws

Not to do or suffer to be done or omitted any act, matter or thing in or on the Sublet Premises in respect of the business, trade or industry carried out or conducted therein which shall contravene the provisions of any laws, rules or regulations now or hereafter affecting the same and at all times hereafter to indemnity and keep indemnified the Landlord against all actions, proceedings, costs, expenses, claims and demands in respect of any act, matter or thing done or omitted to be done in contravention of the said provisions.

(x) Legal and Stamp Fees

To pay all legal fees costs and charges (including the Landlord's solicitors' charges on a solicitor and client basis), stamp duty and all other disbursements and out-of-pocket expenses incurred in the preparation stamping and completion of this Agreement and in connection with any assignment subletting or surrender or other

termination thereof otherwise than by effluxion of time or with any claim or legal proceeding which may be brought by the Landlord against the Subtenant in enforcing the terms and conditions contained in this Agreement.

(y) Charges imposed by JTC

To pay for any which may be imposed by JTC for granting their approval to the Landlord letting the sublet premises to the Subtenant.

(z) Additional Property Tax

To pay as and when required by the Landlord the additional sum in respect of property tax or other imposition of a like nature by whatever name called that may be levied and imposed upon or in respect of or apportioned or attributable to the Sublet Premises over and above the amount of such property tax or other imposition of a like nature by whatever name called which annual value is based on the rent paid by the Subtenant levied and imposed as at the commencement of this tenancy.

(aa) Yielding Up

At the expiry or sooner determination of the said term to quietly and peaceably yield up the Sublet Premises in the original state and condition as at the commencement of the tenancy in a good and clean state and tenantable repair and condition (fair wear and tear excepted) in accordance with the stipulations hereinbefore contained to the Landlord together with all locks keys and pertaining to the sublet premises complete (whether held by the Subtenant or its employees independent contractors servants agents visitors licensees or invitees or otherwise irrespective of whether the same have been supplied by the Landlord) and all doors therein, and to remove all letterings distinctive marks signs together with all internal partitions installations furniture fittings and fixtures of the Subtenant (whether the Subtenant's trade fixtures or otherwise) from the Sublet Premises and to reinstate all air-conditioning plumbing mechanical electrical or all other installations, including, but not limited to, ceilings floors walls doors and windows to their original state and condition to the reasonable satisfaction of the Landlord. If the Subtenant shall fail to carry out the works mentioned above, the Landlord may carry out such works and all costs incurred by the Landlord shall be recoverable as a debt due from the Subtenant.

4. LANDLORD'S COVENANTS

The Landlord hereby covenants with the Subtenant as follows (subject to payment by the Subtenant of the monthly rent and compliance by the Subtenant of all terms and conditions contained herein):

(a) Quiet Enjoyment

Subject to Clause 3(f) herein contained, that the Subtenant duly paying the rent hereby reserved and observing and performing its covenants and stipulations herein contained and on its part to be performed shall peaceably hold and enjoy the Sublet Premises during the said term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.

(b) Rent Rates and Taxes

That it will pay all JTC rent and rates, property tax or assessment by whatever name called as may be rated or charged on the sublet premises (except as hereinbefore covenanted to be paid by the Subtenant) payable by the Landlord in respect of the sublet premises during the said term.

5. PROVIDED ALWAYS THAT IT IS HEREBY AGREED AND DECLARED AS FOLLOWS:

(a) Determination of Tenancy by the Landlord

If the rent hereby reserved or any part thereof shall at any time be in arrears and remaining unpaid for fourteen (14) days after the same shall have become due and payable (whether formally demanded or not) or if any covenant on the Subtenant's part to be performed shall not be performed or observed or if the Subtenant being a company shall go into liquidation whether voluntarily or compulsorily or if an order is made or a resolution is effectively passed for the winding up of the Subtenant or a receiver shall be appointed over any part of its undertaking property or assets or being an individual shall have a receiving order or an adjudicating order made against him or if the Subtenant shall make any arrangement with its creditors for liquidation or settlement of its debt by composition or if the Subtenant makes any assignment for the benefit of its creditors or otherwise or suffer any distress or if any execution or attachment shall be levied upon or issued against any of the property or assets of the Subtenant and shall not be paid off or discharged within seven (7) days thereof or if the Subtenant stops payment or being a company is unable to pay its debt within the Companies Act Cap 50, then and in any one or more of the said cases it shall be lawful for the Landlord at any time thereafter to re-enter upon the sublet premises or any part thereof in the name of the whole and thereupon the said term shall forthwith and absolutely cease and determine but without prejudice to the right of action of the Landlord in respect of any unpaid rent and/or interest hereinafter appearing or of any antecedent breach of the Subtenant's covenants herein contained, including, but not limited to, the right or cause of action of the Landlord against the Subtenant to claim for damages for the remaining unexpired period of the said term.

(b) Termination by JTC

In the event that JTC at any time before the expiry of the said term gives three (3) months' notice in writing requiring that this subletting be terminated or becomes entitled to and re-enters the Landlord's premises or any part thereof in the name of the whole the said term shall upon the expiry of the said notice or upon the said re-entry absolutely determine without prejudice to any rights and/or remedies which have accrued to either party against the other under this Agreement and without the Landlord and JTC being liable for any inconvenience, loss, damages, compensation, costs or expenses whatsoever.

