INTEVAC INC

FORM SC TO-I

(Tender offer statement by Issuer)

Filed 05/08/02

Address	3560 BASSETT STREET
	SANTA CLARA, CA, 95054
Telephone	4089869888
CIK	0001001902
Symbol	IVAC
SIC Code	3559 - Special Industry Machinery, Not Elsewhere Classified
Industry	Industrial Machinery & Equipment
Sector	Industrials
Fiscal Year	12/31

INTEVAC INC

FORM SC TO-I
(Tender offer statement by Issuer)

Filed 5/8/2002

Address	356O BASSETT ST
	SANTA CLARA, California 95054
Telephone	408-986-9888
CIK	0001001902
Industry	Computer Storage Devices
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule TO

Tender Offer Statement under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934

Intevac, Inc.

(Name of Subject Company (Issuer) and Filing Person (Offeror))

6 1/2% Convertible Subordinated Notes Due 2004
(Title of Class of Securities)

4661148AA6
4661148AC2
U4606QAA7
(CUSIP Numbers of Class of Securities)

Kevin Fairbairn
Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054
(408) 986-9888
(Name, address, and telephone number of person authorized to receive notices and communications on behalf of filing persons)

Copies to:

Herbert P. Fockler, Esq.
Michael Occhiolini, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee

$18,000,000.00	$1,656.00

* Estimated for the purpose of calculating the amount of the filing fee only. Intevac, Inc. is offering to exchange each $5,000 aggregate principal amount of its outstanding 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") tendered for (a) $2,000 in cash, (b) 250 warrants, each to purchase one share of Intevac Common Stock, and (c) $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009 (the "Exchange Notes") up to a maximum of $18,000,000 principal amount of Existing Notes tendered. The estimated transaction value is the value of the maximum amount of Existing Notes that Intevac may receive from tendering holders in the exchange offer above, which value, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, is the book value as of April 30, 2002 of the Exchange Notes issued as above. The amount of the filing fee, calculated in accordance with the Securities Exchange Act of 1934, as amended, equals $92 for each $1,000,000 of value.

☐ Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/ A
Form or Registration No.: N/ A
Filing party: N/ A
Date filed: N/ A

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

☐ third-party tender offer subject to Rule 14d-1.

☒ issuer tender offer subject to Rule 13e-4.

☐ going-private transaction subject to Rule 13e-3.

☐ amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer: ☐

This Schedule TO relates to the offer by Intevac, Inc., a California corporation ("Intevac" or the "Company"), to exchange (the "Exchange Offer") each $5,000 aggregate principal amount of its outstanding 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") tendered for (a) $2,000 in cash, (b) 250 warrants, each to purchase one share of Intevac Common Stock and (c) $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009 (the "Exchange Notes"), up to a maximum of $18,000,000 principal amount of Existing Notes. Intevac reserves the right to amend the Exchange Offer for any or no reason at any time prior to the expiration date. Intevac expressly reserves the absolute right to extend, subject to applicable law, the period during which the Exchange Offer is open and thereby delay acceptance of any Existing Notes by issuing a press release or other public announcement no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date. We reserve the right to terminate the Exchange Offer if, in our judgment, any condition set forth in the Offering Circular dated May 8, 2002 (the "Offering Circular") under the caption "The Exchange Offer — Conditions to the Completion of the Exchange Offer" is not or will not be satisfied. The Offering Circular and the related letter of transmittal (which, as either may be amended or supplemented from time to time, together constitute the "Disclosure Documents") are attached to this Schedule TO as Exhibits (a)(1)(a) and (a)(1)(b), respectively.

The information in the Disclosure Documents, including all schedules and annexes to the Disclosure Documents, is incorporated by reference in answer to the items required in this Schedule TO, except as otherwise set forth below.

Item 1. ***Summary Term Sheet.***

The information set forth in the Offering Circular under the title "Summary Term Sheet" is incorporated herein by reference.

Item 2. ***Subject Company Information.***

(a) Intevac is the issuer of the securities subject to the Exchange Offer. Intevac's principal executive offices are located at 3560 Bassett Street, Santa Clara, California 95054. Intevac's telephone number is (408) 986-9888.

(b) The subject class of securities is Intevac's 6 1/2% Convertible Subordinated Notes due 2004. As of April 30, 2002, $37,545,000 aggregate principal amount of Existing Notes was outstanding.

(c) Although the Existing Notes trade in the over-the-counter market, there is only limited trading for the Existing Notes, and, accordingly, historical price information is not available.

Item 3. ***Identity and Background of Filing Person.***

(a) Intevac is the filing person and subject company. The business address and telephone number of Intevac are set forth under Item 2(a) of this Schedule TO.

Pursuant to General Instruction C to Schedule TO, the following persons are the directors and/or executive officers of Intevac:

Name	Position
Executive Officers and Directors	
Norman H. Pond	Chairman of the Board
Kevin Fairbairn	President, Chief Executive Officer and Director
Verle Aebi	President of Photonics Division
Charles B. Eddy III	Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary
Edward Durbin	Director
Robert D. Hempstead	Director
David N. Lambeth	Director
H. Joseph Smead	Director

The business address and telephone number for all of the above directors and executive officers is c/o Intevac, Inc., 3560 Bassett Street, Santa Clara, California 95054 and (408) 986-9888.

As of April 30, 2002, 46.4% of our outstanding Common Stock was beneficially owned by Foster City LLC, and therefore Foster City LLC may be deemed to be in control of Intevac. Ed Durbin and H. Joseph Smead are directors of Intevac and managing general members of Foster City LLC. Mr. Durbin and Mr. Smead disclaim beneficial ownership of the shares held by Foster City LLC, except to the extent of their respective pecuniary interests therein arising from their general membership interests in Foster City LLC. Further, the current directors and executive officers of Intevac as a group held 57.3% of the outstanding Common Stock of Intevac as of April 30, 2002, including their deemed ownership of the Foster City LLC shares, and therefore as a group those persons, acting together, are able to effectively control all matters requiring approval by the shareholders of Intevac. The business address and telephone number for Foster City LLC is 395 Mill Creek Circle, Vail, Colorado, 81657 and (970) 479-7492.

Item 4. ***Terms of the Transaction.***

(a) The information set forth in the sections of the Offering Circular titled "Summary Term Sheet," "Capitalization," "Unaudited Pro Forma Consolidated Financial Data," "The Exchange Offer," "Description of Exchange Notes," "Description of Existing Notes," "Description of Warrants," "Book-Entry System — The Depository Trust Company" and "U.S. Federal Income Tax Consequences" are incorporated herein by reference.

(b) Norman H. Pond, our chairman of the Board, Edward Durbin, a director of the Company and Chief Operating Officer of Foster City LLC, an entity which holds approximately 46.4% of our outstanding Common Stock, and Charles B. Eddy III, our Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary individually own $1,490,000, $980,000 and $50,000, respectively, and together own $2,520,000 of our Existing Notes, or 6.7% of the aggregate outstanding principal amount. They have agreed to tender all of their Existing Notes.

Item 5. ***Past Contacts, Transactions, Negotiations and Agreements.***

(e) The information set forth above in Item 4(b) and in the sections of the Offering Circular titled "Financing Strategy," "Description of Exchange Notes," "Description of Existing Notes," and "Description of Warrants," are incorporated herein by reference. The Company has entered into an employment agreement with Kevin Fairbairn, our President and Chief Executive Officer, which provides that the vesting of Mr. Fairbairn's options may accelerate upon a change of control of the Company. The Exchange Offer would not be considered a change of control of the Company. Other than the respective Indentures governing the Existing Notes and Exchange Notes and the Warrant Agreement governing the Warrants, which are filed as exhibits to this Schedule TO, no agreement, arrangement or understanding exists between Intevac (including any person specified in Instruction C of this Schedule TO) and any other person with respect to any Existing Notes or Exchange Notes or Warrants.

Item 6. ***Purposes of the Transaction and Plans or Proposals.***

(a) The information set forth in the section of the Offering Circular titled "Summary Term Sheet" is incorporated herein by reference.

(b) The Existing Notes acquired pursuant to the Exchange Offer will be retired.

(c)(1) None.

(c)(2) None.

(c)(3) The information set forth in the sections of the Offering Circular titled "Summary Term Sheet," "Selected Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data," "Capitalization" and "Financing Strategy" is incorporated herein by reference.

(c)(4) One of our prior directors, George L. Farinsky, resigned from our Board of Directors on May 2, 2002, leaving a vacancy. The Company intends to fill such vacancy as soon as it locates a suitable replacement, although it has not currently identified such an individual.

(c)(5) None.

(c)(6) None.

(c)(7) None.

(c)(8) None.

(c)(9) The information set forth in the sections of the Offering Circular titled "Summary Term Sheet," "The Exchange Offer" and "Financing Strategy" is incorporated herein by reference. The Company maintains two stock option plans, the 1992 Stock Plan and the 1995 Stock Option/ Stock Issuance Plan, and an employee stock purchase plan.

(c)(10) None.

Item 7. ***Source and Amount of Funds or Other Consideration.***

(a) Intevac expects to obtain the cash required to consummate the Exchange Offer, up to a maximum of $7,200,000 if the maximum principal amount of Existing Notes are tendered, from current cash reserves.

(b) All financing conditions required for the issuance of new securities and cash pursuant to the Exchange Offers have been satisfied.

(d) Not applicable.

Item 8. ***Interest in Securities of the Subject Company.***

(a) The following executive officers or directors of Intevac hold the following amounts of the subject securities:

	Amount Held		
Name and Position	**No. of Shares of Common Stock Issuable upon Conversion of the Existing Notes**	**Principal Amount of Existing Notes Value**	**Percentage of Existing Notes Held**
Norman H. Pond Chairman of the Board	72,242	$1,490,000	4.0%
Charles B. Eddy III Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary	2,424	$ 50,000	0.1%
Edward Durbin Director	47,515	$ 980,000	2.6%

(b) Not applicable.

Item 9. ***Person/Assets, Retained, Employed, Compensated or Used.***

(a) Not applicable.

Item 10. ***Financial Statements.***

(a) and (b) The information set forth in the sections of the Offering Circular and the financial statements titled "Selected Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data" and "Where You Can Find Additional Information" are incorporated herein by reference, and

specifically, the Company's reports on Form 10-K and Form 10-Q, which are attached as appendices to the Offering Circular and referenced in "Where You Can Find Additional Information," are included in this incorporation by reference.

Item 11. ***Additional Information.***

(a)(1) Not applicable.

(a)(2) Intevac is required to qualify under the Trust Indenture Act of 1939, as amended, the indenture pursuant to which the New Securities will be issued. Intevac is also required to comply with federal and state securities laws and tender offer rules, including applicable state "blue sky" laws.

(a)(3) Not applicable.

(a)(4) Not applicable.

(a)(5) Not applicable.

(b) Not applicable.

Item 12. ***Exhibits.***

Exhibit No.	Description
(a)(1)(a)	Offering Circular dated May 8, 2002.(1)
(a)(1)(b)	Letter of Transmittal.(1)
(a)(1)(c)	Letter to Broker-Dealers.(1)
(a)(1)(d)	Letter to Clients.(1)
(a)(1)(e)	Notice of Guaranteed Delivery.(1)
(a)(1)(f)	Guidelines for Certification of Taxpayer Identification Number on Substitute IRS Form W-9.(1)
(a)(5)(a)	Press release dated May 8, 2002.(1)
(a)(5)(b)	Investor Presentation.(1)
(d)(1)	Indenture, dated as of February 15, 1997, between Intevac and State Street Bank and Trust Company of California, N.A.(2)
(d)(2)	Form of Indenture between Intevac and State Street Bank and Trust Company of California, N.A.(1)
(d)(3)	Form of Warrant Agreement between Intevac and State Street Bank and Trust Company of California, N.A.(1)

(1) Filed herewith.

(2) Incorporated by reference to Exhibit 4.2 to Intevac's Registration Statement on Form S-3 (File No. 333-24275).

SIGNATURE

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

INTEVAC, INC.

By: /s/ KEVIN FAIRBAIRN

Name: Kevin Fairbairn
Title: President and Chief Executive Officer

Date: May 8, 2002

EXHIBIT INDEX

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(d)(2)	Form of Indenture between Intevac and State Street Bank and Trust Company of California, N.A.(1)
(d)(3)	Form of Warrant Agreement between Intevac and State Street Bank and Trust Company of California, N.A.(1)

(1) Filed herewith.

(2) Incorporated by reference to Exhibit 4.2 to Intevac's Registration Statement on Form S-3 (File No. 333-24275).

EXHIBIT (a)(1)(a)

OFFERING CIRCULAR

Exchange Offer for Outstanding
6 1/2% Convertible Subordinated Notes due 2004

The exchange offer's expiration date is 12:00 midnight, Eastern Time, June 5, 2002, unless extended or earlier terminated by Intevac, Inc.

Exchange Offer

Under this exchange offer, Intevac, Inc. is offering to exchange for each $5,000 principal amount of its 6 1/2% Convertible Subordinated Notes due 2004, which we refer to as the existing notes, the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of Intevac's common stock, no par value, at an exercise price of $7.50 per share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009, which we refer to as the exchange notes.

See "Risk Factors" beginning on page 9 for a discussion of risks that you should consider before tendering your existing notes.

IMPORTANT

If you hold your existing notes through a broker, dealer or other similar nominee, you must contact that nominee if you desire to tender your existing notes. If you hold your existing notes yourself, you must complete and sign the letter of transmittal included with this document in accordance with the instructions set forth in the letter of transmittal and this offering circular, and mail or deliver it, together with the certificates for the tendered existing notes and any other required documents, to State Street Bank and Trust Company of California, N.A., our exchange agent.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offering circular. Any representation to the contrary is a criminal offense.

The exchange offer is being made in reliance upon an exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended, and similar exemptions from registration provided by certain state securities laws.

The date of this offering circular is May 8, 2002.

You should rely only on the information contained in this offering circular. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided in the offering circular is accurate as of any date other than the date as of which it is shown, or if no date is otherwise indicated, the date of this offering circular. This offering circular summarizes various documents and other information. Those summaries are qualified in their entirety by reference to the documents and information to which they relate.

TABLE OF CONTENTS

SUMMARY TERM SHEET

This summary highlights certain information from this offering circular and may not contain all of the information that is important to you. We urge you to read this entire offering circular, including the documents attached to or accompanying this offering circular.

Investment in the exchange notes and warrants involves risks. See under the caption entitled "Risk Factors" for a discussion of risks you should consider carefully before participating in the exchange offer.

Under this exchange offer, Intevac, Inc. is offering to exchange for each $5,000 principal amount of its existing notes the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of Intevac's common stock at an exercise price of $7.50 per share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of its exchange notes.

We will pay any interest that has accrued on the existing notes that are tendered and exchanged to the date of completion of the exchange offer.

We will accept up to a maximum of $18 million aggregate principal amount of existing notes under the exchange offer. If more than $18 million principal amount of existing notes is submitted under the exchange offer, we will select the existing notes to be exchanged *pro rata*, disregarding fractions, according to the aggregate principal amount of existing notes tendered by each holder of existing notes, and any existing notes tendered but not so selected shall remain outstanding upon completion of the exchange offer.

The exchange offer is conditioned on at least $9 million principal amount of existing notes being tendered.

The following are some of the questions you may have as a holder of the existing notes and the answers to those questions.

Who is making the exchange offer?

Intevac, Inc., a California corporation, is making the exchange offer. We design, manufacture and sell complex capital equipment used to manufacture products such as flat panel displays, thin-film disks and electro-optical devices ("Equipment Division") and are developing highly sensitive electro-optical devices and systems that we intend to manufacture and sell ("Photonics Division"). For a detailed description of our business, please see the section of this offering circular entitled "Business." Our headquarters are located at 3560 Bassett Street, Santa Clara, CA 95054, and our telephone number is (408) 986-9888. Our common stock is traded on the Nasdaq National Market under the symbol "IVAC". For further information about us, please see the section of this offering circular entitled "Where You Can Find Additional Information."

Why are we making the exchange offer?

We are offering to exchange the existing notes for a combination of cash, warrants and exchange notes to reduce the aggregate principal amount of existing notes outstanding and to extend the time that we have to pay the reduced debt represented by the exchange notes. We are undertaking this exchange offer to restructure our debt obligations. The outstanding principal amount of $37.5 million of existing notes will require us to make principal and interest payments through the maturity date of March 1, 2004 that are significantly in excess of our $14.5 million balance of cash, cash equivalents and short-term investments at March 30, 2002. We do not expect that we will be able to generate sufficient additional funds from operations to repay the existing notes at maturity.

If we are not successful in our efforts to restructure our debt obligations, including because the response to the exchange offer is too limited, or if we are otherwise unable to extend the maturities of our debt obligations, we will have to undertake other financing or refinancing alternatives. Even if we are successful with this exchange offer, we expect to continue to restructure our remaining obligations and will likely attempt

to undertake other financing and refinancing alternatives. See the section of this offering circular entitled “Financing Strategy.” This situation becomes exacerbated if the cash available to support the conduct of our operations is less than we project.

The exchange of a substantial portion of the existing notes will also provide us with additional time to capitalize on the prospects for our Photonics business. We believe this business will not reach its full potential by the March 1, 2004 maturity date of the existing notes.

What effect will the exchange offer have on our efforts to restructure our debt?

We believe that the exchange of the existing notes in the exchange offer will increase our prospects for successfully restructuring our debt. If we are successful in having holders tender the maximum $18 million principal amount of existing notes, the outstanding principal amount of existing notes will be reduced to $19.5 million, and we will issue exchange notes in an aggregate principal amount of $3.6 million, for an aggregate outstanding principal amount of $23.1 million for both the exchange notes and the existing notes. In addition, the exchange notes will mature March 1, 2009, rather than the March 1, 2004 maturity date for the existing notes.

Even if the exchange offer is successful and we reduce our debt to $23.1 million, this level of debt will be substantially greater than our current balance of cash, cash equivalents and short-term investments, which itself will be reduced by $7.6 million (including expenses of the exchange offer) if the maximum $18 million principal amount of existing notes is tendered. Moreover, the maintenance of sufficient cash for our ongoing operations is critical to our future success and is subject to a number of factors, including our ability to generate cash from operations and our satisfaction of other, non-debt obligations. Our remaining cash after disbursement of cash in the exchange offer and other expenditures relating to the restructuring of our debt may be insufficient to enable us to continue to conduct our operations and satisfy all of our obligations as they come due. Accordingly, we expect to continue efforts to restructure our debt obligations and will likely attempt to undertake other financing and refinancing alternatives even if the exchange offer is successful. See the section of this offering circular entitled “Financing Strategy.” However, until our results of operations improve, we may not have access to new capital in the public or private markets on terms favorable to us, if at all.

The ultimate effect of the exchange offer will depend on the response to this offer. For example, if holders of less than the maximum $18 million aggregate principal amount of existing notes elect to tender their notes, we will have to seek alternate restructuring of those untendered notes, which may further deplete our cash balances.

What amount of existing notes are sought in the exchange offer?

We are seeking to exchange up to $18 million aggregate principal amount of our existing notes currently outstanding.

What consideration are we offering to issue in exchange for your existing notes?

In the exchange offer, we are offering to exchange for each $5,000 aggregate principal amount of the existing notes the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of our common stock at an exercise price of $7.50 per share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of our exchange notes.

We will pay any interest that has accrued on the existing notes that are tendered and exchanged to the date of the completion of the exchange offer.

We will accept up to a maximum of $18 million aggregate principal amount of existing notes under the exchange offer. If more than $18 million principal amount of existing notes is submitted under the exchange offer, we will select the existing notes to be exchanged *pro rata*, disregarding fractions, according to the

aggregate principal amount of existing notes tendered by each holder of existing notes, and any existing notes tendered but not so selected shall remain outstanding upon completion of the exchange offer.

The exchange offer is conditioned on at least $9 million principal amount of existing notes being tendered.

Is Intevac making a recommendation as to whether you should tender your existing notes?

No. We are not making any recommendation regarding whether you should tender your existing notes. As a result, you must make your own determination in consultation with your financial and legal advisors as to whether to tender your existing notes for exchange.

What are the terms of the exchange notes?

The exchange notes issued will accrue interest at a rate of 6 1/2% per year on the principal amount, payable twice a year on each March 1 and September 1, beginning September 1, 2002. The exchange notes will mature March 1, 2009. The exchange notes will be unsecured obligations of Intevac, subordinated in right of payment to all of its existing and future senior debt, but senior to the existing notes. The initial conversion price of the exchange notes will be $10.00 per share, subject to adjustment as described under the caption "Description of Exchange Notes — Conversion." The exchange notes also contain a provision that allows us, at our option, to automatically convert some or all of the exchange notes on or prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days ending within five trading days prior to the mailing of the notice of automatic conversion.

Do you have to tender all of your existing notes to participate in this exchange offer?

You do not have to tender all of your existing notes to participate in this exchange offer.

When are the exchange notes redeemable?

The exchange notes are redeemable at any time on or after March 1, 2004 at our option, in whole or in part, on not less than 15 but no more than 60 days' notice at 100% of the principal amount of the exchange notes, plus accrued, but unpaid, interest to, but excluding, the redemption date.

How will the exchange notes rank?

The exchange notes will be unsecured obligations of Intevac, subordinated under the exchange notes indenture in right of payment to all existing and future senior debt of Intevac, but senior to any existing notes that are not exchanged for the exchange notes. Please see the section of this offering circular entitled "Description of Exchange Notes — Subordination of Exchange Notes" and "— Definitions" for a description of what constitutes "senior debt" under the exchange notes indenture. As of March 30, 2002, we had no senior debt.

Will the exchange notes provide for any repurchase rights in the event of a change of control or a termination of trading involving Intevac?

Unlike holders of existing notes who have the right to require us to repurchase the existing notes upon the occurrence of either a change of control of Intevac or a termination of trading of our common stock, holders of exchange notes will have the right to require us to repurchase their exchange notes only if a change of control of Intevac occurs.

What are the terms of the warrants?

Each warrant that you receive in the exchange offer will entitle you to purchase one share of our common stock and will be exercisable by you on a net share basis at an exercise price of $7.50 per share. The exercise price and the number of shares issuable upon exercise of the warrant will be subject to adjustment as described under the caption "Description of Warrants." You may exercise the warrants at any time prior to the close of business on March 1, 2006.

Will the exchange notes or warrants be listed?

Neither the exchange notes nor the warrants will be listed for trading on any national securities exchange or authorized to be quoted in any inter-dealer quotation system of any national securities association. We do not intend to apply for either listing or quotation of the exchange notes or warrants.

What risks should you consider in deciding whether or not to tender your existing notes?

In deciding whether to participate in the exchange offer, you should carefully consider the discussion of risks and uncertainties affecting our business described in the section of this offering circular entitled "Risk Factors," and the documents we attach to this offering circular.

Is our financial condition relevant to your decision to tender in the exchange offer?

Yes, we continue to face significant challenges and limitations as a result of a prolonged slowdown in demand for capital equipment used to manufacture, thin-film disks. As we discuss above, the principal reason for the exchange offer is to reduce the total amount of our outstanding debt, and to extend the maturity of a portion of our debt. Even if we are successful with the exchange offer, we may still need to restructure our remaining obligations and will likely attempt to undertake other financing and refinancing alternatives. See the section of this offering circular entitled "Financing Strategy." However, until our results of operations improve, we may not have access to new capital in the public or private markets on terms favorable to us, if at all.

If you decide to tender your existing notes, will you have to pay any fees or commissions in the exchange offer to Intevac or the exchange agent?

No. We will be responsible for all expenses related to the exchange offer. As a result, you are not required to pay any brokerage commissions, other fees or expenses to the exchange agent or Intevac.

If you decide not to tender your existing notes, how will the exchange offer affect your existing notes?

Once the exchange offer is completed, any of your existing notes that are not tendered and exchanged in the exchange offer will be subordinated to the exchange notes. If a substantial number of the existing notes are submitted for exchange in the exchange offer, the liquidity of your existing notes that remain outstanding after completion of the exchange offer could be adversely affected.

Will Intevac receive any cash proceeds from the exchange offer?

No. We will not receive any cash proceeds from the exchange offer.

Will you receive accrued interest on the existing notes that you tender for exchange?

Yes. On all existing notes that are tendered and exchanged in the exchange offer, we will pay interest that has accrued, but is unpaid, as of the date the exchange notes are issued upon completion of the exchange.

What are the conditions to completion of the exchange offer?

The exchange offer is conditioned on at least $9 million principal amount of existing notes being tendered. In addition, the completion of the exchange offer shall remain subject to a number of customary conditions, some of which we may waive. If any of these conditions are not satisfied, we will not be obligated to accept and exchange any properly tendered existing notes. Prior to the expiration date of the exchange offer, we reserve the right to amend the exchange offer for any or no reason. See under the caption "The Exchange Offer — Conditions to the Completion of the Exchange Offer."

When is the exchange offer expected to close?

The exchange offer is expected to close promptly following the expiration date of the exchange offer.

Will the exchange notes and warrants be freely tradable?

The exchange offer is being made to you in reliance on an exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. The warrants and the exchange notes to be issued in the exchange offer neither have been, nor will be, registered and will not be registered with the Securities and Exchange Commission, or SEC. The warrants and exchange notes that you receive in the exchange offer and any common stock issuable upon conversion of the exchange notes or exercise of the warrants should be freely tradable, except by persons who are considered to be our affiliates, as that term is defined in the Securities Act, or in some cases by persons who hold existing notes that were previously held by an affiliate of ours.

How do you tender your existing notes?

To tender existing notes pursuant to the exchange offer, you must properly complete and duly execute and submit to the exchange agent the letter of transmittal, the existing notes that you are tendering for exchange, if you hold them in certificated form, and any other documents required by the letter of transmittal or comply with the requisite Depository Trust Company, or DTC, procedures for book-entry transfer described under the caption "The Exchange Offer — Procedures for Tendering Existing Notes."

How long do you have to decide whether to tender?

The expiration date for the exchange offer is 12:00 midnight, Eastern Time, June 5, 2002, unless we extend the expiration date of the exchange offer by issuing a press release by 9:00 a.m., Eastern Time, on the next business day after the scheduled expiration date. You must tender your existing notes prior to the expiration date if you want to participate.

How do you withdraw tendered existing notes? Until what time can you withdraw tendered existing notes?

You may withdraw tenders of existing notes at any time on or prior to the expiration date by following the procedures described under the caption "The Exchange Offer — Withdrawal Rights and Non-Acceptance."

Properly withdrawn existing notes may be retendered at any time on or prior to the expiration date by following one of the procedures described in this offering circular under the caption "The Exchange Offer — Procedures for Tendering Existing Notes."

If we extend the expiration date of the exchange offer, we will also extend your right to withdraw tenders of existing notes.

When will you receive your cash, warrants and exchange notes?

Subject to the terms and conditions described in this offering circular, we will accept up to $18 million aggregate principal amount of existing notes that are validly tendered and not withdrawn on or prior to the expiration date. We will pay the cash consideration and issue the warrants and exchange notes promptly following the expiration date of the exchange offer upon our determination that the conditions to the exchange offer have been fulfilled.

What happens if your existing notes are not accepted for payment?

If we decide for any reason not to accept any existing notes for exchange, the existing notes will be returned to the registered holder, at our expense, promptly after the expiration or termination of the exchange offer. In the case of existing notes tendered by book entry transfer into the exchange agent's account at DTC, any withdrawn or unaccepted existing notes will be credited to the tendering holder's account at DTC. For

further information, see the discussion in this offering circular under the caption "The Exchange Offer — Withdrawal Rights and Non-Acceptance."

Will the exchange notes and warrants be issued in global form?

All exchange notes and warrants issued in the exchange offer will be global securities and will be deposited with a custodian. You will not receive certificates for exchange notes or warrants. Your beneficial interests in the exchange notes and warrants will be evidenced only through records maintained in book-entry form by DTC and its participants. For further information, please see the section of this offering circular entitled "Book-Entry System — The Depository Trust Company."

How will you receive your cash consideration in connection with the exchange offer?

We will deposit the cash consideration for the exchange offer with the exchange agent prior to the closing date of the exchange offer, which closing date shall promptly follow the expiration date of the exchange offer. If you hold your existing notes in physical certificates, the exchange agent will deliver to you a check in the amount of your cash consideration. If you hold your existing notes in global form through DTC, the exchange agent will pay DTC the aggregate amount of cash consideration to be delivered in exchange for the existing notes held in global form tendered and accepted in the exchange offer, and you will receive you applicable portion of such cash consideration pursuant to the applicable procedures established by DTC and its participants.

What is the process if you beneficially own existing notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee?

If you beneficially own existing notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your existing notes in the exchange offer, you should promptly contact the person in whose name the existing notes are registered and instruct that person to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal and delivering your existing notes, you must either make appropriate arrangements to register ownership of the existing notes in your name or obtain a properly completed bond power from the person in whose name the existing notes are registered.

How will you be taxed for U.S. federal income tax purposes?

Please see the section of this offering circular entitled "U.S. Federal Income Tax Considerations."

The tax consequences to you of the exchange offer will depend on your individual circumstances. You should consult your tax advisor for a full understanding of these tax consequences.

Who can you talk to if you have questions about the exchange offer?

If you have questions regarding the information in this offering circular or the terms of the exchange offer, please contact Charles Eddy at Intevac. If you have questions regarding the procedure for tendering your existing notes or require assistance in tendering your existing notes, please contact our exchange agent, State Street Bank and Trust Company of California, N.A. You can find the addresses and telephone numbers of Charles Eddy at Intevac and the exchange agent on the back cover of this offering circular.

Where can you obtain additional copies of the exchange offer materials?

You can obtain additional copies of this offering circular and the other exchange offer materials by contacting the exchange agent at the phone number and address listed on the back cover of this offering circular.

Comparison of the New Consideration and the Existing Notes

The following is a brief summary of the terms of the new consideration and the existing notes. For a more complete description of the exchange notes, see "Description of Exchange Notes." For a more complete description of the warrants, see "Description of Warrants."

Cash Consideration		
Amount	$2,000 in cash for each $5,000 principal amount of existing notes tendered in the exchange.	
Warrants		
Amount	250 warrants for each $5,000 principal amount of existing notes tendered in the exchange.	
Exercise Price	Each warrant initially entitles the holder thereof to purchase one share of our common stock at an exercise price of $7.50 per share, subject to adjustment upon certain events.	
Expiration	The warrants may be exercised at any time on or before 5:00 p.m., New York City time, March 1, 2006.	
Comparison of Exchange Notes to Existing Notes		
Amount	$1,000 principal amount of exchange notes for each $5,000 principal amount of existing notes tendered in the exchange.	
	Exchange Notes	**Existing Notes**
Securities	Up to $3,600,000 aggregate principal amount of 6 1/2% Convertible Subordinated Notes due 2009. The exchange notes will be issued in principal amounts of $1,000.	$37,545,000 aggregate principal amount of 6 1/2% Convertible Subordinated Notes due 2004. The existing notes are issued in principal amounts of $1,000.
Issuer	Intevac, Inc.	Intevac, Inc.
Maturity	March 1, 2009	March 1, 2004
Interest	Interest on the exchange notes will be payable at a rate of 6 1/2% per year, payable March 1 and September 1 of each year.	Interest on the existing notes is payable at a rate of 6 1/2% per year, payable March 1 and September 1 of each year.
Conversion		
General	The exchange notes will be convertible at any time by the holder prior to maturity at a conversion price of $10.00 per share, subject to adjustment.	The existing notes are convertible at any time by the holder prior to maturity at a conversion price of $20.625 per share, subject to adjustment.

Auto-conversion	We may elect to automatically convert some or all of the exchange notes on or prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price for at least 20 trading days during any period of 30 consecutive trading days ending within five trading days prior to the date of mailing of the notice of automatic conversion.	None.
Ranking	The exchange notes will be subordinated to all of our senior debt and will be senior in right of payment to our existing notes. As of March 30, 2002, we had no senior debt.	The existing notes are subordinated to all of our senior debt and will be subordinated in right of payment to the exchange notes. As of March 30, 2002, we had no senior debt.
Optional redemption	We may redeem the exchange notes on or after March 1, 2004 at any time, in whole or in part, on not less than 15 but no more than 60 days' notice, at 100% of the principal amount of the exchange notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.	We may redeem the existing notes at any time, in whole or in part, on not less than 15 but no more than 60 days' notice, at the redemption prices set forth in this offering circular, plus accrued and unpaid interest, if any, to the redemption date.
Repurchase at option of holders	You may require us to repurchase all or part of your exchange notes upon the occurrence of a transaction that results in a change of control of Intevac at a repurchase price equal to 101% of the outstanding principal amount of the exchange notes being redeemed, plus any accrued and unpaid interest.	You may require us to repurchase all or part of your existing notes upon the occurrence of a transaction that results in a change of control of Intevac or a termination of trading of our common stock at a repurchase price equal to 101% of the outstanding principal amount of the existing notes being redeemed, plus any accrued and unpaid interest.
Listing	The exchange notes are expected to trade in the over-the-counter market.	The existing notes trade in the over-the-counter market.

RISK FACTORS

This exchange offer involves a high degree of risk. You should carefully consider the following risks before making a decision to participate in the exchange offer. You should also refer to the other information set forth in this offering circular, including the documents attached to or accompanying this offering circular. The risks described below are not the only ones we face. Additional risks not currently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of these risks occur, our business and operating results could be harmed and the value of your investment could be significantly reduced. Some risks that could cause our results to vary are discussed below.

We have $37.5 million of existing notes outstanding that will mature in 2004.

We issued $57.5 million in principal amount of existing notes in February 1997, thus substantially increasing our ratio of long-term debt to total capitalization (shareholders' equity plus long-term debt). Holders of existing notes may convert their existing notes into our common stock at a conversion price of $20.625 per share, which is substantially above the last reported sale price of our common stock of $4.19 per share on May 3, 2002. As a result, holders of existing notes are unlikely to convert their existing notes into common stock, unless the market price of our common stock increases to a price greater than the conversion price of the existing notes. In 1999 and 2001, we spent $11.9 million to repurchase $20.0 million aggregate principal amount of the existing notes. The currently outstanding principal amount of $37.5 million of existing notes will require us to make principal and interest payments through the maturity date of March 1, 2004 that are significantly in excess of our $14.5 million balance of cash, cash equivalents and short-term investments at March 30, 2002. Even if we meet our operating forecasts, we do not expect to generate enough cash to repay the currently outstanding aggregate principal amount of the existing notes on their March 1, 2004 maturity date. As a result, we are conducting this exchange offer as part of our efforts to restructure our debt, while increasing our potential to attract new debt or equity investors.

Even if the exchange offer is successful, we will still have a significant amount of debt outstanding.

If we are successful in having holders tender the maximum $18 million principal amount of existing notes, the outstanding principal amount of existing notes will be reduced to $19.5 million, and we will issue exchange notes in an aggregate principal amount of $3.6 million, for an aggregate outstanding principal amount of $23.1 million for both the exchange notes and the existing notes. Even if the exchange offer is successful and we reduce our debt to $23.1 million, this level of debt will be substantially greater than our current balance of cash, cash equivalents and short-term investments, which itself will be reduced by $7.6 million (including expenses of the exchange offer).

Our ability to meet our debt payment obligations depends upon our future operating performance and cash flows.

Our ability to make scheduled debt payments, even if the exchange offer is successful, depends on our future operating performance and cash flow. Our operating performance and cash flow, in part, are subject to business, financial and economic factors beyond our control. Our remaining cash after disbursement of cash in the exchange offer and other expenditures relating to the restructuring of our debt will still be insufficient to enable us to continue to conduct our operations and satisfy all of our obligations as they come due.

Our significant amount of debt could have a negative effect on us and our security holders.

Our significant amount of debt could harm Intevac and holders of our common stock and existing notes, and any exchange notes and warrants issued in the exchange offer in many ways, including:

- reducing the funds available to finance our business operations and for other corporate purposes because a portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt;

- impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- increasing our vulnerability to increases in interest rates;
- placing us at a competitive disadvantage because we are substantially more leveraged than certain of our competitors;
- hindering our ability to adjust rapidly to changing market conditions; and
- making us more vulnerable to a further downturn in general economic conditions or in our business.

We may undertake significant additional financing, refinancing or restructuring transactions in order to restructure our debt obligations and maintain sufficient cash to conduct our operations.

Even if the exchange offer is successfully completed, we will need to obtain additional financing or restructure our debt further. We may seek to raise additional funds through a variety of alternative sources, including the sale of additional securities or from other financing arrangements or assets sales, and we may attempt to restructure our debt in a variety of ways. Our board of directors has from time to time considered a number of possible transactions. Such transactions might include:

- attempting to raise additional equity through public or private offerings,
- attempting to raise additional debt financing with a longer maturity than the existing notes,
- undertaking a rights offering to obtain financing from our existing shareholders,
- offering further exchanges with regard to any existing notes not tendered in the exchange offer,
- selling or spinning off a portion of our assets to raise additional capital or improve the prospects for raising capital for all or a portion of our business, or
- obtaining a line of credit.

We may undertake one or more of these transactions shortly following completion of the exchange offer. We currently have no binding commitments or plans with regard to any other financing or restructuring alternatives other than the proposed transactions described under the caption “Financing Strategy.” We do not know whether we will be able to complete any of these transactions on a timely basis, on terms satisfactory to us, or at all. For example, we may not have access to new capital in the public or private markets until our results of operations improve, if at all. In addition, some of these transactions may result in significant dilution to our existing security holders or impairment of their rights. Nonetheless, if we are unable to complete one or more of these transactions, our ability to maintain our ongoing operations, and to pay principal and interest in cash on the exchange notes or existing notes when due, will be jeopardized.

The majority of our new products address new and emerging markets.

We have invested heavily in the development of products that address new markets. The Equipment Division has developed a flexible deposition tool and a rapid thermal processing tool to address growing segments of the FPD equipment market intended to displace products offered by competing manufacturers. The Photonics Division’s LIVAR ® target identification system and low-cost low-light level camera products are designed to offer significantly improved capability relative to any products currently offered in the marketplace. Additionally, the Photonics Division is entering a new market for Intevac with its photodiodes for fiber optic communication systems. Failure of these products to perform as intended or to successfully penetrate these new markets and develop into profitable product lines will have an adverse effect on our business.

Demand for capital equipment is cyclical.

Our Equipment Division sells capital equipment to capital intensive industries, which sell commodity products such as flat panel displays and disk drives. These industries operate with high fixed costs. When

demand for these commodity products exceeds capacity, then demand for new capital equipment such as ours tends to be amplified. When supply of these commodity products exceeds demand then the demand for new capital equipment such as ours tends to be depressed. The cyclical nature of the capital equipment industry means that in some years sales of new systems by us will be unusually high, and that in other years sales of new systems by us will be severely depressed. We are currently in a period where sales of new systems for disk production are depressed. Failure to anticipate or respond quickly to the industry business cycle has had, and could continue to have, an adverse effect on our business.

Our Equipment Business is subject to rapid technical change.

Our ability to remain competitive requires substantial investments in research and development. The failure to develop, manufacture and market new systems, or to enhance existing systems, will have an adverse effect on our business. From time to time, we have experienced delays in the introduction of, and technical difficulties with, some of our systems and enhancements. Our success in developing and selling equipment will depend upon a variety of factors, including our ability to accurately predict future customer requirements, technological advances, cost of ownership, our introduction of new products on schedule, cost-effective manufacturing and product performance in the field. Our new product decisions and development commitments must anticipate continuously evolving industry requirements significantly in advance of sales. Any failure to accurately predict customer requirements and to develop new generations of products to meet those requirements would have an adverse effect on our business.

Our products are complex, constantly evolving and are often designed and manufactured to individual customer requirements that require additional engineering.

Our Equipment Division products have a large number of components and are highly complex. We may experience delays and technical and manufacturing difficulties in future introductions or volume production of new systems or enhancements. In addition, some of the systems that we manufacture must be customized to meet specific customer site or operating requirements. We have limited manufacturing capacity and engineering resources and may be unable to complete the development, manufacture and shipment of these products, or to meet the required technical specifications for these products in a timely manner. Such delays could lead to rescheduling of orders in backlog, or in extreme situations, to cancellation of orders. In addition, we may incur substantial unanticipated costs early in a product's life cycle, such as increased engineering, manufacturing, installation and support costs, that we may be unable to pass on to the customer. In some instances, we depend upon a sole supplier or a limited number of suppliers for complex components or sub-assemblies utilized in our products. Any of these factors could adversely affect our business.

Our Photonics Division does not yet generate significant revenues from product sales.

To date, the activities of our Photonics Division have concentrated on the development of its technology and prototype products that demonstrate this technology. Revenues for this division have been derived primarily from research and development contracts funded by the United States Government and its contractors and our Photonics Division has yet to earn an annual profit. We continue to develop standard photonics products for sale to military and commercial customers. The Photonics Division will require substantial additional investment in sales and marketing, in product development and in additional production facilities to support the planned transition to volume sales of photonics products to military and commercial customers. There can be no assurance that we will succeed in these activities and generate significant sales of products based on our photonics technology or that if the holders of a significant amount of existing notes do not participate in the exchange offer, that we will have adequate funds to pursue the full potential of our photonic products.

The sales of our equipment products are dependent on substantial capital investment by our customers.

The purchase of our systems, and the purchase of other related equipment and facilities, requires extremely large capital expenditures by our customers. These costs are far in excess of the cost of our systems alone. The magnitude of such capital expenditures requires that our customers have access to large amounts of

capital and that they are willing to invest that capital over long periods of time to be able to purchase our equipment. Some of our customers, particularly those that would otherwise purchase our disk manufacturing products, may not be willing, or able, to make the magnitude of capital investment required.

Rapid increases in areal density are reducing the number of thin-film disks required per disk drive.

Over the past few years the amount of data that can be stored on a single thin-film computer disk has been increasing at approximately 100% per year. Although the number of disk drives produced has continued to increase each year, the growth in areal density has resulted in a reduction in the number of disks required per disk drive. TrendFocus, a market research firm specializing in the disk drive industry, projects that the number of thin-film disks used worldwide declined in 2001 from 2000 levels. Without a significant technological change or an increase in the number of disks required, our disk equipment sales are largely limited to upgrades of existing systems, rather than capacity expansion or system replacement.

Our competitors are large and well financed and competition is intense.

We experience intense competition in the Equipment Division. For example, our equipment products experience competition worldwide from competitors including Anelva Corporation, Ulvac Japan, Ltd. and Unaxis Holdings, Ltd., each of which have sold substantial numbers of systems worldwide. Anelva, Ulvac and Unaxis all have substantially greater financial, technical, marketing, manufacturing and other resources than we do. There can be no assurance that our competitors will not develop enhancements to, or future generations of, competitive products that will offer superior price or performance features or that new competitors will not enter our markets and develop such enhanced products.

Given the lengthy sales cycle and the significant investment required to integrate equipment into the manufacturing process, we believe that once a manufacturer has selected a particular supplier's equipment for a specific application, that manufacturer generally relies upon that supplier's equipment and frequently will continue to purchase any additional equipment for that application from the same supplier. Accordingly, competition for customers in the equipment industry is intense, and suppliers of equipment may offer substantial pricing concessions and incentives to attract new customers or retain existing customers.

Our business depends on the integrity of our intellectual property rights.

There can be no assurance that:

- any of our pending or future patent applications will be allowed or that any of the allowed applications will issue as patents;
- any of our patents will not be invalidated, deemed unenforceable, circumvented or challenged;
- the rights granted under our patents will provide competitive advantages to us;
- any of our pending or future patent applications will issue with claims of the scope sought by us, if at all;
- others will not develop similar products, duplicate our products or design around our patents; or
- patent rights, intellectual property laws or our agreements will adequately protect our intellectual property rights.

Failure to adequately protect our intellectual property rights could have an adverse effect upon our business.

From time to time, we have received claims that we are infringing third parties' intellectual property rights. There can be no assurance that third parties will not in the future claim infringement by us with respect to current or future patents, trademarks, or other proprietary rights relating to our disk sputtering systems, flat panel manufacturing equipment or other products. Any present or future claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty

or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us, or at all. Any of the foregoing could have an adverse effect upon our business.

Our operating results fluctuate significantly.

Over the last nine quarters our operating loss as a percentage of net revenues has fluctuated between approximately 59% and 1% of net revenues. Over the same period our sales per quarter have fluctuated between $23.6 million and $5.9 million. We anticipate that our sales and operating margins will continue to fluctuate. As a result, period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

Operating costs in northern California are high.

Our operations are located in Santa Clara, California. The cost of living in northern California is extremely high, which increases both the cost of doing business and the cost and difficulty of recruiting new employees. Our operating results depend in significant part upon our ability to effectively manage costs and to retain and attract qualified management, engineering, marketing, manufacturing, customer support, sales and administrative personnel. The failure to control costs and to attract and retain qualified personnel could have an adverse effect on our business.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure and other events beyond our control. Additionally, the costs of electricity and natural gas have increased significantly. Any further cost increases will impact our ability to achieve profitability.

A majority of our sales are to international customers.

Sales and operating activities outside of the United States are subject to inherent risks, including fluctuations in the value of the United States dollar relative to foreign currencies, tariffs, quotas, taxes and other market barriers, political and economic instability, restrictions on the export or import of technology, potentially limited intellectual property protection, difficulties in staffing and managing international operations and potentially adverse tax consequences. We earn a significant portion of our revenue from international sales, and there can be no assurance that any of these factors will not have an adverse effect on our business.

We generally quote and sell our products in US dollars. However, for some Japanese customers, we quote and sell our products in Japanese yen. From time to time, we enter into foreign currency contracts in an effort to reduce the overall risk of currency fluctuations to our business. However, there can be no assurance that the offer and sale of products denominated in foreign currencies, and the related foreign currency hedging activities will not adversely affect our business.

Our two principal competitors for disk sputtering equipment are based in foreign countries and have cost structures based on foreign currencies. Accordingly, currency fluctuations could cause our products to be more, or less, competitive than our competitors' products. Currency fluctuations will decrease, or increase, our cost structure relative to those of our competitors, which could impact our competitive position.

We expect the market price of our common stock, existing notes, exchange notes, and warrants to be volatile.

The market price of our common stock has experienced both significant increases in valuation, and significant decreases in valuation, over short periods of time. We believe that factors such as announcements of developments related to our business, fluctuations in our operating results, failure to meet securities analysts' expectations, general conditions in the disk drive and thin-film media manufacturing industries and the worldwide economy, announcements of technological innovations, new systems or product enhancements by us or our competitors, fluctuations in the level of cooperative development funding, acquisitions, changes in governmental regulations, developments in patents or other intellectual property rights and changes in our

relationships with customers and suppliers could cause the price of our common stock to continue to fluctuate substantially. In addition, in recent years the stock market in general, and the market for small capitalization and high technology stocks in particular, has experienced extreme price fluctuations that have often been unrelated to the operating performance of affected companies. Any of these factors could adversely affect the market price of our common stock and the market price of the existing notes, exchange notes and warrants that are convertible or exercisable for such common stock.

We routinely evaluate acquisition candidates and other diversification strategies.