(c) Termination by Landlord/Subtenant

Notwithstanding anything herein contained, the Landlord or the Subtenant may after the expiry of _____ (___) months from the commencement of the said term terminate this Agreement by giving the other Six (6) months' written notice in that behalf or payment of Six (6) months' rent in lieu thereof. The termination of the said term in pursuance of this clause shall be without prejudice to any right of the Landlord or the Subtenant against each other for damages in respect of any antecedent breach by the Landlord or the Subtenant of the agreements, stipulations and conditions herein contained.

(d) Interest on arrears

In addition and without prejudice to any other right power or remedy of the Landlord, including but not limited to the right of re-entry and termination by the Landlord hereinbefore stated, if the rent hereby reserved or any part thereof or any other moneys herein covenanted to be paid by the Subtenant shall at any time remain unpaid for fourteen (14) days after the same shall become due (whether formally demanded or not) the Subtenant shall pay to the Landlord interest at the rate

point five per cent (8.5%) per annum on such sum owing from the date on which it is due to the date on which such sum is recovered by the Landlord. The Landlord shall be able to recover such interest as rent in arrears.

(e) Deposit

To secure the due performance and observance of the covenants herein contained the Subtenant shall on the signing hereof pay to the Landlord by way of deposit the sum of Singapore Dollars_____(S$_____) being equivalent to two (2) months' rent which deposit shall not be deemed to be or treated as payment of rent. After the determination of the said term and provided there has not been any breach of the terms and conditions herein contained by the Subtenant, the Landlord shall return the deposit to the Subtenant without interest (subject to any deductions for any breach or non-observance of the terms and conditions herein contained) within fourteen (14) days after a joint inspection of the Sublet Premises has been held.

(f) Increase in Rent and/or Charges

If JTC levies any increase in land rent and/or charges in respect of the Building, the Subtenant shall bear the said increase in the proportion of the Sublet Premises to the total area of the leasehold land.

(g) Landlord's Liability

The Landlord shall not in any way be liable to the Subtenant for any loss or damage to any property of the Subtenant or any permitted occupier in the Sublet Premises howsoever caused and the Subtenant shall be fully responsible for the security of any property in the Sublet Premises and shall take out all necessary insurance policies to cover such loss or damage.

(h) Untenantability

If the Sublet Premises or any part thereof shall be damaged or destroyed by fire so as to render the Sublet Premises substantially unfit for occupation and use (except where such damage or destruction has been caused by the act negligence omission or default of the Subtenant its employees servants independent contractors agents invitees or licensees) the rent hereby covenanted to be paid or a fair and just proportion thereof according to the nature and extent of the damage sustained shall be suspended until the Sublet Premises shall again be rendered fit for occupation and use and any dispute concerning this clause shall be determined by a single arbitrator in accordance with the Arbitration Act (Cap 16) or any statutory modification or re-enactment thereof for the time being in force. PROVIDED ALWAYS that all insurance monies received will belong to the Landlord absolutely and beneficially and the Landlord may in its absolute discretion decide that the Sublet Premises are so badly damaged that it will demolish and/or rebuild the Sublet Premises instead of repairing or reinstating the same and in any such event the Landlord may within twenty one (21) days after such damage has been sustained give immediate written notice to the Subtenant to terminate the tenancy and the tenancy shall absolutely determine forthwith the Subtenant shall vacate the Sublet Premises without any compensation whatsoever from the Landlord. The termination of tenancy in accordance with this sub-clause shall be without prejudice to the right of action of the Landlord in respect of any unpaid rent and/or interest hereinbefore stated or of any antecedent breach of the Subtenant's covenants herein contained.

(i) Waiver of Covenant

No consent or waiver expressed or implied by the Landlord to or of any breach of any covenant condition or duty of the Subtenant shall be construed as a consent or waiver

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to or of any breach of the same or any other covenant condition or duty and shall not prejudice in any way the rights powers and remedies of the Landlord herein contained.

(j) Service of Notice

Any notice or other documents or writing required to be served delivered or given under this Agreement shall be sufficiently served delivered or given to the Subtenant if left addressed to the Subtenant on the Sublet Premises or sent to the Subtenant by registered post or left at the last known address of the Subtenant. Any notice to the Landlord shall be sufficiently served if sent by registered post to the Landlord's registered address. Any notice shall be deemed to be received by the other party within twenty-four (24) hours of posting.

IN WITNESS WHEREOF the parties have entered into this Agreement the day and year first above written.

SIGNED BY)
)
for and on behalf of)
ALANTAC ENGINEERING (S) PTE LTD)
in the presence of:)

SIGNED BY)
for and on behalf of)
CRYO-ASIA PTE LTD)
in the presence of:)

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SCHEDULE V

(Clause 4.2(b)

Form of Subscription of Shares

APPLICATION FOR SHARES

To : The Board of Directors
Cryo Asia Pte Ltd
Singapore

Sirs,

We/I request you to allot to us/me Ordinary Shares of US$1.00 each in the Company, at US$1.00 each, and I tender herewith the sum of $ in full payment thereof.

This application is unconditional and we/I authorise you to register us/me as the holder of the above shares or any smaller number that may be allotted to us/me and we/I agree to be bound by the Memorandum and Articles of Association of the Company.

Dated this day of .

- ---

Name in full :
Address :

*For and on behalf of
[ ]

* If applicable

OFFICE USE ONLY

Agreed to allot shares as per minute dated 1996.

Entered in Register of Members No.

Share Scrip Issued No.