We have completed multiple acquisitions as part of our efforts to expand and diversify our business. For example, our business was initially acquired from Varian Associates in 1991. Additionally, we acquired our current gravity lubrication, CSS test equipment and rapid thermal processing product lines in three acquisitions. We also acquired the RPC electron beam processing business in late 1997, and subsequently closed this business. We intend to continue to evaluate new acquisition candidates and diversification strategies. Any acquisition will involve numerous risks, including difficulties in the assimilation of the acquired company's employees, operations and products, uncertainties associated with operating in new markets and working with new customers, and the potential loss of the acquired company's key employees. Additionally, unanticipated expenses, difficulties and consequences may be incurred relating to the integration of technologies, research and development, and administrative and other functions. Any future acquisitions may result in potentially dilutive issuances of equity securities, acquisition related write-offs and the assumption of debt and contingent liabilities. Any of the above factors could adversely affect our business.

We use hazardous materials.

We are subject to a variety of governmental regulations relating to the use, storage, discharge, handling, emission, generation, manufacture, treatment and disposal of toxic or otherwise hazardous substances, chemicals, materials or waste. Any failure to comply with current or future regulations could result in substantial civil penalties or criminal fines being imposed on us or our officers, directors or employees, suspension of production, alteration of our manufacturing process or cessation of operations. Such regulations could require us to acquire expensive remediation or abatement equipment or to incur substantial expenses to comply with environmental regulations. Any failure by us to properly manage the use, disposal or storage of, or adequately restrict the release of, hazardous or toxic substances could subject us to significant liabilities.

Our directors and executive officers control a majority of our outstanding common stock.

Based on the number of shares of our common stock outstanding as of March 30, 2002, our directors and their affiliates and our executive officers, in the aggregate, beneficially own a majority of the outstanding shares of common stock. These shareholders, acting together, are able to effectively control all matters requiring approval by our shareholders, including the election of a majority of the directors and approval of significant corporate transactions. Two of our directors also hold 6.6% of the outstanding existing notes.

The exchange notes are subordinated to our senior debt, but senior in payment to the existing notes.

The exchange notes will be unsecured and subordinated in right of payment to our senior debt under the exchange notes indenture although the exchange notes are senior to the existing notes. As a result of such subordination, in the event of our liquidation or insolvency, a payment default with respect to senior debt, a covenant default with respect to designated senior debt or acceleration of the exchange notes due to an event of default, our assets will be available to pay obligations on the exchange notes only after all senior debt has been paid in full, and there may not be sufficient assets remaining to pay amounts due on any or all of the exchange notes then outstanding. Neither we nor our subsidiaries are prohibited under the exchange note indenture from incurring debt. As of March 30, 2002, we had no senior debt.

Neither the indenture governing the existing notes nor the indenture governing the exchange notes contains any financial performance covenants.

Neither the indenture governing the existing notes nor the indenture governing the exchange notes contains any financial performance covenants. Consequently, we will not be required under either indenture to meet any financial tests such as those that measure our working capital, interest coverage, fixed charge coverage or net worth to maintain compliance with the terms of the indentures.

We may not have the financial resources to repurchase the existing notes or exchange notes in the event of a transaction resulting in a change of control or the termination of trading of our common stock.

We may be unable to repurchase the existing notes or exchange notes in the event of a transaction that results in a "change in control" or, in the case of the existing notes if a "termination of trading" of our common stock occurs. Holders of existing notes may require us to repurchase all or a portion of their existing notes upon a change in control or a termination of trading. Holders of exchange notes may require us to repurchase all or a part of their exchange notes upon a change of control. If a change in control or a termination of trading were to occur, we may not have enough funds to pay the repurchase price for all notes for which repurchase is requested. Any future credit agreements or other debt agreements may prohibit the repurchase of the existing notes or exchange notes upon a change in control or, in the case of the existing notes, upon a termination of trading, or may provide that a change in control or a termination of trading constitutes an event of default under that debt agreement. If a change in control or termination of trading occurs at a time when we are prohibited from repurchasing the notes, we could seek the consent of our lenders to repurchase the notes or could attempt to refinance the debt agreements. If we do not obtain their consent, we could not repurchase the existing notes or exchange notes. Our failure to repurchase the existing notes or exchange notes would constitute an event of default under the particular indenture governing such notes, which might constitute an event of default under the terms of our other debt. Our obligation to offer to repurchase the existing notes upon a change in control or termination of trading or the exchange notes upon a change of control would not necessarily afford you protection in the events of a highly leveraged transaction, reorganization, merger or similar transaction.

There may not be a public market for the existing notes, the exchange notes or the warrants.

An active trading market for the existing notes does not exist, and an active trading market for the exchange notes and warrants may not develop after the consummation of the exchange offer. The exchange notes and warrants may not be liquid, which could affect your ability to sell your exchange notes or warrants or to determine the price at which you may be able to sell your exchange notes and warrants. Future trading prices of the exchange notes and warrants will depend upon many factors including, among other things, prevailing interest rates, our operating results, the price of the common stock and the market for similar securities. If a substantial portion of the existing notes is exchanged in the exchange offer, the liquidity of the remaining outstanding existing notes may be further reduced.

The exchange notes may not be rated or may receive a lower rating than anticipated.

We believe it is unlikely that the exchange notes will be rated. However, if one or more rating agencies rate the exchange notes and assigns the exchange notes a rating lower than the rating expected by investors, or reduce the rating of the exchange notes in the future, the market price of the exchange notes and our common stock may be adversely affected.

If we automatically convert the exchange notes, you should be aware that there is a substantial risk that the price of our common stock could fluctuate from the date we elect to automatically convert to the conversion date.

We may elect to automatically convert the exchange notes on or prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price for at least 20 trading days during any period of 30 trading days ending within five trading days prior to the notice of automatic conversion. You should be

aware that there is a substantial risk that the price of our common stock could fluctuate between the date when we first elect to automatically convert the exchange notes by issuing the notice of automatic conversion and the automatic conversion date.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements which involve risks and uncertainties. Words such as “believes,” “expects,” “anticipates” and the like indicate forward-looking statements. Intevac’s actual results may differ materially from those discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risk factors set forth elsewhere in this offering circular and in other documents Intevac files from time to time with the Securities and Exchange Commission, including Intevac’s Annual Report on Form 10-K, Form 10-Q’s and Form 8-K’s. Except as otherwise required by law, Intevac undertakes no obligation to update its forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer.

PRICE RANGE OF COMMON STOCK

Our common stock commenced trading on the Nasdaq National Market November 21, 1995 and is traded under the symbol “IVAC.” As of March 30, 2002, there were approximately 2,000 holders of record of our common stock. The following table sets forth for the periods indicated the high and low closing sale prices for our common stock as reported on the Nasdaq National Market.

	High	Low
Fiscal 2000		
First Quarter	$8.000	$3.500
Second Quarter	4.625	2.688
Third Quarter	7.090	3.313
Fourth Quarter	5.130	3.130
Fiscal 2001		
First Quarter	$5.890	$3.500
Second Quarter	5.950	4.400
Third Quarter	4.980	1.950
Fourth Quarter	4.240	2.380
Fiscal 2002		
First Quarter	$4.390	$2.380
Second Quarter (through May 3, 2002)	5.110	4.150

TRADING MARKET FOR EXISTING NOTES

Although the existing notes trade in the over-the-counter market, there is only limited trading for the existing notes.

DIVIDEND POLICY

We currently anticipate that we will continue to retain our earnings, if any, for use in the operation of our business and do not expect to pay cash dividends on our capital stock in the foreseeable future.

CAPITALIZATION

The following table sets forth cash and cash equivalents, long term debt and the unaudited consolidated capitalization of Intevac:

- at March 30, 2002; and
- at March 30, 2002 as adjusted to give effect to the issuance of the exchange notes, based on the assumption that $18 million principal amount of outstanding existing notes are exchanged on March 30, 2002 pursuant to the terms of the exchange offer.

To the extent that the maximum amount of $18 million existing notes are not validly tendered or accepted in the exchange offer, cash and cash equivalents would increase and the amounts attributed to the exchange notes would decrease and the amounts attributed to the existing notes would increase. The financial data at March 30, 2002 in the following table is derived from our unaudited financial statements for the quarter ended March 30, 2002. This table should be read in conjunction with our consolidated financial statements, related notes and other information included in or attached to this offering circular.

	March 30, 2002	
	Actual	As Adjusted(1)
	(In thousands) (unaudited)	
Cash and Cash Equivalents	$ 14,464	$ 6,914
Long Term Debt		
6 1/2% Convertible Subordinated Notes due 2004 (existing notes)	$ 37,545	$ 19,545
6 1/2% Convertible Subordinated Notes due 2009 (exchange notes)(2)	—	3,600
Discount on 6 1/2% Convertible Subordinated Notes due 2009(3)	—	(3,600)
Shareholders' Equity		
Undesignated preferred stock, no par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value:		
Authorized shares — 50,000		
Issued and outstanding — 12,060 at March 30, 2002(4)	19,237	19,237
Additional paid in capital	—	3,174
Accumulated other comprehensive income	135	135
Accumulated deficit(5)	(19,951)	(12,885)
Total shareholders' equity	(579)	9,661
Total capitalization	$ 36,966	$ 29,206

(1) Statement of Financial Accounting Standards No. 15 ("SFAS 15") "Accounting by Debtors and Creditors for Troubled Debt Restructurings" addresses the accounting for debt restructurings similar to that undertaken in this exchange offer. The As Adjusted adjustments discussed herein include the accounting treatment required under SFAS 15.

(2) At face value.

(3) Consists of $426,000 of original issue discount, $1,177,000 of beneficial conversion feature on the exchange notes and $2,412,000 of fair value of the detachable warrants, less $415,000 to limit total discount on the exchange notes to face value.

(4) Outstanding shares exclude the shares reserved for issuance upon conversion of the exchange notes, share reserved for issuance upon conversion of any existing notes not tendered in the exchange offer, shares reserved for issuance upon exercise of the warrants, 2,079,251 shares issuable under our employee stock option plan and 237,585 shares issuable under our employee stock purchase plan.

(5) In accordance with SFAS 15, the exchange consideration of $2,000 in cash, 250 warrants to purchase Intevac common stock at $7.50 per share and with expiration date of March 1, 2006, and $1,000 principal amount of exchange notes for each $5,000 principal amount of existing note, up to a maximum of $18 million aggregate principal amount of existing notes, is accounted for as a troubled debt restructuring. Since the total liability of the existing notes to be exchanged will be greater than the fair value of the exchange consideration, an extraordinary gain of $7,066,000 will be recorded.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data should be read in conjunction with our consolidated financial statements, related notes and other financial information included or attached to this offering circular. The consolidated statement of operations data for the fiscal years ended December 31, 2001 and 2000 and the consolidated balance sheet data as of December 31, 2001 and 2000 are derived from the audited consolidated financial statements included or attached to this offering circular. The consolidated statements of operations data for the fiscal years ended December 31, 1999, 1998, and 1997 and the consolidated balance sheet data as of December 31, 1999, 1998 and 1997 are derived from the audited consolidated financial statements previously filed with the SEC. The consolidated statement of operations data for the three months ended March 30, 2002 and March 31, 2001 and the consolidated balance sheet data as of March 30, 2002 are derived from our unaudited consolidated financial statements included or attached to this offering circular. In the opinion of management, our unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect adjustments, consisting only of normal recurring adjustments necessary for the fair presentation of our results of operations and financial position for the periods presented. These results are not necessarily indicative of the results that may be expected for future periods.

	Year Ended December 31,					Three Months Ended	
	1997	1998	1999	2000	2001	March 31, 2001	March 30, 2002
	(In thousands, except per share data)					(unaudited)	
Consolidated Statement of Operation Data:							
Net revenues	$133,207	$95,975	$ 42,962	$ 36,049	$ 51,484	$10,005	$ 6,670
Cost of net revenues	91,255	71,717	40,410	34,059	41,729	6,605	5,707
Gross profit	41,952	24,258	2,552	1,990	9,755	3,400	963
Operating expenses:							
Research and development	10,716	12,473	14,136	10,576	14,478	3,496	3,129
Selling, general and administrative	11,399	10,879	7,226	4,415	6,745	1,669	1,710
Restructuring and other	—	1,088	3,069	(638)	—	—	—
Acquired in-process research and development	299	—	—	—	—	—	—
Total operating expenses	22,414	24,710	24,431	14,353	21,223	5,165	4,839
Operating income (loss)	19,538	(452)	(21,879)	(12,363)	(11,468)	(1,765)	(3,876)
Interest expense	(3,581)	(4,187)	(3,711)	(3,033)	(2,912)	(738)	(667)
Interest income and other income, net	3,268	3,176	3,632	3,072	1,065	(1,292)	185
Income (loss) from continuing operations before income taxes	19,225	(1,463)	(21,958)	(12,324)	(13,315)	(3,795)	(4,358)
Provision for (benefit from) income taxes	6,728	(882)	(8,344)	—	4,424	—	(2,214)
Income (loss) from continuing operations	12,497	(581)	(13,614)	(12,324)	(17,739)	(3,795)	(2,144)
Income from discontinued operations, net	—	1,005	—	—	—	—	—
Income from repurchase of convertible notes, net	—	—	3,844	—	803	—	—
Net income (loss)	$ 12,497	$ 424	$ (9,770)	$(12,324)	$(16,936)	$ (3,795)	$ (2,144)
Basic earnings per share:							
Income (loss) from continuing operations	$ 1.00	$ (0.05)	$ (1.16)	$ (1.04)	$ (1.48)	$ (0.32)	$ (0.18)
Net income (loss)	$ 1.00	$ 0.04	$ (0.83)	$ (1.04)	$ (1.42)	$ (0.32)	$ (0.18)
Shares used in per share calculations	12,514	12,052	11,777	11,803	11,955	11,896	12,041
Diluted earnings per share:							
Income (loss) from continuing operations	$ 0.94	$ (0.05)	$ (1.16)	$ (1.04)	$ (1.48)	$ (0.32)	$ (0.18)
Net income (loss)	$ 0.94	$ 0.03	$ (0.83)	$ (1.04)	$ (1.42)	$ (0.32)	$ (0.18)
Shares used in per share calculations	15,835	12,354	11,777	11,803	11,955	11,896	12,041

	At December 31,					At March 30, 2002
	1997	1998	1999	2000	2001	
	(In thousands)					(Unaudited)
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	$ 71,142	$ 60,916	$40,895	$38,403	$18,157	$14,464
Working capital	78,025	77,774	51,579	41,093	27,160	26,359
Total assets	147,794	122,976	94,382	83,936	60,165	61,296
Long-term debt	59,480	59,461	43,188	41,245	37,545	37,545
Total shareholders' equity (deficit)	42,435	40,436	29,623	17,804	1,408	(579)
Other Data						
Ratio of earnings to fixed charges(1)	5.4x	0.7x	N/A	N/A	N/A	N/A

(1) Computed by dividing earnings by fixed charges. For the purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before provision for income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt discount and issuance costs on all indebtedness, and the estimated portion of rental expense deemed by Intevac to be representative of the interest factor of rental payments under operating leases. For the years ended December 31, 1998, 1999, 2000 and 2001, earnings from continuing operations were not sufficient to cover fixed charges by $1,463,000, $21,958,000, $12,324,000 and $13,315,000, respectively. For the three months ended March 30, 2002, earnings from continuing operations were not sufficient to cover fixed charges by $4,358,000.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro forma financial data and accompanying notes are presented to reflect the impact of the exchange offer on the Statements of Operations for the year ended December 31, 2001 and for the three months ended March 30, 2002 as if the exchange offer had been in effect at January 1, 2001 and January 1, 2002, respectively.

The pro forma adjustments are based upon available information and upon certain assumptions that we believe are reasonable. The pro forma consolidated financial information should be read in conjunction with the unaudited consolidated financial statements of the Company set forth in our Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2002, the audited consolidated financial statements of the Company set forth in our Annual Report on Form 10-K for the year ended December 31, 2001, each of which is attached as an appendix, and "Capitalization" and "Selected Consolidated Financial Data," included in this offering circular.

The pro forma financial information is presented for illustrative purposes only and is not indicative of future financial position or future results of operations after completion of this exchange offering or future financial position or future results of operations that would have occurred if the exchange offering had been consummated as of the dates described above.

	Year Ended December 31, 2001			Three Months Ended March 30, 2002		
	As Reported	Adjustments	Pro Forma(1)	As Reported	Adjustments	Pro Forma(1)
	(In thousands, except per share data)					
Consolidated Statements of Operations Data:						
Net revenues	$ 51,484	$ —	$ 51,484	$ 6,670	$ —	$ 6,670
Cost of net revenues	41,729	—	41,729	5,707	—	5,707
Gross profit	9,755	—	9,755	963	—	963
Operating expenses:						
Research and development	14,478	—	14,478	3,129	—	3,129
Selling, general and administrative	6,745	—	6,745	1,710	—	1,710
Total operating expenses	21,223	—	21,223	4,839	—	4,839
Operating loss	(11,468)	—	(11,468)	(3,876)	—	(3,876)
Interest expense	(2,912)	765	(2,147)	(667)	133	(534)
Interest income and other, net	1,065	—	1,065	185	—	185
Loss from continuing operations before income taxes	(13,315)	765	(12,550)	(4,358)	133	(4,225)
Provision for (benefit from) income taxes	4,424	—	4,424	(2,214)	—	(2,214)
Loss from continuing operations	(17,739)	765	(16,974)	(2,144)	133	(2,011)
Gain from repurchase of convertible notes	803	—	803	—	—	—
Gain from exchange of convertible notes	—	6,922	6,922	—	7,039	7,039
Net income (loss)	$(16,936)	$7,687	$ (9,249)	$(2,144)	$7,172	$ 5,028

	Year Ended December 31, 2001			Three Months Ended March 30, 2002		
	As Reported	Adjustments	Pro Forma(1)	As Reported	Adjustments	Pro Forma(1)
	(In thousands, except per share data)					
Basic earnings per share:						
Loss from continuing operations	$ (1.48)		$ (1.42)	$ (0.18)		$ (0.17)
Net income (loss)	$ (1.42)		$ (0.77)	$ (0.18)		$ 0.42
Shares used in per share calculations	11,955		11,955	12,041		12,041
Diluted earnings per share:						
Loss from continuing operations	$ (1.48)		$ (1.42)	$ (0.18)		$ (0.17)
Net income (loss)	$ (1.42)		$ (0.77)	$ (0.18)		$ 0.39
Shares used in per share calculations(2)	11,955		11,955	12,041		13,409

The impact of the exchange offer on the Balance Sheet at March 30, 2002 is presented as if the exchange offer had been effective March 30, 2002.

	At March 30, 2002		
	As Reported	Adjustments	Pro Forma(1)
		(In thousands)	
Condensed Consolidated Balance Sheet Data:			
Cash and cash equivalents(3)	$14,464	$ (7,550)	$ 6,914
Working capital	26,359	(7,550)	18,809
Total assets(4)	61,296	(7,760)	53,536
Long-term debt(5)	37,545	(18,000)	19,545
Total shareholders' equity(6)	(579)	10,240	9,661
Other Data			
Ratio of earnings to fixed charges(7)	N/A		N/A
Book value per share	$ (0.05)		$ 0.80

Assumptions and Footnotes:

(1) Statement of Financial Accounting Standards No. 15 ("SFAS 15") "Accounting by Debtors and Creditors for Troubled Debt Restructurings" addresses the accounting for debt restructurings similar to that undertaken in the Exchange Offer. The pro forma adjustments discussed below include the accounting treatment required under SFAS 15. The pro forma adjustments assume the exchange of $18,000,000 face amount of the 6 1/2% Convertible Subordinated Notes due 2004 (existing notes) for $7,200,000 in cash, $3,600,000 in 6 1/2% Convertible Subordinated Notes due 2009 (exchange notes), and warrants to purchase 900,000 shares of Intevac common stock at $7.50 per share.

(2) Shares used in the pro forma diluted net income per share for the three months ended March 30, 2002 include 59,882 shares issuable upon exercise of stock options and 1,307,636 shares issuable upon conversion of the convertible notes.

(3) Reduction in cash and cash equivalents reflects $7,200,000 of cash paid to the noteholders upon the assumed exchange of $18,000,000 of the existing notes and $350,000 cash paid as transaction costs in connection with this offering.

(4) In addition to the $7,550,000 reduction in cash, the reduction in total assets also includes a $210,000 reduction in debt issuance costs. The $210,000 represents the unamortized portion of debt issuance costs at March 30, 2002 that corresponds to the $18,000,000 of existing notes. The $210,000 of debt issuance costs on the balance sheet is eliminated in connection with the extinguishments of the $18,000,000 of existing notes.

(5) The reduction in long-term debt reflects the $18,000,000 of existing notes extinguished in connection with this exchange offer. Long-term debt is also increased by the $3,600,000 of new exchange notes. The $3,600,000 of exchange notes, however, is completely offset by deductions consisting of $426,000 related to discounting the exchange notes to present value, $1,177,000 as the value attributed to the beneficial conversion feature of the exchange notes, $2,412,000 of fair value of the detachable warrants, less $415,000 as a limitation on the total deductions such that they do not exceed the $3,600,000 value of the exchange notes. The values attributed to the discounting, beneficial conversion feature and detachable warrants will be recognized as interest expense over the life of the exchange notes.

(6) The increase in shareholders' equity consists of (a) $3,174,000 of additional-paid-in-capital corresponding to the values attributed to the beneficial conversion feature of the exchange notes and the detachable warrants, and (b) $7,066,000 as an extraordinary gain. In accordance with SFAS 15, the exchange consideration of $2,000 in cash, $1,000 in exchange notes, and 250 warrants to purchase Intevac common stock at $7.50 per share for each $5,000 of existing notes, up to a total of $18,000,000 face value of existing notes, is accounted for as a troubled debt restructuring. Since the total liability of the existing notes to be exchanged will be greater than the fair value of the exchange consideration, an extraordinary gain of $7,066,000 will be recorded.

(7) Computed by dividing earnings by fixed charges. For the purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before provision for income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt discount and issuance costs on all indebtedness, and the estimated portion of rental expense deemed by the Company to be representative of the interest factor of rental payments under operating leases. For the three months ended March 30, 2002, pro forma earnings from continuing operations were not sufficient to cover fixed charges by $4,225,000.

BUSINESS

Our businesses are the design, manufacture and sale of complex capital equipment used to manufacture products such as flat panel displays, thin-film disks and electro-optical devices ("Equipment") and the development of highly sensitive electro-optical devices and systems ("Photonics").

Systems sold by the Equipment Division are typically used to deposit highly engineered thin-films of material on a substrate, or to modify the characteristics and properties of thin-films already deposited on a substrate. Systems manufactured by the Equipment Division generally utilize proprietary manufacturing techniques and processes and operate under high levels of vacuum. The systems are designed for high-volume continuous operation and use precision robotics, computerized controls and complex software programs to fully automate and control the production process. Products manufactured with these systems include color cell phone displays, automotive displays, computer monitors, and thin-film disks for computer hard disk drives. The Equipment Division has also designed ultra-high vacuum automated equipment for the manufacture of low-cost low-light level cameras developed by the Photonics Division and for sale to other manufacturers of electro-optical devices. The Equipment Division recorded sales of $42.7 million in 2001, an increase from $28.8 million in 2000. Equipment Division revenues in 2001 resulted primarily from the sales of new flat panel display, or FPD, manufacturing systems and technology upgrades, spare parts and consumables for upgrades to disk and manufacturing equipment.

The Photonics Division is developing electro-optical devices and systems that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. This development work is aimed at creating new products for both military and industrial applications. Products include LIVAR® systems for positive target identification at long range, low-cost low-light-level cameras for use in security and military applications and photodiodes for use in high-speed fiber optic systems. Photonics Division sales increased to $8.8 million in 2001 from $7.3 million in 2000 and consisted primarily of contract research and development. The Photonics Division has completed approximately $30 million of government-sponsored research and development since 1994.

We were incorporated in California in 1991. Our principal office is located at 3560 Bassett Street, Santa Clara, California 95054, and our telephone number is (408) 986-9888. Our world wide web address is http://www.intevac.com. Information on our web site does not constitute part of this offering circular.

Equipment

Technology and Strategy

The Equipment Division's systems utilize sophisticated vacuum process technologies that are integrated with precision robotics and automated process and system controls. Our systems are designed for high volume manufacturing applications and are commonly operated 24 hours a day 7 days a week with high uptime. Process technologies include physical vapor deposition, chemical vapor deposition, fast cooling, rapid thermal processing, lubrication and ultra high vacuum level processing. Our Equipment Division's strategy is to expand into growing equipment markets where its existing technology base can be leveraged to reduce the cost of entry and participation in those markets. For example, the deposition and rapid thermal processing equipment developed to address the FPD market and the equipment developed to manufacture Photonics Division low-cost low-light level cameras incorporate many of the manufacturing technologies previously developed by us for high volume manufacturing of thin-film disks and night vision devices.

Deposition Equipment for Flat Panel Display Manufacturing

The manufacture of several types of flat panel displays, such as active matrix liquid crystal displays, requires the deposition of thin-film layers of different materials onto a glass substrate. Our D-STAR® sputtering systems are designed to uniformly coat thin films on substrates as large as a meter square. Deposition materials include metals such as aluminum and chromium (used as conductors), indium tin oxide (used as transparent conductors) and complex oxides of materials such as magnesium (used in plasma displays), tantalum and silicon. Process modules are positioned around a central handling module designed to provide high throughput. Up to four back-to-back modules, each containing two vacuum isolated chambers, can be attached directly to the central handler unit. Additional back-to-back modules may also be attached in

series to provide further process flexibility and capacity. Typically one module each is devoted to load/unload and the remaining positions are configured as dedicated process stations. Substrates are loaded into the system with a robot and then held on edge in a vertical orientation as they are processed. Vertical substrate handling allows for a relatively small footprint system, optimizes particulate control and reduces flexing of the substrate.

Rapid Thermal Processing Equipment for Flat Panel Display Manufacturing

Our rapid thermal processing, or RTP, systems rapidly modify the characteristics of thin films deposited on glass substrates used in the manufacture of flat panel displays. Our patented RTP technology enables manufacturers to change the properties of these thin-films by thermally processing the film layer at temperatures that would otherwise distort or destroy the underlying glass substrate. The RTP system employs rapid transient heating, rather than bulk substrate heating, which provides lower cost of ownership and higher throughput as compared to furnace and laser processing techniques. In transient heating, a uniform line of radiation is focused onto a moving substrate, which brings only a narrow stripe of the substrate up to peak process temperature at any time. The substrate remains undistorted because the large majority of its area is relatively cool and acts to stabilize the overall panel. Our RTP systems are typically used for thin-film activation after ion implant in the manufacture of low temperature polysilicon displays. Our RTP system customers include Sanyo, Sharp, Sony, Toppoly and a joint venture of Sony and Toyota.

Equipment for Disk Manufacturing

We have delivered approximately 110 Intevac MDP-250® disk manufacturing systems to customers including Fuji Electric, Fujitsu Limited, Hitachi, Komag, Maxtor, Mitsubishi, Nippon Sheet Glass, Seagate Technology, Sony and Trace Storage Technology. Our systems are used by disk manufacturers to apply thin layers of undercoats, magnetic alloys and protective overcoats to both aluminum and glass thin-film disks used in computer hard disk drives. We believe that our systems are used to manufacture approximately half the worldwide supply of these disks. The mechanical design of the MDP-250 family has characteristics similar to the cluster tools widely used in semiconductor manufacturing in that each of the twelve process stations is separately vacuum pumped and vacuum isolated. The MDP-250 does not require a carrier or pallet to transport disks through the system. Rather, disks are automatically loaded into the system from cassettes, processed, and then automatically returned to a cassette. A number of process station options are offered, including multiple options for the deposition of thin-films and carbon overcoats, heating stations, cooling stations and cleaning stations. Furthermore, these twelve process stations can be easily reconfigured to accommodate process changes.

The rapid increase in areal density in computer memory storage is requiring the thin-films deposited by our MDP-250 series of equipment to become more complex. This complexity is leading to the need for both new process capabilities and a need for more than twelve process stations. We continue to develop new process capabilities for the installed base of systems. These new capabilities include processes that permit the deposition of ultra-thin diamond-like carbon overcoats, vapor lubrication and, currently in development, multi-layer sources and soft underlayer sources necessary for perpendicular recording. To answer the need for more process stations, we introduced the MDP-200, a modular upgrade that allows manufacturers to seamlessly integrate additional process stations onto their MDP-250 systems. The MDP-200 provides the capability to process disks through process stations serially or in parallel, which provides manufacturers flexibility to integrate process steps with different process times. We also developed a suite of system upgrades (MDP-250B+ Upgrades) that allow manufacturers to upgrade the vacuum level, speed and control systems of their installed base of MDP-250 systems.

The process and system technologies that we developed for our MDP-250 systems have been designed to be backwards compatible and, in many cases, field installable. We believe that the primary demand for disk manufacturing equipment in the next few years will be for upgrades to the installed base of systems, rather than for sales of new systems to add capacity. Our strategy is to provide our customers with a cost-effective solution that significantly upgrades and extends the capabilities of their installed base of equipment.

Electron Beam Processing Equipment

In December 1999, we implemented a plan to terminate our electron beam product line. The plan included the delivery of the three electron beam systems on order, closure of the Hayward facility where the systems were manufactured and a $1.6 million charge related to the plan. In March 2000, we sold the electron beam business to Quemex Technology, Ltd. and Quemex assumed responsibility for our Hayward facility. We retained rights to the three systems on order, which were subsequently sold during 2000 and 2001.

Photonics

History

Our Photonics products have been developed by a team that initially began working together in the 1980's in the Varian central research labs and night vision business unit. When we were formed in 1991, we acquired Varian's night vision business and related Varian central research lab activities and technology. The central research lab group became part of the R&D department for our night vision business and continued to develop our photocathode technology. In 1995, we sold our night vision business to Litton Industries. However, the technical team from the night vision business that was sold remained with us and formed the Photonics Division. Since 1995 the Photonics Division has been further developing its technology, with the majority of its activities being funded by research and development contracts from the United States Government and its contractors. During this period the Photonics Division has also worked collaboratively with other research organizations, including Stanford University, Lawrence Livermore National Laboratory and The Charles Stark Draper Laboratory.

Technology and Strategy

The Photonics Division develops and manufactures compact electro-optical devices that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. One of these sensors is an Electron Bombarded Charge Coupled Device, or EBCCD, which was originally developed under a cost-sharing Technology Development Agreement with the Defense Advanced Research Projects Agency, or DARPA, from 1996 to 1998.

The sensor has a transparent glass window on one side through which photons are focused onto a photocathode grown on the vacuum side of the window. When photons strike the photocathode through the window, electrons are emitted into the vacuum. These electrons are then electrically accelerated through the vacuum and strike a charge coupled device, or CCD, imager, which in turn outputs a high resolution, low noise video signal. These devices are extraordinarily sensitive to infrared light with frequencies just beyond the visible spectrum and are used in our LIVAR target identification system.

A second type of sensor incorporates the same basic technology described above. However, the module contains a Complementary Metal-Oxide-Semiconductor, or CMOS, imager instead of a CCD chip. This Electron Bombarded Active Pixel Sensor, or EBAPS ™, imager development was initially funded under a cost sharing project awarded to Intevac by the National Institute of Standards and Technology, or NIST.

Both of these sensors offer high sensitivity and high resolution, and work well in the visible as well as the near infrared range of the spectrum. The output is high-resolution video, rather than the low-resolution direct view green imagery produced by traditional night vision devices. This high-resolution video allows the user to avoid having to hold the device directly to the eyes and permits remote viewing and image processing. We believe these sensors have capability and features not possible with the direct view night vision devices currently in use by the military.

LIVAR Target Identification System:

We integrated our EBCCD sensor with a laser illuminator to create the Laser Illuminated Viewing and Ranging system, or LIVAR. The LIVAR system is similar to RADAR, but with a number of improvements. The illuminator is an eye safe laser, rather than a longer wavelength microwave source. In addition, the reflected signal is displayed as a digital video image, rather than as a blip. These features enable real time, high-resolution imagery for target identification at much longer ranges than was previously possible.

The potential benefit of the LIVAR system is clear for military conflicts like those in Kosovo and Afghanistan. In these military conflicts, the U.S. military would prefer for aircraft to operate at high altitudes where they are relatively safe from ground launched missile attacks to reduce the number of casualties to U.S. servicemen, while at the same time reducing civilian casualties and damage to other untargeted assets. However, these goals are mutually exclusive unless capability exists for positively identifying targets from long ranges that is offered by the LIVAR system.

Currently the military uses several means for target location and identification including Forward-looking InfraRed, or FLIR, and radar systems. While these systems can sense targets at relatively long ranges, the resolution is poor, making positive identification difficult or impossible. The LIVAR system complements the existing FLIR and radar technology and enables long range target identification in addition to target sensing.

The first military program planning the widespread deployment of LIVAR was approved late in 2001. Intevac is under contract for the development phase of the program and volume production is expected to commence in late 2003. In February 2002 we delivered a portable LIVAR targeting and surveillance system to the U.S. Army.

Low Cost Low Light Level Cameras

Today's low light level cameras, derived from military night vision technology, are too expensive for most commercial applications. Our objective is to reduce this cost to $1,000 per camera, a cost at which we believe that large available markets for commercial security cameras, law enforcement and traditional military night vision tubes could be addressed. We are currently developing this low light level video camera with National Semiconductor under a program sponsored by NIST. The NIST program involves the development of a CMOS chip that integrates an active pixel imaging sensor with camera electronics by National Semiconductor, photocathode design, product integration and packaging and development of low cost manufacturing processes by our Photonics Division, and development of ultra-high vacuum automated processing and assembly equipment by our Equipment Division. We plan to begin commercial sales late in 2002.

Photodiodes for Fiber Optic Communications

Photodiodes are an essential part of today's fiber optic communication systems. These systems transmit huge volumes of data at high speed in the form of light pulses transmitted down a thin fiber optic strand. A critical element of these systems is the photodiode that converts light pulses from the fiber optic into electrical signals. We applied our patented technology to the development of 10 gigabit per second and 40 gigabit per second Indium Gallium Arsenide — Indium Phosphide photodiodes. These photodiodes offer significant advantages over conventional Indium Gallium Arsenide detectors by combining high operating speed, good responsivity, low dark current and high output. Intevac began furnishing samples of these devices in die form to fiber optic system component manufacturers during 2001.

FINANCING STRATEGY

We issued $57.5 million aggregate principal amount of existing notes in a private placement in 1997. The existing notes are convertible into our common stock at a conversion price of $20.625 per share. We have repurchased and retired $20.0 million of the existing notes since the issue date. We currently have $37.5 million aggregate principal amount of existing notes outstanding.

The outstanding principal amount of existing notes will require us to make principal and interest payments through the maturity date of March 1, 2004 that are significantly in excess of our $14.5 million balance of cash, cash equivalents and short-term investments at March 30, 2002. We do not expect that we will be able to generate sufficient funds from operations prior to maturity to repay the existing notes. As a result, we have commenced this exchange offer to exchange, for each $5,000 principal amount of the existing notes, $2,000 in cash, 250 warrants, each warrant to purchase one share of common stock at an exercise price of $7.50 per share and with the expiration date of March 1, 2006, and $1,000 principal amount of exchange notes. See "The Exchange Offer — Terms of the Exchange Offer; Period for Tendering Existing Notes."

If we are successful in having holders tender the maximum $18 million principal amount of existing notes, the outstanding principal amount of existing notes will be reduced to $19.5 million, and we will issue exchange notes in an aggregate principal amount of $3.6 million, for an aggregate outstanding principal amount of $23.1 million for both the exchange notes and the existing notes. Even if the exchange offer is successful and we reduce our debt to $23.1 million, this level of debt will be substantially greater than our current balance of cash, cash equivalents and short-term investments, which itself will be reduced by $7.6 million (including expenses of the exchange offer). Moreover, the maintenance of sufficient cash for our ongoing operations is critical to our future success and is subject to a number of factors, including our ability to generate cash from operations and our satisfaction of other, non-debt obligations. Our remaining cash after disbursement of cash in the exchange offer and other expenditures relating to the restructuring of our debt will still be insufficient to enable us to continue to conduct our operations and satisfy all of our obligations when they come due. Accordingly, we expect to continue efforts to restructure our debt obligations and will likely attempt to undertake other financing and refinancing alternatives, even if the exchange offer is successful. However, until our results of operations improve, we may not have access to new capital in the public or private markets on terms favorable to us, if at all.

We currently have no binding commitments or plans with regard to other financing or restructuring alternatives except as described below. Nonetheless, our board of directors has considered a number of other possible transactions, and we may undertake one or more of them after the completion of the exchange offer. These transactions might include:

- attempting to raise additional equity through public or private offerings,
- attempting to raise additional debt financing with a longer maturity than the existing notes,
- undertaking a rights offering to obtain financing from our existing shareholders,
- offering further exchanges with regard to any existing notes not tendered in the exchange offer,
- selling or spinning off a portion of our assets to raise additional capital or improve the prospects for raising capital for all or a portion of our business, or
- obtaining a line of credit.

We may undertake one or more of these transactions shortly following completion of the exchange offer. The determination of which, when and whether to undertake any of these transaction will depend on a number of factors, including the number of existing notes tendered in the exchange offer and our board's estimate of our prospects for future revenues and generation of cash from operations.

One transaction that is being considered is a $5 million investment in Intevac by Mill Creek Systems LLC, an affiliate of Foster City LLC, which currently holds approximately 46% of our outstanding stock. Under the current proposed terms for the transaction, Mill Creek would lend us $5 million. This loan would be represented by a promissory note due 2012 that bears interest at 8% per annum for the first five years, then at 10% per annum payable semiannually. Repayment of the loan would be secured by a pledge of our interest in 601 California Avenue LLC, which has a face value of $3.9 million and is carried on our balance sheet at approximately $2.4 million. The parties intend to commence negotiation of the structure and terms of this proposed financing following the consummation of the exchange offer, once the amount of existing notes to be

exchanged is known. There is no guarantee that this transaction will be completed after the exchange offer on the terms outlined above or on any other terms that are favorable to Intevac or its security holders.

You should carefully review the matters described under "Risk Factors" to understand the risks affecting our ability to successfully complete the exchange offer and secure additional financing.

THE EXCHANGE OFFER

General

We are making the exchange offer to you in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act. The exchange notes and the warrants offered for exchange have not been and will not be registered with the SEC. The warrants and exchange notes that you receive in the exchange offer and any of our shares of common stock issuable upon exercise of the warrants or conversion of the exchange notes should be freely tradable, except by persons who are considered our affiliates, as that term is defined in the Securities Act, or in some cases by persons who hold existing notes that were previously held by an affiliate of ours.

Terms of the Exchange Offer; Period for Tendering Existing Notes

This offering circular and the enclosed letter of transmittal set forth the terms and conditions of the following exchange offer, which is subject to the terms and conditions described in this offering circular.

Under this exchange offer, we are offering to exchange for each $5,000 principal amount of existing notes the following:

- $2,000 in cash
- 250 warrants, each warrant to purchase one share of our common stock at an exercise price of $7.50 per share and with an expiration date of March 1, 2006, and
- $1,000 principal amount of exchange notes.

We will pay interest that has accrued on the existing notes that are tendered and exchanged to the date of completion of the exchange offer.

We will accept up to a maximum of $18 million aggregate principal amount of existing notes under the exchange offer. If more than $18 million principal amount of existing notes is submitted under the exchange offer, we will select the existing notes to be exchanged upon completion of the exchange offer on a *pro rata* basis, disregarding fractions, according to the number of existing notes tendered by each holder of existing notes, and any existing notes tendered but not so selected shall remain outstanding.

The exchange offer is conditioned on at least $9 million principal amount of existing notes being tendered.

We expressly reserve the right to amend the exchange offer for any or no reason at any time prior to the expiration date and to not accept for exchange any existing notes in the exchange offer if any of the conditions described below under the caption "— Conditions to the Completion of the Exchange Offer" are not satisfied. If we exercise any such right, we will give oral or written notice thereof to the exchange agent as promptly as practicable. If the exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose such amendment or waiver in a manner reasonably calculated to inform the holders of the existing notes of such amendment or waiver and in accordance with applicable law.

This exchange offer is being extended to all holders of existing notes. As of the date of this offering circular, $37.5 million aggregate principal amount of existing notes is outstanding. This offering circular and the enclosed letter of transmittal are being sent to all holders of existing notes known to us. The exchange offer will expire at 12:00 midnight, Eastern Time, June 5, 2002. We refer to this date and, if applicable, any date marking the extension of this date, as the expiration date in this offering circular. Subject to the conditions listed below, and assuming that we have not previously elected to amend in any respect the exchange offer for any reason or no reason, in our sole and absolute discretion, we will accept for exchange all existing notes that are properly tendered on or prior to the expiration date and not withdrawn as permitted below. See the section of this offering circular captioned "— Conditions to the Completion of the Exchange Offer." The form and

terms of the exchange notes and warrants are described in this offering circular under the captions “Description of Exchange Notes” and “Description of Warrants.”

We expressly reserve the absolute right, at any time and from time to time, to extend, subject to applicable law, the period during which the exchange offer is open and thereby delay acceptance for exchange of any existing notes. If we elect to extend the period of time during which the exchange offer is open, we will give you oral or written notice of the extension and delay, as described below. If we extend the expiration date, we will also extend your right to withdraw tenders of existing notes until such extended expiration date. We will return to the registered holder, at our expense, any existing notes not accepted for exchange as promptly as practicable after the expiration or termination of the exchange offer. In the case of an extension, we will issue a press release or other public announcement no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date.

The minimum period during which the exchange offer will remain open following material changes in the terms for such exchange offer or in the information concerning such exchange offer (other than a change in the consideration being offered by us or a change in amount of existing notes sought) will depend on the facts and circumstances of such change, including the relative materiality of the terms or information changes. If we modify the amount of existing notes being sought in the exchange offer or the consideration being offered by us for the existing notes in the exchange offer, the exchange offer will remain open for at least ten business days from the date of notice of such modification. If any term of the exchange offer is amended in a manner that we determine constitutes a material change adversely affecting any holder of existing notes, we will promptly disclose the amendment in a manner reasonably calculated to inform holders of existing notes of such amendment, and we will extend the exchange offer’s period for a time period that we, in our sole discretion and in accordance with applicable law, deem appropriate, depending upon the significance of the amendment and the manner of disclosure to holders of the existing notes, if the exchange offer’s period would otherwise expire during such time period.

At the time the exchange notes are issued on the closing date of the exchange offer, we will pay to holders of the existing notes tendered for exchange all interest that is due and payable on such existing notes as of the closing date for the exchange offer. Interest on the exchange notes will begin to accrue as of the closing date.

Procedures for Tendering Existing Notes

To tender existing notes pursuant to the exchange offer, the exchange agent must receive prior to the expiration date at its address set forth on the back cover of this offering circular:

- with respect to existing notes held in certificated form, a properly completed and duly executed letter of transmittal and any other documents required by the letter of transmittal and the certificates for the existing notes being tendered, and

- with respect to beneficial interests in existing notes held in global form, delivery of such existing notes pursuant to the procedures for book-entry transfer described below as well as a confirmation of such delivery including an agent’s message, as defined below.

By signing the letter of transmittal or delivering an agent’s message pursuant to DTC’s Automatic Tender Offer Program, or ATOP, procedures, you will be deemed to have made the representations and warranties contained in the letter of transmittal in connection with your decision to participate in the exchange offer. The tender by a holder of existing notes will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth herein and in the applicable letter of transmittal.

The exchange agent will make a request to establish an account with respect to the existing notes at DTC for purposes of the exchange offer within two business days after the date of this offering circular. Any financial institution that is a DTC participant may make book-entry delivery of existing notes by causing DTC to transfer such existing notes into the exchange agent’s account at DTC in accordance with DTC’s ATOP procedures. Although delivery of a holder’s existing notes may be effected through book-entry transfer at DTC, DTC, at the direction of the participant for such holder’s beneficial interest, must, in any case, transmit an agent’s message and any other required documents to the exchange agent at the address set forth on the back cover page of this offering circular. The exchange agent must receive the agent’s message and the other

required documents on or prior to the expiration date. The term "agent's message" means a message, transmitted by DTC and received by the exchange agent, that forms part of a book-entry confirmation of delivery and states that DTC has received an express acknowledgment from a participant tendering the existing notes that are the subject of the book-entry confirmation that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against the participant.

The method of delivery of existing notes and letter of transmittal and all other required documents is at your option and risk, and the delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, we recommend that registered mail, properly insured, with return receipt requested, be used. In all cases, you should allow sufficient time to assure timely delivery. No existing notes, letters of transmittal or other required documents should be sent to Intevac. You must deliver all existing notes that you wish to tender, as well as all letters of transmittal and other documents, to the exchange agent at its address set forth on the back cover of this offering circular.

If you beneficially own existing notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your existing notes in the exchange offer, you should promptly contact the person in whose name the existing notes are registered and instruct that person to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal, and delivering your existing notes, you must either make appropriate arrangements to register ownership of the existing notes in your name or obtain a properly completed bond power from the person in whose name the existing notes are registered.

Signatures on the letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution") unless the existing notes tendered pursuant thereto are tendered:

- by a registered holder of existing notes who has not completed the section entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the applicable letter of transmittal or
- for the account of an Eligible Institution.

If the letter of transmittal is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with such letter of transmittal.

All questions as to the validity, form, eligibility, time of receipt, acceptance and withdrawal of the tendered existing notes will be determined by us in our sole and absolute discretion, which determination will be final and binding. We reserve the absolute right to reject any and all existing notes not properly tendered or any tenders of existing notes that, if accepted for exchange, would, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of tender as to particular existing notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of existing notes must be cured within such time as we shall determine. None of us, the exchange agent, or any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of existing notes, nor shall we or any of them incur any liability for failure to give such notification. Tenders of existing notes will not be deemed to have been made until such irregularities have been cured or waived. Any existing notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned, at our expense, by the exchange agent to such holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

Guaranteed Delivery Procedures

If you desire to tender your existing notes and you cannot complete the procedures for book-entry transfer set forth above on a timely basis, you may still tender your existing notes if:

- your tender is made through an eligible institution,
- prior to the expiration date, the exchange agent received from the eligible institution a properly completed and duly executed letter of transmittal, or a facsimile of such letter of transmittal or an agent's message pursuant to DTC's ATOP system, and notice of guaranteed delivery, substantially in the form provided by us, by facsimile transmission, mail or hand delivery that:

  (a) sets forth the name and address of the holder of existing notes and the amount of the existing notes tendered.

  (b) states that the tender is being made thereby, and

  (c) guarantees that within three trading days after the expiration date certificates for the existing notes tendered or a book-entry confirmation of delivery and any other documents required by the letter of transmittal, if any, will be deposited by the eligible institution with the exchange agent; and

- certificates for the existing notes tendered or book-entry confirmation of delivery and all other documents, if any, required by the letter of transmittal are received by the exchange agent within three trading days after the expiration date.

Acceptance of Existing Notes for Exchange; Delivery of Exchange Notes and Payment

Subject to our right to amend the exchange offer at any time in our sole and absolute discretion prior to the expiration date, and upon satisfaction or waiver of all of the conditions to the exchange offer, all existing notes validly tendered and not withdrawn, up to any maximum principal amount described above under the caption, "— Terms of the Exchange Offer; Period for Tendering Existing Notes," will be accepted and the exchange notes will be issued promptly after the expiration date of the exchange offer. See "— Conditions to the Completion of the Exchange Offer." For purposes of the exchange offer, existing notes shall be deemed to have been accepted as validly tendered for exchange only when, as and if we have given oral or written notice thereof to the exchange agent. Any existing notes that we acquire pursuant to the exchange offer will be retired. The exchange notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

Payment of any cash consideration for existing notes that are accepted for exchange pursuant to the exchange offer and any accrued interest on existing notes will be made only after timely receipt by the exchange agent of:

- certificates for such notes or a timely book-entry confirmation of delivery of such notes into the exchange agent's account at DTC;
- a properly completed and duly executed letter of transmittal (or an agent's message instead of the letter of transmittal); and
- all other required documents.

If any tendered existing notes are not accepted for any reason set forth under the caption "— Conditions to the Completion of the Exchange Offer," such unaccepted or unexchanged existing notes will be returned without expense to the tendering holder, if in certificated form, or credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer.

Withdrawal Rights and Non-Acceptance

You may withdraw tenders of existing notes at any time on or prior to the expiration date, as defined above. For a withdrawal of a tender to be effective, a written notice of withdrawal must be received by the exchange agent on or prior to the expiration date at the address set forth on the back cover of this offering circular. Any such notice of withdrawal must:

- specify the name of the holder that tendered the existing notes to be withdrawn;
- identify the existing notes to be withdrawn, including the principal amount of such existing notes;

- in the case of existing notes tendered by book-entry transfer, specify the number of the account at DTC from which the existing notes were tendered and specify the name and number of the account at DTC to be credited with the withdrawn existing notes and otherwise comply with the procedures of DTC;

- contain a statement that such holder is withdrawing its election to have such existing notes exchanged for exchange notes;

- be signed by the holder in the same manner as the original signature on the letter of transmittal by which such existing notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the trustee with respect to the existing notes register the transfer of such existing notes in the name of the person withdrawing the tender; and

- specify the name in which such existing notes are registered, if different from the person who tendered such notes.

In addition, you may withdraw any tendered existing notes after July 3, 2002, unless we have accepted your existing notes for exchange.

All questions as to the validity, form, eligibility and time of receipt of such notice will be determined by us in our sole and absolute discretion, and our determination shall be final and binding on all parties. Any existing notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any existing notes that have been tendered for exchange but are not exchanged for any or no reason will be returned to the tendering holder thereof, at our expense, in the case of physically tendered existing notes, or credited to an account maintained with DTC for the existing notes (in the case of book-entry transfer) as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn existing notes may be retendered by following one of the procedures described under the caption "— Procedures for Tendering Existing Notes" above at any time prior to the expiration date.

Conditions to the Completion of the Exchange Offer

We will not accept existing notes for exchange pursuant to the exchange offer and may terminate, not complete or extend the exchange offer if either one of the following conditions is not met:

- at least $9 million principal amount of existing notes are tendered by holders in the exchange offer, or

- the Form T-3 with respect to the exchange notes indenture is not effective under the Trust Indenture Act of 1939, as amended, prior to the expiration date.

We may not accept existing notes for exchange and may terminate or not complete the exchange offer if:

- any action, proceeding or litigation seeking to enjoin, make illegal or delay completion of the exchange offer or otherwise relating in any manner to the exchange offer is instituted or threatened;

- any order, stay, judgment or decree is issued by any court, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction shall have been proposed, enacted, enforced or deemed applicable to the exchange offer, any of which would or might restrain, prohibit or delay completion of the exchange offer or impair the contemplated benefits of the exchange offer to us;

- any of the following occurs and the adverse effect of such occurrence shall, in our reasonable judgment, be continuing:

- any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States;

- any extraordinary or material adverse change in U.S. financial markets generally, including, without limitation, a decline of at least 10% in either the Dow Jones Industrial Average, the NASDAQ Index or the Standard & Poor's 500 Index from the date of commencement of the exchange offer;

- a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States;

- any limitation, whether or not mandatory, by any governmental entity on, or any other event that would reasonably be expected to materially adversely affect, the extension of credit by banks or other lending institutions;

- a commencement of a war or other national or international calamity directly or indirectly involving the United States, which would reasonably be expected to affect materially or adversely, or to delay materially, the completion of the exchange offer; or

- if any of the situations described above existed at the time of commencement of the exchange offer and that situation deteriorates materially after commencement of the exchange offer;

- any tender or exchange offer, other than this exchange offer by us, with respect to some or all of our outstanding common stock or any merger, acquisition or other business combination proposal involving us shall have been proposed, announced or made by any person or entity;

- any event or events occur that have resulted or may result, in our judgment, in an actual or threatened change in our business condition, income, operations, stock ownership or prospects and our subsidiaries, taken as a whole.

As the term "group" is used in Section 13(d)(3) of the Exchange Act as:

- any person, entity or group acquires more than 5% of our outstanding shares of common stock, other than a person, entity or group which had publicly disclosed such ownership with the SEC prior to the date of commencement of the exchange offer;

- any such person, entity or group which had publicly disclosed such ownership prior to such date shall acquire additional common stock constituting more than 2% of our outstanding shares; or

- any new group shall have been formed that beneficially owns more than 5% of our outstanding shares of common stock that in our judgment in any such case, and regardless of the circumstances, makes it inadvisable to proceed with the exchange offer or with such acceptance for exchange of existing notes.

If any of the above events occur, we may:

- terminate the exchange offer and as promptly as practicable return all tendered existing notes to tendering holders;

- complete and/or extend the exchange offer and, subject to your withdrawal rights, retain all tendered existing notes until the extended exchange offer expires;

- amend the terms of the exchange offer; or

- waive any unsatisfied condition and, subject to any requirement to extend the period of time during which the exchange offer is open, complete the exchange offer.

These conditions are for our sole benefit. We may assert these conditions with respect to all or any portion of the exchange offer regardless of the circumstances giving rise to them. We may waive any condition in whole or in part at any time in our discretion. Our failure to exercise our rights under any of the above conditions does not represent a waiver of these rights. Each right is an ongoing right that may be asserted at any time. Any determination by us concerning the conditions described above will be final and binding upon all parties.

Management Participation in the Exchange Offer

Norman H. Pond, chairman of our board of directors, who owns approximately 9% of our common stock, Edward Durbin, one of our directors and the chief operating officer of Foster City LLC, which holds approximately 46% of our common stock, and Charles B. Eddy, our chief financial officer, who owns approximately 1% of our common stock, own, respectively, $1,490,000, $980,000 and $50,000 principal amount of existing notes. These holders have agreed to tender all of their existing notes in the exchange offer.

Exchange Agent

State Street Bank and Trust Company of California, N.A., has been appointed the exchange agent for the exchange offer. Letters of transmittal and any correspondence in connection with the exchange offer should be

sent or delivered by each holder of existing notes or a beneficial owner's broker, dealer, commercial bank, trust company or other nominee to the exchange agent at the address set forth on the back cover of this offering circular and in the letter of transmittal. We will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

Fees and Expenses

The exchange offer is being made by us in reliance on the exemption from the registration requirements of the Securities Act of 1933, as amended, afforded by Section 3(a)(9) thereof. We, therefore, will not pay any commission or other remuneration to any broker, dealer, salesman or other person for soliciting tenders of the existing notes. Our officers, directors and employees may solicit tenders from holders of existing notes and will answer inquiries concerning the exchange offer, but they will not receive additional compensation for soliciting tenders or answering any such inquiries. We have not retained any dealer manager or other agent to solicit tenders or make recommendations with respect to the exchange offer. The exchange agent will mail solicitation materials on our behalf. We will pay the exchange agent customary fees for its services, reimburse the exchange agent for its reasonable out-of-pocket expenses incurred in connection with the provision of these services and pay other expenses, including fees and expenses of the trustee under the indenture, filing fees, blue sky fees and printing and distribution expenses. We will also reimburse reasonable expenses incurred by brokers and dealers in forwarding this offering circular and the other materials in connection with the exchange offer to the holders of the existing notes. No broker, dealer, commercial bank or trust company has been authorized to act as our agent for purposes of the exchange offer or solicit holders of existing notes to submit their existing notes in the exchange offer.

Additionally, we will pay all transfer taxes, if any, applicable to the exchange of existing notes pursuant to the exchange offer. If, however, exchange notes are to be issued in the name of any person other than the registered holder of the existing notes exchanged therefor or if for existing notes that are registered in the name of any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the exchange of existing notes pursuant to the exchange offer, then the amount of any such transfer taxes imposed on the registered holder or any other persons will be payable by the holder of the existing notes that are exchanged. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such holder of the existing notes that are exchanged or withheld from the cash consideration due such holder pursuant to the exchange offer.

Recommendation

We are not making any recommendation regarding whether you should tender your existing notes, and, accordingly, you must make your own determination as to whether to tender your existing notes for exchange.

DESCRIPTION OF EXCHANGE NOTES

General

The exchange notes will be issued pursuant to an exchange notes indenture, dated as of the closing date of the exchange offer, between us and State Street Bank and Trust Company of California, N.A., as exchange notes trustee. The following summarizes some, but not all, of the provisions of the exchange notes indenture. You should refer to the actual terms of the exchange notes and the exchange notes indenture for the definitive terms and conditions. As used in this section of the offering circular, the words "Intevac," "we," "us" or "our" do not include any current or future subsidiary of Intevac.

The exchange notes are unsecured obligations of Intevac. The exchange notes are subordinate in right of payment to all of our existing and future senior debt and will be senior in right of payment to our existing notes. Neither we nor our subsidiaries are limited or prohibited from incurring or issuing other indebtedness or securities under the exchange notes indenture. The exchange notes indenture does not contain any financial covenants.

Principal, Maturity and Interest

The exchange notes will bear interest from the closing date of the exchange offer at the annual rate of 6 1/2%. The exchange notes will mature March 1, 2009.

Interest on the exchange notes will be payable semiannually March 1 and September 1 of each year, commencing September 1, 2002. The record dates for the payment of interest will be the February 15 or August 15 immediately preceding the interest payment date. Interest will be computed on the basis of a 360-day year comprising twelve 30-day months.

We will maintain an office or agency in New York, New York for payment of interest and principal on the exchange notes. We may, at our option, pay interest by check mailed to the holders of the exchange notes at their addresses listed in the register of holders. However, a holder of exchange notes of more than $2,000,000 in principal amount of exchange notes will be paid by wire transfer in immediately available funds at the election of the holder. Until otherwise designated by us, our office or agency in New York will be the office or agency of the exchange notes trustee. The exchange notes will be issued in registered form, without coupons. The exchange notes are in denominations of $1,000 and multiples of $1,000.

Optional Redemption

We may redeem the exchange notes at our option, in whole or in part, at any time on or after March 1, 2004, upon not less than 15 nor more than 60 days' prior notice by mail at 100% of the principal amount of the exchange notes plus accrued and unpaid interest to, but excluding, interest to the redemption date. However, holders of record on the record date will receive interest due on an interest payment date.

If less than all of the exchange notes are to be redeemed, the exchange notes trustee will select the exchange notes to be redeemed in compliance with the requirements of any principal national securities exchange on which the exchange notes are listed, or, if the exchange notes are not so listed, on a pro rata basis. No exchange notes of $1,000 shall be redeemed in part. We will mail a redemption notice by first class mail at least 15 but not more than 60 days before the redemption date to you at your registered address. If any exchange note is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount of the exchange notes to be redeemed. If a portion of your exchange notes is selected for partial redemption and you convert a portion of these exchange notes, the converted portion shall be deemed to be taken from the portion selected for redemption. A new exchange note in principal amount equal to the unredeemed portion will be issued in your name upon cancellation of the original exchange note. On and after the redemption date, interest ceases to accrue on the exchange notes called for redemption.

Mandatory Redemption

We are not required to make mandatory redemption or sinking fund payments on the exchange notes.

Repurchase at the Option of Holders

If change of control occurs, you will have the right at your option to require us to repurchase all or any part of your exchange notes pursuant to the change of control offer described below at a change of control payment equal to 101% of the principal amount of the exchange notes, together with accrued and unpaid interest to the change of control payment date. We will mail a notice to each holder within 30 days following a change of control stating:

- that the change of control offer is being made pursuant to the exchange notes indenture and that all exchange notes properly tendered will be accepted for payment;
- the change of control payment and the change of control payment date, which shall be no earlier than 30 days nor later than 40 days from the date the notice is mailed;
- that any exchange notes not tendered will continue to accrue interest;
- that, unless we default in the payment of the change of control payment, all exchange notes accepted for payment pursuant to the change of control offer shall cease to accrue interest after the change of control payment date;

- that if you elect to have your exchange notes purchased pursuant to a change of control offer, you will be required to surrender the exchange notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the exchange notes completed, to the paying agent at the address specified in the notice prior to the close of business on the third business day preceding the change of control payment date;

- that you will be entitled to withdraw your election if the paying agent receives, not later than the close of business on the second business day preceding the change of control payment date, a transmission setting forth your name, the principal amount of exchange notes delivered for purchase and a statement that you are withdrawing your election to have your exchange notes purchased; and

- that if your exchange notes are being purchased only in part, you will be issued new exchange notes equal in principal amount to the unpurchased portion of the exchange notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or a multiple of $1,000.

We will comply with the requirements of Rules 13e-4 and 14e-1 under the Exchange Act and any other securities laws and regulations to the extent these laws and regulations are applicable to the repurchase of the exchange notes in connection with a change of control.

If you have tendered your notes for payment on the change of control payment date we will:

- accept for payment exchange notes tendered pursuant to the change of control offer;

- deposit with the paying agent an amount equal to the change of control payment for all accepted exchange notes; and

- deliver the accepted exchange notes to the exchange notes trustee together with an officer's certificate stating the exchange notes accepted by us.

The paying agent will promptly mail to you or deposit with DTC the purchase price for your exchange notes accepted in the tender. The exchange notes trustee will then promptly authenticate and mail to you a new exchange note equal in principal amount to any unpurchased portion of the surrendered exchange notes. We will publicly announce the results of the change of control offer on or as soon as practicable after the change of control payment date.

The exchange notes indenture does not contain any other provisions that permit you to require us to repurchase or redeem the exchange notes in the event of a takeover, recapitalization or similar restructuring, except as described above with respect to a change of control.

This change of control purchase feature may make more difficult or discourage a takeover of us and the removal of the incumbent management. We are not, however, aware of any specific effort to accumulate shares of our common stock or to obtain control of us by means of a merger, tender offer, solicitation or otherwise. In addition, the change of control purchase feature is not part of a plan by management to adopt a series of anti-takeover provisions.

We could, in the future, enter into transactions that would not be change of controls under the exchange notes indenture but that could increase the amount of our outstanding indebtedness or otherwise affect our capital structure or credit ratings. Any payment of the change of control payment will be subordinated to the prior payment of senior debt as designated under the caption "— Subordination of Exchange Notes" below.

If a change of control were to occur, we may not have sufficient financial resources to pay the repurchase price for all tendered exchange notes. Any future debt we may incur may contain restrictions that prohibit the repurchase of the exchange notes upon a change of control. We may then be required to obtain the consent of the holders of this future debt before repurchasing the exchange notes. Any failure to obtain this consent would prohibit us from repurchasing the exchange notes. We will also be prohibited from repurchasing the exchange notes under the subordination provisions of the indenture if there exists a payment default on senior debt or we have received a payment blockage notice under the exchange notes indenture. If we fail to repurchase the exchange notes following a change of control, there would be an event of default under the exchange notes indenture, whether or not the repurchase is permitted by the subordination provisions of the exchange notes indenture. Any default under the exchange notes indenture may then result in a default under any of our other debt. In addition, the occurrence of a change of control may cause an event of default under

our other debt. As a result, any repurchase of the exchange notes would, absent a waiver, be prohibited under the subordination provisions of the exchange notes indenture until the senior debt is paid in full.

A “change of control” will be deemed to have occurred when:

- any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than a permitted holder is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of shares representing more than 50% of the combined voting power of the then outstanding securities entitled to vote generally in elections of our directors (“voting stock”),

- we consolidate with or merge into any other corporate entity, or any other corporate entity merges into us, and, in the case of any such transaction, our outstanding common stock is reclassified into or exchanged for any other property or security, unless our shareholders immediately before such transaction own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the outstanding voting securities of the corporation resulting from such transaction in substantially the same proportion as their ownership of the voting stock immediately before such transaction,

- we convey, transfer or lease all or substantially all of our assets, unless such conveyance, transfer or lease is to a corporate entity and our shareholders immediately before such conveyance, transfer or lease own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the corporate entity to which such assets are so conveyed, transferred or leased in the same proportion as their ownership of the voting stock immediately before such transaction, or

- any time the continuing directors do not constitute a majority of our board of directors or, if applicable, a successor corporate entity to us.

However, a change of control shall not be deemed to have occurred if at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or transactions constituting the change of control consists of shares of common stock that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States.

“continuing directors” means, as of any date of determination, any member of our board of directors who:

- was a member of such board of directors on the date of the exchange notes indenture, or

- was nominated for election or elected to such board of directors with the approval of a majority of the continuing directors who were members of such board at the time of such nomination or election.

“permitted holder” means Foster City LLC, any subsidiary or affiliate thereof, the legal representatives of any of the foregoing, or any person of which any of the foregoing, individually or collectively beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting Securities representing at least a majority of the total voting power of all classes of capital stock of such person (exclusive of any matters as to which class voting rights exist).

The definition of change of control includes a phrase relating to the conveyance, transfer or lease of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. As a result, your ability to require us to repurchase your exchange notes as a result of a conveyance, transfer or lease of less than all of our assets may be uncertain.

Conversion

You will have the right at any time prior to maturity to convert your exchange notes into shares of our common stock at a conversion price of $10.00 per share, subject to adjustment as described below. If an exchange note is called for redemption, your conversion right will terminate at the close of business on the business day immediately preceding the date fixed for redemption. Except as described below, no adjustment will be made on conversion of any of your exchange notes for accrued interest or dividends. If you convert your exchange notes after a record date for the payment of interest and prior to the next succeeding interest payment date, you must pay funds equal to the interest payable on such succeeding interest payment date on

your converted principal amount, unless the exchange notes have been called for redemption. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest.

The conversion price is subject to adjustment upon the occurrence of:

(1) the issuance of shares of our common stock as a dividend or distribution on our common stock;

(2) the subdivision or combination of our outstanding common stock;

(3) the issuance, to substantially all holders of our common stock, of rights or warrants to subscribe for or purchase our common stock, or securities convertible into common stock, at a price less than the current market price;

(4) the distribution of shares of our capital stock, rights, warrants, evidences of indebtedness or other assets to all holders of our common stock, but excluding:

• dividends or distributions for which an adjustment may otherwise made pursuant to clause (1) or (3) above; and

• dividends or distributions paid exclusively in cash;

(5) the distribution or dividend of cash to all holders of our common stock in an aggregate amount that, together with (A) the aggregate of any other distributions of cash that did not trigger a conversion price adjustment to all holders of our common stock within the 12 months preceding the date fixed for determining the shareholders entitled to such distribution and (B) all excess payments in respect of each tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock concluded within the preceding 12 months not triggering a conversion price adjustment, exceeds 15% of our market capitalization; and

(6) the payment of an excess payment in respect of a tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock if the aggregate amount of such excess payment together with the aggregate amount of cash distributions made within the preceding 12 months not triggering a conversion price adjustment and all excess payments in respect of each tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock concluded within the preceding 12 months not triggering a conversion price adjustment exceeds 15% of our market capitalization.

In the event we distribute to substantially all holders of our common stock rights to subscribe for additional shares of our capital stock referred to in clause (4) above, we may provide that you will receive upon conversion of your existing notes an appropriate number of such rights or warrants instead of making any adjustment in the conversion price. If rights, warrants or options for which an adjustment is made pursuant to clauses (3) or (4) above expire unexercised, the conversion price will be readjusted to take into account the actual number of such warrants, rights or options which were exercised. We will not make any adjustment to the conversion price until cumulative adjustments amount to one percent or more of the conversion price.

If we implement a shareholder rights plan, such rights plan must provide that upon conversion of the exchange notes the holders will receive, in addition to the common stock issuable upon such conversion, such rights, whether or not such rights have separated from the common stock at the time of such conversion.

If we:

• reclassify or change our outstanding common stock, other than changes resulting from a subdivision or combination, or

• consolidate with or merge into any person, or

• sell or convey all or substantially all of our property or business as an entirety,

then the exchange notes will become convertible into the kind and amount of securities, cash or other assets which you would have owned immediately after the transaction if you had converted the exchange notes immediately before the effective date of the transaction.

The "current market price" for our common stock on any date shall be deemed to be the average of the daily market prices for the shorter of:

- 30 consecutive business days ending on the last full trading day on the exchange or market referred to in determining the daily market prices prior to the time of determination, or
- the period commencing on the date next succeeding the first public announcement of the issuance of such rights or warrants or such distribution through such last full trading day prior to the time of determination.

"excess payment" means the excess of:

- the aggregate of the cash and fair market value of other consideration paid by us or any of our subsidiaries with respect to the shares acquired in the tender offer or other negotiated transaction over
- the market value of such acquired shares after giving effect to the completion of the tender offer or other negotiated transaction.

We may reduce the conversion price by any amount for any period of at least 20 days if our board of directors has made a determination that this reduction in the conversion price would be in the best interests of Intevac, which determination shall be conclusive. We will give at least 15 days' notice of any such reduction in the conversion price. In addition, we may, at our option, reduce the conversion price if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any dividend or distribution of stock or from any event treated as such for income tax purposes. See "U.S. Federal Income Tax Considerations."

Automatic Conversion

We may elect to convert some or all of the exchange notes on or prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price for at least 20 trading days out of any period of 30 consecutive trading days within five trading days prior to the date of mailing of the notice of automatic conversion.

Subordination of Exchange Notes

The exchange notes are subordinate in right of payment to all "senior debt" and will be senior in right of payment to the existing notes. See "Definitions" for a detailed definition of senior debt under the exchange notes indenture. As of March 30, 2002, we had no senior debt. Neither we nor our subsidiaries are limited from incurring senior debt or other indebtedness or liabilities under the exchange notes indenture.

Payments on the exchange notes will be subordinated in right of payment to the prior payment in full of all our senior debt. We may not make any payment of principal, premium, if any, or interest on the exchange notes or redeem, purchase or otherwise acquire any of the exchange notes unless:

- full payment of amounts then due on all senior debt have been made, and
- at the time of and after giving effect to such payment, redemption, purchase or other acquisition, there shall not exist any default on any senior debt that shall not have been cured or waived and that shall have resulted in the full amount of the senior debt being declared due and payable.

In addition, if any holders of any designated senior debt notify us and the trustee pursuant to a payment blockage notice of the occurrence of a default allowing them to accelerate the maturity of the designated senior debt, we may not make any payment on the exchange notes or purchase or redeem or otherwise acquire any of the exchange notes for the payment blockage period commencing on the date notice is received and ending on the earlier of:

- the date on which such event of default shall have been cured or waived, or
- 180 days from the date notice is received.

We may resume payments on the exchange notes after the end of payment blockage period unless the holders or the representatives of the designated senior debt shall have accelerated its maturity. Holders of

designated senior debt shall not be able to deliver more than one payment blockage notice in any consecutive 360-day period, irrespective of the number of defaults on senior debt during this period.

Upon any distribution of our assets in connection with our dissolution, winding-up, liquidation or reorganization or acceleration, all senior debt must be paid in full before the holders of the exchange notes are entitled to any payments.

If payment of the exchange notes is accelerated because of an event of default, we or the trustee shall promptly notify the holders of senior debt and their representatives of the acceleration of the exchange notes. We may not make any payments on the exchange notes until five days after such holders of senior debt or their representatives receive notice of such acceleration. Thereafter, we may make payments on the exchange notes only if the subordination provisions of the exchange notes indenture otherwise permit payment at that time.

As a result of these subordination provisions, in the event of our insolvency, holders of the exchange notes may recover ratably less than our general creditors.

Merger, Consolidation or Sale of Assets

We may not consolidate or merge with or into, whether or not we are the surviving corporation, any person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our properties or assets under the exchange notes indenture unless:

- (A) we are the surviving or continuing corporate entity or (B) the corporate entity formed by or surviving any such consolidation or merger, if other than us, or the corporate entity which acquires by sale, assignment, transfer, lease, conveyance or other disposition our properties and assets is a corporate entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

- the corporate entity formed by or surviving any such consolidation or merger, if other than us, or the corporate entity to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made assumes all our obligations under the exchange notes and the exchange notes indenture;

- immediately after such transaction no default or event of default exists; and

- we or such corporate entity shall have delivered an officer's certificate and an opinion of counsel to the exchange notes trustee stating that the transaction and the supplemental exchange notes indenture comply with the exchange notes indenture and that all conditions precedent in the exchange notes indenture relating to the transaction have been satisfied.

Payments for Consent

Neither we nor any of our subsidiaries will pay any consideration to any holder of any exchange notes for any consent, waiver or amendment of the exchange notes indenture unless such consideration is paid to all holders of the exchange notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents.

Reports

Whether or not required by the rules and regulations of the Commission, so long as any exchange notes are outstanding, we will file with the Commission and, if requested by any holder of exchange notes, furnish to such holder all quarterly and annual financial information required to be contained in a filing with the Commission on Forms 10-Q and 10-K. This quarterly and annual financial information would include a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual consolidated financial statements only, a report on the financial statements by our independent auditors.

Events of Default and Remedies

Each of the following will constitute an event of default under the exchange notes indenture:

(1) we default for 30 days in the payment when due of interest on the exchange notes;

(2) we default in payment when due of principal on the exchange notes;

(3) we default in the payment of the change of control event payment in respect of the exchange notes on the change of control payment date, whether or not such payment is prohibited by the subordination provisions of the exchange notes indenture;

(4) we fail to provide timely notice of a change of control;

(5) we fail for 60 days after notice to comply with any other covenants and agreements contained in the exchange notes indenture or the exchange notes;

(6) we or one of our subsidiaries defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us or any of our subsidiaries or the payment of which is guaranteed by us or any of our subsidiaries, whether such indebtedness or guarantee now exists or is created after the date on which the exchange notes are first authenticated and issued, which default (A) is a payment default caused by a failure to pay when due principal or interest on such indebtedness within the grace period provided in such indebtedness (which failure continues beyond any applicable grace period) or (B) results in the acceleration of such indebtedness prior to its express maturity and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates $10 million or more;

(7) we or one of our subsidiaries fails to pay final judgments aggregating in excess of $10 million, which judgments are not stayed within 60 days after their entry, other than any judgment as to which a reputable insurance company has accepted full liability; and

(8) certain events of bankruptcy or insolvency with respect to us or any of our material subsidiaries.

If any event of default occurs and is continuing, the exchange notes trustee or the holders of at least 25% in principal amount of the outstanding exchange notes may declare all the exchange notes immediately due and payable. However, in an event of default arising from bankruptcy or insolvency with respect to us, all outstanding exchange notes will become immediately due and payable. Holders of the exchange notes may not enforce the exchange notes indenture or the exchange notes except as provided in the exchange notes indenture. Holders of a majority in principal amount of the outstanding exchange notes may direct the exchange notes trustee in its exercise of any exchange note trust or power, subject to certain limitations. The exchange notes trustee may withhold from holders of the exchange notes notice of any continuing default or event of default if it determines that withholding notice is in their interest, except a default or event of default relating to the payment of principal or interest.

The holders of a majority in aggregate principal amount of outstanding exchange notes may waive any existing default or event of default under the exchange notes indenture except a continuing default or event of default in the payment of the principal, interest or designated event payment on the exchange notes.

We are required to deliver to the exchange notes trustee annually a statement regarding compliance with the exchange notes indenture. We are also required to deliver to the exchange notes trustee a notice specifying any default or event of default upon becoming aware of it.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the exchange notes indenture. The registrar and the exchange notes trustee may require a holder to furnish appropriate endorsements and transfer documents. We may require a holder to pay any taxes and fees required by law or permitted by the exchange

notes indenture in connection with any transfer of the exchange notes. We are not required to exchange or register the transfer of:

- any exchange note during the 15-day period immediately preceding any selection of exchange notes to be redeemed,
- any exchange note or portion thereof selected for redemption, or
- any exchange note or portion thereof surrendered for repurchase and not withdrawn in connection with a change of control.

The registered holder of an exchange note will be treated as its owner for all purposes.

Amendment, Supplement and Waiver

The holders of at least a majority in principal amount of the outstanding exchange notes may amend or supplement the exchange notes indenture or the exchange notes. The holders of a majority in principal amount of the outstanding exchange notes may also waive any existing default or compliance with any provision of the exchange notes indenture or the exchange notes.

However, without the consent of each holder an amendment or waiver may not:

- reduce the percentage of exchange notes whose holders must consent to an amendment, supplement or waiver,
- reduce the principal of or change the fixed maturity of any exchange note or alter the provisions with respect to the redemption of the exchange notes,
- reduce the rate of or change the time for payment of interest on any exchange note,
- waive a default in the payment of principal of or interest on any exchange notes, except a rescission of acceleration of the exchange notes by the holders of at least a majority in aggregate principal amount of the exchange notes and a waiver of the payment default that resulted from such acceleration,
- make any exchange note payable in money other than in U.S. dollars,
- make any change in the provisions of the exchange notes indenture relating to waivers of past defaults or the rights of holders of exchange notes to receive payments of principal of or interest on the exchange notes,
- waive a redemption payment with respect to any exchange note,
- impair the right to convert the exchange notes into common stock,
- modify the conversion provisions or subordination provisions of the exchange notes indenture in a manner adverse to the holders of the exchange notes, or
- make any change in the foregoing amendment and waiver provisions.

We and the exchange notes trustee may amend or supplement the exchange notes indenture or the exchange notes without the consent of any holder of exchange notes to:

- cure any ambiguity, defect or inconsistency,
- provide for uncertificated exchange notes,
- provide for the assumption of our obligations in the event of a merger or consolidation,
- make any change that would provide any additional rights or benefits to the holders of the exchange notes or that does not adversely affect the legal rights under the exchange notes indenture of any such holder, or
- to comply with requirements of the Commission in order to qualify, or maintain the qualification of, the exchange notes indenture under the Trust Indenture Act.

Concerning the Exchange Notes Trustee

An affiliate of the exchange notes trustee is also the transfer agent for our common stock.

The holders of a majority in principal amount of the then outstanding exchange notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the exchange notes trustee, subject to certain exceptions. The exchange notes indenture provides that, in case an event of default shall occur which shall not be cured, the exchange notes trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the exchange notes trustee will be under no obligation to exercise any of its rights or powers under the exchange notes indenture at the request of any holder of exchange notes unless such holder shall have offered to the exchange notes trustee security and indemnity satisfactory to it against any loss, liability or expense.

Definitions

Set forth below are some of the defined terms used in the exchange notes indenture. We refer you to the exchange notes indenture for a full disclosure of all these defined terms, including any other capitalized terms that we use in this description that we do not define in this description.

"*default*" means any event that is or, with the passage of time or the giving of notice or both, would be an event of default.

"*designated senior debt*" means any senior debt which, at the date of determination, has an aggregate principal amount outstanding of, or commitments to lend up to, more than $10.0 million and is specifically designated by us in the instrument evidencing or defining such senior debt as "designated senior debt" for purposes of the indenture.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect from time to time.

"*guarantee*" means a guarantee, direct or indirect, in any manner, including, without limitation, letters of credit and reimbursement agreements, of all or any part of any indebtedness, other than by endorsement of negotiable instruments for collection in the ordinary course of business.

"*indebtedness*" means:

(1) all of our obligations for borrowed money, including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on our assets which is

- given to secure all or part of the purchase price, whether given to the vendor of such property or to another, or
- existing on property at the time of its acquisition,

(2) all of our obligations evidenced by a note, debenture, bond or other written instrument,

(3) all of our obligations under a lease required to be capitalized on the balance sheet of the lessee under GAAP,

(4) all of our obligations under any lease or related document, including a purchase agreement, which provides that we are contractually obligated to purchase or to cause a third party to purchase the leased property,

(5) all of our obligations with respect to letters of credit, loans, bank guarantees or bankers' acceptances,

(6) all of our obligations with respect to debt secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such entity are subject, whether or not the secured obligation thereby shall have been assumed or guaranteed by or shall otherwise be our legal liability,

(7) all of our obligations in respect of the balance of deferred and unpaid purchase price of any property or assets,

(8) all of our obligations under interest rate, currency or credit swap agreements, cap, floor and collar agreements, spot and forward contracts and similar agreements and arrangements,

(9) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing, and

(10) all of our obligations of the type described in clauses (1) through (9) above assumed by or guaranteed in any manner by us or in effect guaranteed by us through an agreement to purchase, contingent or otherwise, and our obligations under any such assumptions, guarantees or other such arrangements.

"*material subsidiary*" means any or our subsidiaries which is "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act and the Exchange Act (as such Regulation is in effect on the date hereof).

"*obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any indebtedness.

"*representative*" means the trustee, agent or any representative for an issue of senior debt.

"*senior debt*" means the principal of, premium, if any, interest and liquidated damages, if any, on, and fees, costs and expenses in connection with, and other amounts due on, our indebtedness, whether outstanding on the date of the indenture or thereafter created, incurred, assumed or guaranteed by us. Senior debt includes, with respect to the obligations described above, interest accruing, pursuant to the terms of such senior debt, on or after the filing of any petition in bankruptcy or for reorganization relating to us, whether or not post-filing interest is allowed in such proceeding, at the rate specified in the instrument governing the relevant obligation.

However, senior debt shall not include:

- any indebtedness that expressly provides that such indebtedness is not senior in right of payment to the exchange notes;
- indebtedness of or amounts owed by us for compensation to employees, or for goods, services or materials purchased in the ordinary course of business;
- any liability for Federal, state, local or other taxes owed or owing by us;
- our indebtedness to one of our subsidiaries;
- the exchange notes; or
- the existing notes.

"*subsidiary*" means any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock entitled, without regard to the occurrence of any contingency, to vote in the election of directors, managers or exchange notes trustees thereof is at the time owned or controlled, directly or indirectly, by any person or one or more of the other subsidiaries of that person or a combination thereof.

DESCRIPTION OF EXISTING NOTES

General

The existing notes were issued pursuant to an indenture dated as of February 15, 1997, between us and State Street Bank and Trust Company of California, N.A., as trustee. The following summarizes some, but not all, of the provisions of the indenture. You should refer to the actual terms of the existing notes and the indenture for the definitive terms and conditions. As used in this section of the offering circular, the words “Intevac,” “we,” “us” or “our” do not include any current or future subsidiary of Intevac.

The existing notes are unsecured obligations of Intevac. The existing notes are subordinated in right of payment to all of our existing and future senior debt. Neither we nor our subsidiaries are limited or prohibited from incurring or issuing other indebtedness or securities under the indenture. The indenture does not contain any financial covenants.

Principal, Maturity and Interest

The existing notes bear interest at the annual rate of 6 1/2% and mature March 1, 2004.

Interest on the existing notes is payable semiannually March 1 and September 1 of each year. The record dates for the payment of interest are the February 15 or August 15 immediately preceding the interest payment date. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the existing notes accrues from the most recent date to which interest has been paid.

We maintain an office or agency in New York, New York for payment of interest and principal on the existing notes. We may, at our option, pay interest by check mailed to the holders of the existing notes at their addresses listed in the register of holders. However, a holder of existing notes of more than $2,000,000 in principal amount of existing notes will be paid by wire transfer in immediately available funds at the election of the holder. Until otherwise designated by us, our office or agency in New York will be the office or agency of the trustee. The existing notes have been issued in registered form, without coupons. The existing notes are in denominations of $1,000 and multiples of $1,000.

Optional Redemption

We may redeem the existing notes at our option, in whole or in part, at any time on or after March 3, 2000, upon not less than 15 nor more than 60 days’ prior notice by mail at the following redemption prices expressed as percentages of the principal amount:

Period	Redemption Price
Beginning March 1, 2002 and ending February 28, 2003	101.857%
Beginning March 1, 2003 and ending February 29, 2004	100.929%

and 100% at March 1, 2004. We will pay accrued interest to the redemption date. However, holders of record on the record date will receive interest due on an interest payment date.

If less than all of the existing notes are to be redeemed, the trustee will select the existing notes to be redeemed in compliance with the requirements of any principal national securities exchange on which the existing notes are listed, or, if the existing notes are not so listed, on a pro rata basis. No existing notes of $1,000 shall be redeemed in part. We will mail a redemption notice by first class mail at least 15 but not more than 60 days before the redemption date to you at your registered address. If any existing note is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount of the existing notes to be redeemed. If a portion of your existing notes is selected for partial redemption and you convert a portion of these existing notes, the converted portion shall be deemed to be taken from the portion selected for redemption. A new existing note in principal amount equal to the unredeemed portion will be issued in your name upon cancellation of the original existing note. On and after the redemption date, interest ceases to accrue on the existing notes called for redemption.

Mandatory Redemption

We are not required to make mandatory redemption or sinking fund payments on the existing notes.

Repurchase at the Option of Holders

Upon the occurrence of a designated event, you will have the right at your option to require us to repurchase all or any part of your existing notes pursuant to the designated event offer described below at a designated event payment equal to 101% of the principal amount of the existing notes, together with accrued and unpaid interest to the designated event payment date. We will mail a notice to each holder within 30 days following any designated event stating:

- that the designated event offer is being made pursuant to the indenture and that all existing notes tendered will be accepted for payment;
- the designated event payment and the designated event payment date, which shall be no earlier than 30 days nor later than 40 days from the date the notice is mailed;
- that any existing notes not tendered will continue to accrue interest;
- that, unless we default in the payment of the designated event payment, all existing notes accepted for payment pursuant to the designated event offer shall cease to accrue interest after the designated event payment date;
- that if you elect to have your existing notes purchased pursuant to a designated event offer, you will be required to surrender the existing notes, with the form entitled “Option of Holder to Elect Purchase” on the reverse of the existing notes completed, to the paying agent at the address specified in the notice prior to the close of business on the third business day preceding the designated event payment date;
- that you will be entitled to withdraw your election if the paying agent receives, not later than the close of business on the second business day preceding the designated event payment date, a transmission setting forth your name, the principal amount of existing notes delivered for purchase and a statement that you are withdrawing your election to have your existing notes purchased; and
- that if your existing notes are being purchased only in part, you will be issued new existing notes equal in principal amount to the unpurchased portion of the existing notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or a multiple of $1,000.

We will comply with the requirements of Rules 13e-4 and 14e-1 under the Exchange Act and any other securities laws and regulations to the extent these laws and regulations are applicable to the repurchase of the existing notes in connection with a designated event.

On the designated event payment date we will:

- accept for payment existing notes tendered pursuant to the designated event offer;
- deposit with the paying agent an amount equal to the designated event payment for all tendered existing notes; and
- deliver the accepted existing notes to the trustee together with an officer’s certificate stating the existing notes tendered to us.

The paying agent will promptly mail to you the purchase price for your existing notes accepted in the tender. The trustee will then promptly authenticate and mail to you a new existing note equal in principal amount to any unpurchased portion of the surrendered existing notes. We will publicly announce the results of the designated event offer on or as soon as practicable after the designated event payment date.

The indenture does not contain any other provisions that permit you to require us to repurchase or redeem the existing notes in the event of a takeover, recapitalization or similar restructuring, except as described above with respect to a designated event.

This designated event purchase feature may make more difficult or discourage a takeover of us and the removal of the incumbent management. We are not, however, aware of any specific effort to accumulate shares of our common stock or to obtain control of us by means of a merger, tender offer, solicitation or

otherwise. In addition, the designated event purchase feature is not part of a plan by management to adopt a series of anti-takeover provisions.

We could, in the future, enter into transactions that would not be a designated event under the indenture but that could increase the amount of our outstanding indebtedness or otherwise affect our capital structure or credit ratings. Any payment of the designated event payment will be subordinated to the prior payment of senior debt as described under "— Subordination of Existing Notes" below.

If a designated event were to occur, we may not have sufficient financial resources to pay the repurchase price for all tendered existing notes. Any future debt we may incur may contain restrictions that prohibit the repurchase of the designated notes upon a designated event. We may then be required to obtain the consent of the holders of this debt before repurchasing the existing notes. Any failure to obtain this consent would prohibit us from repurchasing the existing notes. We will also be prohibited from repurchasing the existing notes under the subordination provisions of the indenture if there exists a payment default on senior debt or we have received a payment blockage notice under the indenture. If we fail to repurchase the existing notes following a designated event, there would be an event of default under the indenture, whether or not the repurchase is permitted by the subordination provisions of the indenture. Any default under the indenture may then result in a default under any of our other debt. In addition, the occurrence of a designated event may cause an event of default under our other debt. As a result, any repurchase of the existing notes would, absent a waiver, be prohibited under the subordination provisions of the indenture until the senior debt is paid in full.

A "designated event" will be deemed to have occurred upon a change of control or a termination of trading.

A "change of control" will be deemed to have occurred when:

- any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of shares representing more than 50% of the combined voting power of the then outstanding securities entitled to vote generally in elections of our directors ("voting stock"),

- we consolidate with or merge into any other corporation, or any other corporation merges into us, and, in the case of any such transaction, our outstanding common stock is reclassified into or exchanged for any other property or security, unless our shareholders immediately before such transaction own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the outstanding voting securities of the corporation resulting from such transaction in substantially the same proportion as their ownership of the voting stock immediately before such transaction,

- we convey, transfer or lease all or substantially all of our assets, unless such conveyance, transfer or lease is to a corporation and our shareholders immediately before such conveyance, transfer or lease own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the corporation to which such assets are so conveyed, transferred or leased in the same proportion as their ownership of the voting stock immediately before such transaction, or

- any time the continuing directors do not constitute a majority of our board of directors or, if applicable, a successor corporation to us.

However, a change of control shall not be deemed to have occurred if at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or transactions constituting the change of control consists of shares of common stock that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States.

"continuing directors" means, as of any date of determination, any member of our board of directors who:

- was a member of such board of directors on the date of the indenture, or

- was nominated for election or elected to such board of directors with the approval of a majority of the continuing directors who were members of such board at the time of such nomination or election.

A “termination of trading” will be deemed to have occurred if our common stock is neither listed for trading on a United States national securities exchange nor approved for trading on an established automated over-the-counter trading market in the United States.

The definition of change of control includes a phrase relating to the conveyance, transfer or lease of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. As a result, your ability to require us to repurchase your existing notes as a result of a conveyance, transfer or lease of less than all of our assets may be uncertain.

Conversion

You will have the right at any time prior to maturity to convert your existing notes into shares of our common stock at a conversion price of $20.625 per share, subject to adjustment as described below. If an existing note is called for redemption, your conversion right will terminate at the close of business on the business day immediately preceding the date fixed for redemption. Except as described below, no adjustment will be made on conversion of any of your existing notes for accrued interest or dividends. If you convert your existing notes after a record date for the payment of interest and prior to the next succeeding interest payment date, you must pay funds equal to the interest payable on such succeeding interest payment date on your converted principal amount, unless the existing notes have been called for redemption. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest.

The conversion price is subject to adjustment upon the occurrence of:

(1) the issuance of shares of our common stock as a dividend or distribution on our common stock;

(2) the subdivision or combination of our outstanding common stock;

(3) the issuance, to substantially all holders of our common stock, of rights or warrants to subscribe for or purchase our common stock, or securities convertible into common stock, at a price less than the current market price;

(4) the distribution of shares of our capital stock, rights, warrants, evidences of indebtedness or other assets to all holders of our common stock, but excluding:

- dividends or distributions for which an adjustment may otherwise made pursuant to clause (1) or (3) above; and
- dividends or distributions paid exclusively in cash;

(5) the distribution or dividend of cash to all holders of our common stock in an aggregate amount that, together with (A) the aggregate of any other distributions of cash that did not trigger a conversion price adjustment to all holders of our common stock within the 12 months preceding the date fixed for determining the shareholders entitled to such distribution and (B) all excess payments in respect of each tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock concluded within the preceding 12 months not triggering a conversion price adjustment, exceeds 15% of our market capitalization; and

(6) the payment of an excess payment in respect of a tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock if the aggregate amount of such excess payment together with the aggregate amount of cash distributions made within the preceding 12 months not triggering a conversion price adjustment and all excess payments in respect of each tender offer or other negotiated transaction by us or any of our subsidiaries for our common stock concluded within the preceding 12 months not triggering a conversion price adjustment exceeds 15% of our market capitalization.

In the event we distribute to substantially all holders of our common stock rights or warrants to subscribe for additional shares of our capital stock referred to in clause (4) above, we may provide that you will receive upon conversion of your existing notes an appropriate number of such rights or warrants instead of making any adjustment in the conversion price. If the rights, warrants or options for which and adjustment is made pursuant to clauses (3) or (4) above expire unexercised, the conversion price will be readjusted to take into account the actual number of such warrants, rights or options which were exercised. We will not make any

adjustment to the conversion price until cumulative adjustments amount to one percent or more of the conversion price.

If we implement a shareholder rights plan, such rights plan must provide that upon conversion of the existing notes the holders will receive, in addition to the common stock issuable upon such conversion, such rights, whether or not such rights have separated from the common stock at the time of such conversion.

If we:

- reclassify or change our outstanding common stock, other than changes resulting from a subdivision or combination, or
- consolidate with or merge into any person, or
- sell or convey all or substantially all of our property or business as an entirety,

then the existing notes will become convertible into the kind and amount of securities, cash or other assets which you would have owned immediately after the transaction if you had converted the existing notes immediately before the effective date of the transaction.

The "current market price" for our common stock on any date shall be deemed to be the average of the daily market prices for the shorter of:

- 30 consecutive business days ending on the last full trading day on the exchange or market referred to in determining the daily market prices prior to the time of determination, or
- the period commencing on the date next succeeding the first public announcement of the issuance of such rights or warrants or such distribution through such last full trading day prior to the time of determination.

"excess payment" means the excess of:

- the aggregate of the cash and fair market value of other consideration paid by us or any of our subsidiaries with respect to the shares acquired in the tender offer or other negotiated transaction over
- the market value of such acquired shares after giving effect to the completion of the tender offer or other negotiated transaction.

We may reduce the conversion price by any amount for any period of at least 20 days if our board of directors has made a determination that this reduction in the conversion price would be in the best interests of Intevac, which determination shall be conclusive. We will give at least 15 days' notice of any such reduction in the conversion price. In addition, we may, at our option, reduce the conversion price if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any dividend or distribution of stock or from any event treated as such for income tax purposes. See "Federal Income Tax Considerations."

Subordination of Existing Notes

The existing notes are subordinate in right of payment to all senior debt. As of March 30, 2002, we had no senior debt. See "— Definitions" for a detailed definition of senior debt under the exchange notes indenture. Neither we nor our subsidiaries are limited from incurring senior debt or other indebtedness or liabilities under the indenture.

Payments on the existing notes will be subordinated in right of payment to the prior payment in full of all our senior debt. We may not make any payment of principal, premium, if any, or interest on the existing notes or redeem, purchase or otherwise acquire any of the existing notes unless:

- full payment of amounts then due on all senior debt have been made or provided for, and
- at the time of and after giving effect to such payment, redemption, purchase or other acquisition, there shall not exist any default on any senior debt that shall not have been cured or waived and that shall have resulted in the full amount of the senior debt being declared due and payable.

In addition, if any holders of any designated senior debt notify us and the trustee pursuant to a payment blockage notice of the occurrence of a default allowing them to accelerate the maturity of the designated

senior debt, we may not make any payment on the existing notes or purchase or redeem or otherwise acquire any of the existing notes for the payment blockage period commencing on the date notice is received and ending on the earlier of:

- the date on which such event of default shall have been cured or waived, or
- 180 days from the date notice is received.

We may resume payments on the existing notes after the end of payment blockage period unless the holders or the representatives of the designated senior debt shall have accelerated its maturity. Holders of designated senior debt shall not be able to deliver more than one payment blockage notice in any consecutive 360-day period, irrespective of the number of defaults on senior debt during this period.

Upon any distribution of our assets in connection with our dissolution, winding-up, liquidation or reorganization or acceleration, all senior debt must be paid in full before the holders of the existing notes are entitled to any payments.

If payment of the existing notes is accelerated because of an event of default, we or the trustee shall promptly notify the holders of senior debt and their representatives of the acceleration of the existing notes. We may not make any payments on the existing notes until five days after such holders of senior debt or their representatives receive notice of such acceleration. Thereafter, we may make payments on the existing notes only if the subordination provisions of the indenture otherwise permit payment at that time.

As a result of these subordination provisions, in the event of our insolvency, holders of the existing notes may recover ratably less than our general creditors.

Merger, Consolidation or Sale of Assets

We may not consolidate or merge with or into (whether or not we are the surviving corporation) any person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our properties or assets under the indenture unless:

- (A) we are the surviving or continuing corporation or (B) the person formed by or surviving any such consolidation or merger, if other than us, or the person which acquires by sale, assignment, transfer, lease, conveyance or other disposition our properties and assets is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;
- the entity or person formed by or surviving any such consolidation or merger, if other than us, or the person to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made assumes all our obligations under the existing notes and the indenture;
- the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of our properties or assets shall be as an entirety or substantially as an entirety to one person and this person shall have assumed all our obligations under the existing notes and the indenture;
- immediately after such transaction no default or event of default exists; and
- we or such person shall have delivered an officer's certificate and an opinion of counsel to the trustee stating that the transaction and the supplemental indenture comply with the indenture and that all conditions precedent in the indenture relating to the transaction have been satisfied.

Payments for Consent

Neither we nor any of our subsidiaries will pay any consideration to any holder of any existing notes for any consent, waiver or amendment of the indenture unless such consideration is paid to all holders of the existing notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents.

Reports

Whether or not required by the rules and regulations of the Commission, so long as any existing notes are outstanding, we will file with the Commission and, if requested by any holder of existing notes, furnish to such holder all quarterly and annual financial information required to be contained in a filing with the Commission on Forms 10-Q and 10-K. This quarterly and annual financial information would include a "Management's

Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual consolidated financial statements only, a report on the financial statements by our independent auditors.

Events of Default and Remedies

Each of the following will constitute an event of default under the indenture:

(1) we default for 30 days in the payment when due of interest on the existing notes;

(2) we default in payment when due of principal on the existing notes;

(3) we default in the payment of the designated event payment in respect of the existing notes on the designated event payment date, whether or not such payment is prohibited by the subordination provisions of the indenture;

(4) we fail to provide timely notice of a designated event;

(5) we fail for 60 days after notice to comply with any other covenants and agreements contained in the indenture or the existing notes;

(6) we or one of our subsidiaries defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us or any of our subsidiaries or the payment of which is guaranteed by us or any of our subsidiaries, whether such indebtedness or guarantee now exists or is created after the date on which the existing notes are first authenticated and issued, which default (A) is a payment default caused by a failure to pay when due principal or interest on such indebtedness within the grace period provided in such indebtedness (which failure continues beyond any applicable grace period) or (B) results in the acceleration of such indebtedness prior to its express maturity and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates $10 million or more;

(7) we or one of our subsidiaries fails to pay final judgments aggregating in excess of $10 million, which judgments are not stayed within 60 days after their entry, other than any judgment as to which a reputable insurance company has accepted full liability; and

(8) certain events of bankruptcy or insolvency with respect to us or any of our material subsidiaries.

If any event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding existing notes may declare all the existing notes immediately due and payable. However, in an event of default arising from bankruptcy or insolvency with respect to us or any material subsidiary under (8) above, all outstanding existing notes will become immediately due and payable. Holders of the existing notes may not enforce the indenture or the existing notes except as provided in the indenture. Holders of a majority in principal amount of the outstanding existing notes may direct the trustee in its exercise of any trust or power, subject to certain limitations. The trustee may withhold from holders of the existing notes notice of any continuing default or event of default if it determines that withholding notice is in their interest, except a default or event of default relating to the payment of principal or interest.

The holders of a majority in aggregate principal amount of outstanding existing notes may waive any existing default or event of default under the indenture except a continuing default or event of default in the payment of the principal, interest or designated event payment on the existing notes.

We are required to deliver to the trustee annually a statement regarding compliance with the indenture. We are also required to deliver to the trustee a notice specifying any default or event of default upon becoming aware of it.

Transfer and Exchange

A holder may transfer or exchange existing notes in accordance with the indenture. The registrar and the trustee may require a holder to furnish appropriate endorsements and transfer documents. We may require a

holder to pay any taxes and fees required by law or permitted by the indenture in connection with any transfer of the existing notes. We are not required to exchange or register the transfer of:

- any existing note for a period of 15 days next preceding any selection of existing notes to be redeemed,
- any existing note or portion thereof selected for redemption, or
- any existing note or portion thereof surrendered for repurchase and not withdrawn in connection with a designated event.

The registered holder of an existing note will be treated as its owner for all purposes.

Amendment, Supplement and Waiver

The holders of at least a majority in principal amount of the outstanding existing notes may amend or supplement the indenture or the existing notes. The holders of a majority in principal amount of the outstanding existing notes may also waive any existing default or compliance with any provision of the indenture or the existing notes.

However, without the consent of each holder an amendment or waiver may not:

- reduce the amount of existing notes whose holders must consent to an amendment, supplement or waiver,
- reduce the principal of or change the fixed maturity of any existing note or alter the provisions with respect to the redemption of the existing notes,
- reduce the rate of or change the time for payment of interest on any existing note,
- waive a default in the payment of principal of or interest on any existing notes, except a rescission of acceleration of the existing notes by the holders of at least a majority in aggregate principal amount of the existing notes and a waiver of the payment default that resulted from such acceleration,
- make any existing note payable in money other than that stated in U.S. dollars,
- make any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of existing notes to receive payments of principal of or interest on the existing notes,
- waive a redemption payment with respect to any existing note,
- impair the right to convert the existing notes into common stock,
- modify the conversion or subordination provisions of the indenture in a manner adverse to the holders of the existing notes, or
- make any change in the foregoing amendment and waiver provisions.

We and the trustee may amend or supplement the indenture or the existing notes without the consent of any holder of existing notes to:

- cure any ambiguity, defect or inconsistency,
- provide for uncertificated existing notes,
- provide for the assumption of our obligations in the event of a merger or consolidation,
- make any change that would provide any additional rights or benefits to the holders of the existing notes or that does not adversely affect the legal rights under the indenture of any such holder, or
- to comply with requirements of the Commission in order to qualify, or maintain the qualification of, the indenture under the Trust indenture Act.

Concerning the Trustee

An affiliate of the trustee is also the transfer agent for our common stock.

The holders of a majority in principal amount of the then outstanding existing notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that, in case an event of default shall occur

which shall not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of existing notes unless such holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Definitions

Set forth below are some of the defined terms used in the indenture. We refer you to the indenture for a full disclosure of all these defined terms, including any other capitalized terms that we use in this description that we do not define in this description.

"*capital stock*" means any and all shares, interests, participations, rights or other equivalents of equity interests in any entity, including, without limitation, corporate stock and partnership interests.

"*default*" means any event that is or, with the passage of time or the giving of notice or both, would be an event of default.

"*designated senior debt*" means any senior debt which, at the date of determination, has an aggregate principal amount outstanding of, or commitments to lend up to, at least $10.0 million and is specifically designated by us in the instrument evidencing or governing such senior debt as "designated senior debt" for purposes of the indenture.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect from time to time.

"*guarantee*" means a guarantee, direct or indirect, in any manner, including, without limitation, letters of credit and reimbursement agreements, of all or any part of any indebtedness, other than by endorsement of negotiable instruments for collection in the ordinary course of business.

"*indebtedness*" means:

(1) all of our obligations for borrowed money, including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on our assets which is

- given to secure all or part of the purchase price, whether given to the vendor of such property or to another, or
- existing on property at the time of its acquisition,

(2) all of our obligations evidenced by a note, debenture, bond or other written instrument,

(3) all of our obligations under a lease required to be capitalized on the balance sheet of the lessee under GAAP,

(4) all of our obligations under any lease or related document, including a purchase agreement which provides that we are contractually obligated to purchase or to cause a third party to purchase the leased property,

(5) all of our obligations with respect to letters of credit, bank guarantees or bankers' acceptances,

(6) all of our obligations with respect to indebtedness secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such person are subject, whether or not the secured obligation thereby shall have been assumed or guaranteed by or shall otherwise be our legal liability,

(7) all of our obligations in respect of the balance of deferred and unpaid purchase price of any property or assets,

(8) all of our obligations under interest rate, currency or credit swap agreements, cap, floor and collar agreements, spot and forward contracts and similar agreements and arrangements,

(9) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing, and

(10) all of our obligations of the type described in clauses (1) through (9) above assumed by or guaranteed in any manner by us or in effect guaranteed by us through an agreement to purchase, contingent or otherwise, and our obligations under any such assumptions, guarantees or other such arrangements.

"*material subsidiary*" means any or our subsidiaries which is "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act and the Exchange Act (as such Regulation is in effect on the date hereof).

"*obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any indebtedness.

"*representative*" means the trustee, agent or any representative for an issue of senior debt.

"*senior debt*" means the principal of, premium, if any, interest and liquidated damages, if any, on, and fees, costs and expenses in connection with, and other amounts due on, our indebtedness, whether outstanding on the date of the indenture or thereafter created, incurred, assumed or guaranteed by us. Senior debt includes, with respect to the obligations described above, interest accruing, pursuant to the terms of such senior debt, on or after the filing of any petition in bankruptcy or for reorganization relating to us, whether or not post-filing interest is allowed in such proceeding, at the rate specified in the instrument governing the relevant obligation.

However, senior debt shall not include:

- any indebtedness that expressly provides that such indebtedness is not senior in right of payment to the existing notes;
- indebtedness of or amounts owed by us for compensation to employees, or for goods, services or materials purchased in the ordinary course of business;
- our indebtedness to one of our subsidiaries;
- any liability for Federal, state, local or other taxes owed or owing by us; or
- the existing notes.

"*subsidiary*" means any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock entitled, without regard to the occurrence of any contingency, to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any person or one or more of the other subsidiaries of that person or a combination thereof.

DESCRIPTION OF WARRANTS

We will issue the warrants under a warrant agreement between us and State Street Bank and Trust Company of California, N.A., as the warrant agent. The following summarizes some, but not all, of the provisions of the agreement governing the warrants. You should refer to the actual terms of the warrant agreement governing the warrants and the warrant certificates evidencing the warrants. We will provide to you, upon request, copies of the proposed forms of the warrant agreement and the certificates evidencing the warrants. As used in this description, the words "Intevac," "we," "us" or "our" do not include any existing or future subsidiary of Intevac.

General

Each warrant, when exercised, will initially entitle the holder thereof to purchase one share of our common stock at an exercise price of $7.50 per share. The warrants will be issued in definitive registered form and will be represented by a global security. The exercise price and the number of shares of common stock issuable upon exercise of a warrant are both subject to adjustment in certain cases described below.

The warrants may be exercised at any time on or before 5:00 p.m., New York City time, March 1, 2006.

Any warrant not exercised before the close of business on March 1, 2006 will become void, and all the rights of the holder under the warrant and the warrant agreement governing the warrants will cease.

No fractional shares of common stock will be issued upon exercise of the warrants. If any fraction of a share of common stock otherwise would be issuable on the exercise of any warrant or specified portion thereof, we will pay to the holder an amount in cash based on the market price of our common stock on the last business day before the exercise date.

Exercise by Holders

You can exercise a warrant by delivering the certificate evidencing the warrant to an office or agency of the warrant agent, or if you beneficially own an interest in warrants held in global form, by delivery of such warrants to the warrant agent pursuant to DTC's procedures for book-entry transfers of warrants together with a duly signed and completed notice of exercise, or an electronic message of exercise in accordance with DTC's procedures for the exercise of warrants and any other documents required by the agreement governing the warrants, forms of which may be obtained from the warrant agent. The exercise date will be the date on which the warrant certificate and the duly signed and completed notice of exercise is delivered. As soon as practicable after the exercise of any warrant by a holder as described above, we will issue a certificate evidencing the shares of common stock to which the holder is entitled. If any holder exercises less than all of the warrants evidenced by a warrant certificate, a new warrant certificate will be issued to the holder for the remaining number of warrants.

The warrants will be settled on a net share basis only. The number of shares we will issue upon settlement of a warrant on a net shares basis will equal:

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

where:

X = the net number of shares we will issue;

Y = the number of shares purchasable upon the exercise of a warrant, initially one share;

A = the market price of a share of common stock on the date on which such warrant is exercised; and

B = the then-current exercise price of the warrant.

This number will be subject to adjustment in certain circumstances, as described below.

For purposes of determining the number of shares that will be issued upon an exercise and settlement with net shares, the market price of a share of common stock will be the average of the reported closing prices of the common stock on the Nasdaq National Market, or such other principal securities exchange or automated quotation system upon which the shares of common stock may be listed for public trading, for the

30 consecutive trading days immediately preceding the exercise date; provided that if no trades of common stock occur on a particular trading day during such 30-trading day period, such average will be computed excluding such trading day. If the common stock is not so listed, then the market price will be determined in accordance with the provisions of the warrant agreement.

If you deliver a warrant certificate for exercise, you will not be required to pay any taxes or duties for the issuance or delivery of common stock on exercise. However, we will not pay any transfer tax or duty payable as a result of the issuance or delivery of the common stock in a name other than that of the holder of the warrant. We will not issue or deliver common stock certificates unless we have been paid the amount of any transfer tax or duty or we have been provided with satisfactory evidence that the transfer tax or duty has been paid.

The number of shares issuable upon exercise of the warrants and the exercise price of $7.50 per share will be adjusted upon the occurrence of certain events, including:

- issuances of our common stock as a dividend or distribution on our common stock; and
- certain subdivisions and combinations of our common stock.

We will not make an adjustment upon the occurrence of any of the events described above in the number of shares issuable upon exercise of the warrants or to the exercise price unless such adjustment would require a change of at least 1% in the number of shares issuable upon exercise of the warrants or to the exercise price. We will carry forward for 12 months and take into account when making any subsequent adjustment any adjustment that would otherwise have been made but for the exception described in the preceding sentence. Except as stated above, we will not adjust the exercise price or the number of our shares of common stock issuable upon exercise of a warrant for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or any right to purchase any of the foregoing.

If we:

- reclassify or change our outstanding common stock, other than changes resulting from a subdivision or combination, or
- consolidate with or merge into any person, or
- sell or convey all or substantially all of our property or business as an entirety,

each warrant then outstanding will, without the consent of any holder, become exercisable only into the kind and amount of shares of stock, other securities or other property or assets, including cash, or any combination thereof, receivable upon such reclassification, change, consolidation, merger, sale or conveyance by the holder of the number of shares of common stock issuable upon exercise of such warrant (assuming, for such purpose, a sufficient number of authorized shares of common stock available to exercise all such warrants) immediately prior to such reclassification, change, consolidation, combination, merger, sale or conveyance. We may not become a party to any such transaction unless its terms are consistent with the foregoing.

You may, in some circumstances, be deemed to have received a distribution or dividend subject to United States federal income tax as a result of an adjustment (or the nonoccurrence of an adjustment) to the exercise price. See “United States Federal Income Tax Consequences.”

No Rights as Stockholders

The holders of unexercised warrants are not entitled, as such, to receive cash dividends or other distributions, vote on matters submitted to our stockholders, consent to any action of the stockholders or receive notice of any meeting of the stockholders or any other stockholder proceedings.

Modifications of the Warrant Agreement

From time to time, we and the warrant agent, without the consent of the holders of the warrants, may amend or supplement the agreement governing the warrants for certain purposes, including curing defects or inconsistencies or making changes that do not materially adversely affect the rights of any holder. The consent of each holder of warrants affected is required for any amendment that would increase the exercise price of the warrants, or decrease the number of warrant shares purchasable upon exercise of the warrants, other than

pursuant to adjustments provided for in the warrant agreement governing the warrants as generally described above and as amended by holders of a majority of the then outstanding warrants.

Reservation of Shares

We have authorized and will reserve for issuance such number of shares of common stock as will be issuable upon the exercise of all warrants offered herein. All such shares shall be duly and validly issued, fully paid and non-assessable.

Governing Law

The warrants, the agreement governing the warrants and the certificates evidencing the warrants will be governed by the laws of the State of New York.

Concerning the Warrant Agent

We have appointed the warrant agent as the initial paying agent, exercise agent, registrar and custodian for the warrants. We may now or in the future maintain deposit accounts and conduct other banking transactions with the warrant agent or its affiliates in the ordinary course of business. In addition, the warrant agent and its affiliates may in the future provide other services to us in the ordinary course of business.

BOOK-ENTRY SYSTEM — THE DEPOSITORY TRUST COMPANY

The exchange notes and warrants will be evidenced by global securities initially deposited with The Depository Trust Company, or DTC, and registered in the name of Cede & Co., as DTC's nominee. Except as set forth below, the global securities may be transferred only to another nominee of DTC or to a successor of DTC or its nominee.

Holders of exchange notes and warrants to be issued in the exchange offer may hold their interests in the global securities directly through DTC or indirectly through organizations which are participants in DTC (called "participants"). Transfers among participants will be affected in the ordinary way in accordance with DTC's rules and will be settled in clearinghouse funds. The laws of some states require that some persons take physical delivery of securities in definitive form. As a result, holders may be unable to transfer beneficial interests in the global securities to those persons.

Holders that are not participants may beneficially own interests in the global securities held by DTC only through participants or indirect participants, including banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a participant. So long as Cede & Co., as the nominee of DTC, is the registered owner of the global security, Cede & Co. will be considered the sole holder of the global securities for all purposes. Except as provided below, owners of beneficial interests in the global securities will not:

- be entitled to have certificates registered in their names.
- be entitled to receive physical delivery of certificates in definitive form, and
- be considered registered holders.

We will make payments of interest, principal, redemption price or repurchase price of the global security for the exchange notes to Cede & Co., the nominee for DTC, as the registered holder of the global security for the exchange notes. We will make these payments by wire transfer of immediately available funds. Neither we, the trustee, the warrant agent nor any paying agent will have any responsibility or liability for:

- records or payments on beneficial ownership interests in the global securities; or
- maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We have been informed that DTC's practice is to credit participants' accounts on the payment date. These payments will be made in amounts proportionate to participants' beneficial interests in the exchange notes or warrants. Payments by participants to owners of beneficial interests in the exchange notes or warrants represented by the global security held through participants will be the responsibility of those participants.

We will send any redemption or automatic conversion notices to Cede & Co. We understand that if less than all of the exchange notes are being redeemed or automatically converted, DTC's practice is to determine by lot the amount of the holdings of each participant to be redeemed or converted. We also understand that neither DTC nor Cede & Co. will consent or vote with respect to the exchange notes or warrants. We have been advised that under its usual procedures, DTC will mail an "omnibus proxy" to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose accounts the exchange notes or warrants are credited on the record date identified in a listing attached to the omnibus proxy.

A person having a beneficial interest in exchange notes or warrants represented by global securities may be unable to pledge that interest to persons or entities that do not participate in DTC system, or to take other actions in respect of that interest, because that interest is not represented by a physical certificate.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a member of the Federal Reserve System;

• a “clearing corporation” within the meaning of the Uniform Commercial Code, and

• a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. Some of the participants, together with other entities, own DTC. Indirect access to DTC’s book-entry system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with a participant, either directly or indirectly.

DTC is under no obligation to perform or continue to perform the above procedures. DTC may discontinue these at any time. If DTC is at any time unwilling or unable to continue as the depositary for the exchange notes or warrants and a successor depositary is not appointed by us within 90 days, we will cause such exchange notes or warrants, as applicable, to be issued in definitive form in exchange for their respective global securities.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 50,000,000 shares of common stock, no par value per share and 10,000,000 shares of undesignated preferred stock, no par value per share. As of April 30, 2002, there were 12,060,003 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior liquidation rights of the preferred stock, if any, then outstanding. 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.

Undesignated Preferred Stock

Our board of directors has the authority to issue any undesignated shares of preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions of the preferred stock including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Intevac without further action by the shareholders. 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.

Articles of Incorporation and Bylaws

Our Articles of Incorporation authorize the issuance of preferred stock on terms that our Board of Directors has the authority to fix at the time of issuance. Our Articles and Bylaws do not provide for cumulative voting. Our Bylaws also require that any action taken by shareholders must be effected at a duly called annual or special meeting of shareholders and may not be effected by written consent without a meeting. These provisions of our Articles of Incorporation and Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of Intevac. These provisions are also intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors and in the policies formulated by our Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control of Intevac. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. Such provisions, alone or in combination, could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is EquiServe Trust Company, N.A.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section describes the material U.S. federal income tax considerations relating to the exchange offer and the ownership and disposition of exchange notes, warrants, or common stock into which the exchange notes may be converted or that may be received upon exercise of the warrants. This section does not provide a complete analysis of all potential tax considerations that may be relevant to particular holders of existing notes because of their specific circumstances or because they are subject to special rules. In particular, the discussion does not address the tax considerations relevant to holders that are foreign persons or entities. The information provided below is based on existing authorities. These authorities may change, or the Internal Revenue Service may interpret the existing authorities differently. In either case, the tax consequences of the exchange offer or of owning or disposing of exchange notes, warrants, or common stock could differ from those described below. This section does not describe the effect of the federal estate and gift tax laws on noteholders or the effects of any applicable foreign, state, or local laws.

Holders of existing notes considering participation in the exchange offer should consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations and the consequences of federal estate or gift tax laws, foreign, state, or local laws, and tax treaties.

The Exchange Offer

The tax consequences of the exchange of existing notes for exchange notes, warrants, and cash will depend on whether the existing notes and the exchange notes are "securities," as the federal income tax laws use that term. In general, the classification of a debt instrument as a security depends on the extent to which the instrument represents an investment in the issuer's business. At one extreme, short-term notes backed by adequate security are not securities because the fortunes of the issuer's business will have relatively little effect on the holder's return. At the other extreme, unsecured, long-term notes issued by a corporation to enable it to fund the development or expansion of its business are securities, because the holder's return does depend significantly on the fortunes of the issuer's business. The existing authorities do not draw a clear line along this continuum. Each case turns on its own facts, and no prior cases or rulings involve facts that are the same in all material respects as the facts surrounding the exchange offer. Therefore, inherent uncertainty exists regarding whether the existing notes and exchange notes are securities for tax purposes. We believe, however, that, in light of Intevac's current financial position, the exchange notes are very likely securities. Intevac's financial position was stronger when it issued the existing notes. Therefore, the classification of the existing notes as securities is a closer call than the classification of the exchange notes. Nonetheless, we believe that the existing notes are also securities for tax purposes.

Assuming that both the existing notes and the exchange notes are securities, a holder that realizes an economic gain on the exchange will be required to recognize that gain for tax purposes only to the extent that the gain does not exceed the amount of cash received by the holder in the exchange. A holder that realizes an economic loss on the exchange will not be allowed to deduct that loss.

A holder's economic (or "realized") gain or loss on the exchange will be measured by the difference between the value of the consideration received by the holder and the holder's tax basis in his existing notes (which will generally equal the amount the holder paid for the existing notes). The value given to the exchange notes for tax purposes will depend on whether public trading of the existing notes provides a reliable basis for determining their fair market value. If so, the value of the exchange notes will be derived from the value of the existing notes surrendered in the exchange. If public trading of the existing notes has been insufficient to provide a reliable estimate of their fair market value, the exchange notes will be assumed to be worth their face amount. Although trading in the existing notes has been relatively thin, we believe that the trading data produce a more reliable estimate of value than an assumption that the exchange notes are worth their face amount. Therefore, we believe that the value of the exchange notes for tax purposes (referred to as their "issue price") should be derived from data regarding trading of the existing notes. Specifically, the value of each $1,000 of exchange notes should equal the value of $5,000 of existing notes, based on trading up through the date of the exchange, reduced by the $2,000 cash paid for each $5,000 of existing notes and the value of the warrants issued in the exchange. We estimate the value of the warrants to be $700. Therefore, the

value of the exchange notes should equal the excess of the value of the existing notes over $2,700. The existing notes have been trading at approximately 60 cents on the dollar. This suggests that existing notes with a principal amount of $5,000 are currently worth approximately $3,000. If the value of the existing notes remains constant through the consummation of the exchange offer, the existing notes would thus be treated as having a value of $300 ($3,000 - $2,700). We believe, however, that the value of the consideration it is offering for existing notes is greater than $3,000. If this is correct, trading in the existing notes between now and the consummation of the exchange offer should occur at prices above 60 cents on the dollar, thereby increasing the value of the total consideration above $3,000 and increasing the implied value of the exchange notes above $300.

If it were determined that the trading of the existing notes does not provide a reliable basis for determining their fair market value, the exchange notes would be assumed to be worth their face amount. Under this assumption, the value of the consideration received by holders of existing notes could exceed the value derived from trading in the existing notes. While such an increase in the value of the consideration could require holders to recognize additional taxable gain on the exchange, it would also reduce the amount of interest income recognized by the holders over the term of the exchange notes, as described below under the caption "Tax Treatment of Ownership and Disposition of Exchange Notes — Taxation of Interest."

Any gain recognized by a holder on the exchange would generally be capital gain, and would be long-term capital gain if the holder held his existing notes for more than one year. Long-term capital gains recognized by noncorporate taxpayers are subject to tax at lower rates than the rates that apply to ordinary income. If a holder acquired his existing notes at a discount to their face amount, however, any gain recognized by the holder would be treated as ordinary income in an amount equal to that portion of the holder's "market discount" that accrued during the period between the holder's purchase of the existing notes and the date of the exchange.

A holder's tax basis in its exchange notes and warrants would, in the aggregate, equal the holder's tax basis in the existing notes surrendered in the exchange, reduced by the amount of cash received and increased by the amount of any gain recognized on the exchange. This aggregate basis would be allocated between the exchange notes and warrants based on their relative fair market values. The holder's holding period for the exchange notes and warrants would include the period during which the holder held the existing notes surrendered in the exchange.

If it were determined that either the existing notes or the exchange notes are not securities for federal income tax purposes, holders that realize an economic loss on the exchange would be allowed to deduct that loss, while holders that realize an economic gain on the exchange would be required to recognize that gain in full, even if it exceeds the amount of cash received in the exchange. In that case, the holder's tax basis in the exchange notes and warrants would equal their fair market value when received. As described above, the value of the exchange notes for this purpose would depend on whether the trading of the existing notes provides a reliable basis for determining their fair market value. The holder's holding period for the exchange notes and warrants would begin on the day after the exchange.

Tax Treatment of Ownership and Disposition of Exchange Notes

Taxation of Interest

If the value of the exchange notes for tax purposes (their "issue price") is derived from trading in the existing notes, the value of the exchange notes may be less than their face amount. In that case, the holders of exchange notes would receive a greater amount at maturity than the initial value of the notes. For example, if the value of the existing notes remains constant, the implied value of the exchange notes would be $300, or $700 less than the amount holders will receive at maturity. Any excess of the amount paid on the maturity of exchange notes over their initial value will be treated for tax purposes as additional interest income (referred to as "original issue discount" or "OID") that will accrue over the term of the exchange notes. Holders will generally be required to recognize any OID as it accrues, in addition to recognizing income as a result of coupon interest as it is paid or accrued, in accordance with the holder's normal method of tax accounting. A holder that realizes an economic loss on the exchange may not be required to recognize the full amount of

OID that accrues on the exchange notes. Such a holder will have a tax basis in his exchange notes that exceeds their initial value. For such a holder, some or all of the OID will reflect a return of the holder's remaining investment. Therefore, the holder will be allowed to exclude from income all or a part of the OID that accrues on the exchange notes.

Upon the occurrence of a change of control, holders may require us to redeem the exchange notes at a price equal to 101% of their principal amount. In such an event, the holder would receive an even greater premium above the initial value of exchange notes. Contingent payments such as these can be disregarded in computing OID, however, when there is only a remote chance that they will be made. Because we believe that it is remote that a change of control would occur that would allow holders to have the exchange notes redeemed at a premium, we will ignore this possibility in computing OID on the exchange notes.

If the public trading of the existing notes were determined to be insufficient to provide a reliable measure of fair market value, and the exchange notes were presumed to be worth their face amount, holders would not receive at maturity an amount in excess of the assumed initial value of the exchange notes, and no OID would accrue on the exchange notes. As explained above, however, such an increase in the assumed initial value of the exchange notes could result in the realization of additional economic gain on the exchange, which would be recognized to the extent it did not exceed the cash received by the holder.

Constructive Distributions

The terms of the exchange notes allow for changes in the conversion price of the notes in certain circumstances. A change in conversion price that allows noteholders to receive more shares of common stock on conversion may increase the noteholders' proportionate interests in our earnings and profits or assets. In that case, the noteholders would be treated as though they received a dividend in the form of our stock. Such a constructive stock dividend could be taxable to the noteholders, although they would not actually receive any cash or other property. A potentially taxable constructive stock dividend would result, for example, if the conversion price is adjusted to compensate noteholders for distributions of cash or property to our shareholders. Not all changes in conversion price that allow noteholders to receive more stock on conversion, however, increase the noteholders' proportionate interests in Intevac. For instance, a change in conversion price could simply prevent the dilution of the noteholders' interests upon a stock split or other change in capital structure. Changes of this type, if made by a bona fide, reasonable adjustment formula, are not treated as constructive stock dividends. Conversely, if an event occurs that dilutes the noteholders' interests and the conversion price is not adjusted, the resulting increase in the proportionate interests of our shareholders could be treated as a taxable stock dividend to them. Any potentially taxable constructive stock dividends resulting from a change to, or failure to change, the conversion price would be treated like dividends paid in cash or other property. The constructive dividends would result in ordinary income to the recipient, to the extent of our current or accumulated earnings and profits, with any excess treated as a tax-free return of capital or as capital gain. See "Tax Treatment of Ownership and Disposition of Common Stock — Dividends," below.

Sale, Exchange or Redemption of the Exchange Notes

A noteholder will generally recognize capital gain or loss if the holder disposes of an exchange note in a sale, redemption or exchange other than a conversion of the exchange note into common stock. The holder's gain or loss will equal the difference between the proceeds received by the holder and the holder's adjusted tax basis in the exchange note. The proceeds received by the holder will include the amount of any cash and the fair market value of any other property received for the exchange note. The holder's adjusted tax basis in the exchange note will equal the holder's initial basis, determined as described above under "The Exchange Offer," increased by the amount OID that accrued during the period that the holder held his exchange note. The portion of any proceeds that is attributable to accrued interest will not be taken into account in computing the holder's capital gain or loss. Instead, that portion will be recognized as ordinary interest income to the extent that the holder has not previously included the accrued interest in income. The gain or loss recognized by a holder on a disposition of an exchange note will be long-term capital gain or loss if the holder's holding period for the exchange note is more than one year. As noted above under "The Exchange Offer," the holder's holding period for the exchange note should include the period during which the holder held his existing note.

While long-term capital gains of non-corporate taxpayers are taxed at lower rates than those applicable to ordinary income, the deductibility of capital losses is subject to limitation.

Conversion of the Exchange Notes

A holder generally will not recognize any income, gain or loss on converting an exchange note into common stock. If the holder receives cash in lieu of a fractional share of stock, however, the holder would be treated as if he received the fractional share and then had the fractional share redeemed for the cash. The holder would recognize gain or loss equal to the difference between the cash received and that portion of his basis in the stock attributable to the fractional share. The holder's aggregate basis in the common stock (including any fractional shares redeemed for cash) will equal his adjusted basis in the exchange note. The holder's holding period for the stock will include his holding period for the exchange note.

Tax Treatment of Ownership and Disposition of Warrants

A holder will generally recognize gain or loss on a sale of warrants, measured by the difference between the proceeds received by the holder and the holder's tax basis in the warrants. Any gain or loss would generally be capital gain or loss, and would be long-term if the holder's holding period for the warrants is more than one year. As explained above under "The Exchange Offer," the holder's holding period for the warrants should include the period during which the holder held the existing notes surrendered in exchange for the warrants.

The tax consequences of an exercise of warrants are unclear. The terms of the warrants require "net" exercise, and no prior cases or rulings address the tax consequences of a net exercise of warrants. One plausible way of analyzing the net exercise would be to treat a holder as having exercised only part of his warrants, using the remaining warrants to pay the strike price for the warrants exercised. Under that view, the holder would recognize gain on the warrants used to pay the strike price, as if the holder had sold those warrants. The holder's basis in the stock received on exercise would equal the holder's tax basis in all of his warrants, increased by the amount of gain recognized by the holder on exercise. The holder's holding period for the stock would begin on the day after he receives the stock. Because of the absence of any authority on point, however, it is not clear that the holder's recognized gain would be limited to only a portion of the appreciation in the holder's warrants. A holder could be required upon exercise to recognize gain equal to the full amount by which the value of the warrants exceeds their tax basis.

Tax Treatment of Ownership and Disposition of Common Stock

Dividends

If, after converting an exchange note into common stock, a holder receives a distribution in respect of that stock, the distribution will be treated as a dividend, taxable to the holder as ordinary income, to the extent it is paid from our current or accumulated earnings and profits. If the distribution exceeds our current and accumulated profits, the excess will be treated first as a tax-free return of the holder's investment, up to the holder's basis in his common stock. Any remaining excess will be treated as capital gain. If the holder is a U.S. corporation, it would generally be able to claim a deduction equal to a portion of any dividends received.

Sale of Common Stock

A holder will generally recognize capital gain or loss on a sale or exchange of common stock. The holder's gain or loss will equal the difference between the proceeds received by the holder and the holder's adjusted tax basis in the stock. The gain or loss recognized by a holder on a sale or exchange of stock will be long-term capital gain or loss if the holder's holding period for the stock is more than one year. As explained above under "The Exchange Offer," and "Tax Treatment of Ownership and Disposition of Exchange Notes — Conversion of the Exchange Notes," a holder's holding period for stock received on a conversion of exchange notes should include the period during which the holder held his exchange notes and also the period during which the holder held the existing notes that he surrendered in exchange for the exchange notes.

Backup Withholding and Information Reporting

The Code and the Treasury regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are interest, dividends, and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification number, or repeatedly failing to report interest or dividends on his returns. The withholding tax rate is currently 30 percent, but will be reduced to 29 percent effective January 1, 2004, and to 28 percent effective January 1, 2006. The information reporting and backup withholding rules do not apply to payments to corporations.

Payments of interest or dividends to individual holders of exchange notes or common stock will generally be subject to information reporting, and will be subject to backup withholding unless the holder provides us or our paying agent with a correct taxpayer identification number.

Payments made by a broker to a holder of exchange notes or common stock upon a sale of the exchange notes or common stock will generally be subject to information reporting and backup withholding. If, however, the sale is made through a foreign office of a U.S. broker, the sale will be subject to information reporting but not backup withholding. If the sale is made through a foreign office of a foreign broker, the sale will generally not be subject to either information reporting or backup withholding. This exception may not apply, however, if the foreign broker is owned or controlled by U.S. persons, or is engaged in a U.S. trade or business.

Any amounts withheld from a payment to a holder of exchange notes or common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder.

The preceding discussion of certain U.S. federal income tax considerations is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state, local, and foreign tax consequences of the exchange offer and of holding and disposing of exchange notes, warrants or common stock, including the consequences of any proposed change in applicable laws.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file reports, proxy statements and other information with the Commission, in accordance with the Securities Exchange Act of 1934. You may read and copy our reports, proxy statements and other information filed by us at the public reference facilities of the Commission in Washington, D.C. and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. Our reports, proxy statements and other information filed with the Commission are available to the public over the Internet at the Commission's World Wide Web site at http://www.sec.gov.

Our Annual Report on Form 10-K for our fiscal year ended December 31, 2001 is attached as Appendix A hereto, our Quarterly Report on Form 10-Q for the quarter ended March 30, 2002 is attached as Appendix B hereto, our Definitive Proxy Statement on Schedule 14A, filed March 27, 2002 is attached as Appendix C hereto, our Tender Offer Statement on Schedule TO is attached as Appendix D hereto. Such Appendices are considered to be part of this offering circular.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Mr. Charles Eddy, Vice President
Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054
Telephone: (408) 986-9888
Fax: (408) 727-5739

You should rely only on the information contained in this offering circular. We have not authorized anyone else to provide you with different information. You should not assume that the information provided in this offering circular is accurate as of any date other than the date as of which it is shown, or if no date is otherwise indicated, the date of this offering circular and neither the delivery of this offering circular nor the offering, sale or delivery of any exchange notes and warrants shall create any implication that the information contained in this offering circular is correct at any time after the date of this offering circular No representation is made to any offeree or purchaser of the exchange notes and warrants regarding the legality of an investment in those securities by the offeree or purchaser under any applicable legal investment or similar laws or regulations. The contents of this offering circular are not to be construed as legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor as to legal, business or tax advice with respect to the exchange offer.

APPENDIX A

ANNUAL REPORT ON FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2001

or

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

For the transition period from to

Commission file number 0-26946

Intevac, Inc.

(Exact name of registrant as specified in its charter)

California	**94-3125814**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

3560 Bassett Street
Santa Clara, California 95054
(Address of principal executive office, including Zip Code)

Registrant's telephone number, including area code: (408) 986-9888

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	**Name of each Exchange on which registered**
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock (no par value)

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant, as of February 21, 2002 was approximately $13,791,000 (based on the closing price for shares of the Registrant's Common Stock as reported by the Nasdaq National Market System for the last trading day prior to that date). Shares of Common Stock held by each executive officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

On February 20, 2002 approximately 12,060,003 shares of the Registrant's Common Stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's Proxy Statement for the 2002 Annual Meeting of Shareholders are incorporated by reference into Part III. Such proxy statement will be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

TABLE OF CONTENTS

This Annual Report on Form 10-K contains forward-looking statements which involve risks and uncertainties. Words such as "believes," "expects," "anticipates" and the like indicate forward-looking statements. Intevac's actual results may differ materially from the results discussed in the forward-looking statements for a variety of reasons, including those set forth under "Certain Factors Which May Affect Future Operating Results."

PART I

Item 1. *Business*

Overview

Intevac, Inc.'s businesses are the design, manufacture and sale of complex capital equipment used to manufacture products such as flat panel displays, thin-film disks and electro-optical devices ("Equipment") and the development of highly sensitive electro-optical devices and systems ("Photonics").

Systems sold by the Equipment Division are typically used to deposit highly engineered thin-films of material on a substrate, or to modify the characteristics and properties of thin-films already deposited on a substrate. Systems manufactured by the Equipment Division generally utilize proprietary manufacturing techniques and processes and operate under high levels of vacuum. The systems are designed for high-volume continuous operation and use precision robotics, computerized controls and complex software programs to fully automate and control the production process. Products manufactured with these systems include color cell phone displays, automotive displays, computer monitors, and thin-film disks for computer hard disk drives. The Equipment Division has also designed ultra-high vacuum automated equipment for the manufacture of low-cost low-light level cameras developed by the Photonics Division and for sale to other manufacturers of electro-optical devices. The Equipment Division recorded sales of $42.7 million in 2001, an increase from $28.8 million in 2000. Equipment Division revenues in 2001 resulted primarily from the sales of new flat panel display ("FPD") manufacturing systems and technology upgrades, spare parts and consumables for disk manufacturing equipment.

The Photonics Division is developing electro-optical devices and systems that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. This development work is aimed at creating new products for both military and industrial applications. Products include LIVAR® systems for positive target identification at long range, low-cost low-light-level cameras for use in security and military applications and photodiodes for use in high-speed fiber optic systems. Photonics Division sales increased to $8.8 million in 2001 from $7.3 million in 2000 and consisted primarily of contract research and development. The Photonics Division has completed approximately $30 million of government-sponsored research and development since 1994.

Equipment

Technology and Strategy

The Equipment Division's systems utilize sophisticated vacuum process technologies that are integrated with precision robotics and automated process and system controls. The Company's systems are designed for high volume manufacturing applications and are commonly operated 24 hours a day 7 days a week with high uptime. Process technologies include physical vapor deposition, chemical vapor deposition, fast cooling, rapid thermal processing and ultra high vacuum level processing. Intevac's equipment strategy is to expand into growing equipment markets where its existing technology base can be leveraged to reduce the cost of entry and participation in those markets. For example, the deposition and rapid thermal processing equipment developed to address the FPD market and the equipment developed to manufacture Photonics Division low-cost low-light level cameras, incorporate many of the manufacturing technologies previously developed by the Company for high volume manufacturing of thin-film disks and night vision devices.

Deposition Equipment for Flat Panel Display Manufacturing

The manufacture of several types of flat panel displays, such as active matrix liquid crystal displays, require the deposition of thin-film layers of different materials onto a glass substrate. Intevac's D-Star sputtering systems are designed to uniformly coat thin films on substrates as large as a meter square. Deposition materials include metals such as aluminum and chromium (used as conductors), indium tin oxide (used as transparent conductors) and complex oxides of materials such as magnesium (used in plasma displays), tantalum and silicon. Process modules are positioned around a central handling module designed to provide high throughput. Up to four back-to-back modules, each containing two vacuum isolated chambers, can be attached directly to the central handler unit. Additional back-to-back modules may also be attached in series to provide further process flexibility and capacity. Typically one module is devoted to load/unload and the remaining positions are configured as dedicated process stations. Substrates are loaded into the system with a robot and then held on edge in a vertical orientation as they are processed. Vertical substrate handling allows for a relatively small footprint system, optimizes particulate control and reduces flexing of the substrate.

Rapid Thermal Processing Equipment for Flat Panel Display Manufacturing

Intevac's rapid thermal processing ("RTP") systems rapidly modify the characteristics of thin films deposited on glass substrates used in the manufacture of flat panel displays. Intevac's patented RTP technology enables manufacturers to change the properties of these thin-films by thermally processing the film layer at temperatures that would otherwise distort or destroy the underlying glass substrate. The RTP system employs rapid transient heating, rather than bulk substrate heating, which provides lower cost of ownership and higher throughput as compared to furnace and laser processing techniques. In transient heating, a uniform line of radiation is focused onto a moving substrate, which brings only a narrow stripe of the substrate up to peak process temperature at any time. The substrate remains undistorted because the large majority of its area is relatively cool and acts to stabilize the overall panel. Intevac's RTP systems are typically used for thin-film activation after ion implant in the manufacture of low temperature polysilicon displays. Intevac's RTP system customers include Sanyo, Sharp, Sony, Toppoly and a joint venture of Sony and Toyota.

Equipment for Disk Manufacturing

Intevac has delivered approximately 110 of its MDP-250 disk manufacturing systems to customers including Fuji Electric, Fujitsu Limited, Hitachi, Komag, Maxtor, Mitsubishi, Nippon Sheet Glass, Seagate Technology, Sony and Trace Storage Technology. Intevac's systems are used by disk manufacturers to apply thin layers of undercoats, magnetic alloys and protective overcoats to both aluminum and glass thin-film disks used in computer hard disk drives. The Company believes that Intevac systems are used to manufacture approximately half the worldwide supply of these disks. The mechanical design of the MDP-250 family has characteristics similar to the cluster tools widely used in semiconductor manufacturing in that each of the twelve process stations is separately vacuum pumped and vacuum isolated. The MDP-250 does not require a carrier or pallet to transport disks through the system. Rather, disks are automatically loaded into the system from cassettes, processed, and then automatically returned to the cassette. A number of process station options are offered, including multiple options for the deposition of thin-films and carbon overcoats, heating stations, cooling stations and cleaning stations. Furthermore, these twelve process stations can be easily reconfigured to accommodate process changes.

The rapid increase in areal density in computer memory storage is requiring the thin-films deposited by our MDP-250 series of equipment to become more complex. This complexity is leading to the need for both new process capabilities and a need for more than twelve process stations. Intevac continues to develop new process capabilities for its installed base of systems. These new capabilities include processes that permit the deposition of ultra-thin diamond-like carbon overcoats, vapor lubrication and, currently in development, multi-layer sources and soft underlayer sources necessary for perpendicular recording. To answer the need for more process stations, Intevac introduced the MDP-200, a modular add-on system that allows manufacturers to seamlessly integrate additional process stations onto their MDP-250 system. The MDP-200 provides the capability to process disks through process stations serially or in parallel, giving manufacturers flexibility to integrate process steps with different process times. Intevac has also developed a suite of system upgrades

(MDP-250B+ Upgrades) that allow manufacturers to upgrade the vacuum level, speed and control systems of their installed base of MDP-250 systems.

The process and system technologies that Intevac developed for its MDP-250 systems have been designed to be backwards compatible and, in many cases, field installable. Intevac believes that the primary demand for disk manufacturing equipment for the next few years will be for upgrades to the installed base of systems, rather than for sales of new systems to add capacity. Intevac's strategy is to provide its customers with a cost-effective solution that significantly upgrades and extends the capabilities of their installed base of equipment.

Electron Beam Processing Equipment

In December 1999, Intevac implemented a plan to terminate its electron beam product line. The plan included the delivery of the three electron beam systems on order, closure of the Hayward facility where the systems were manufactured and a $1.6 million charge related to the plan. In March 2000, the Company sold the electron beam business to Quemex Technology, Ltd. and Quemex assumed responsibility for Intevac's Hayward facility. Intevac retained rights to the three systems on order, which were subsequently sold during 2000 and 2001.

Photonics

History

Intevac's Photonics products have been developed by a team that initially began working together in the 1980's in the Varian central research labs and night vision business unit. When Intevac was formed in 1991, it acquired Varian's night vision business, and the related Varian central research lab activities and technology. The central research lab group became part of the R&D department for Intevac's night vision business and continued to develop Intevac's photocathode technology. In 1995, Intevac sold its night vision business to Litton Industries. However, the technical team remained at Intevac and formed the Photonics Division. Since 1995 the Photonics Division has been further developing its technology, with the majority of its activities being funded by R&D contracts from the United States Government and its contractors. During this period the Photonics Division has also worked collaboratively with other research organizations, including Stanford University, Lawrence Livermore National Laboratory and The Charles Stark Draper Laboratory.

Technology and Strategy

The Photonics Division develops and manufactures compact electro-optical devices that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. One of these sensors is an Electron Bombarded Charge Coupled Device ("EBCCD") which was originally developed under a cost-sharing Technology Development Agreement with the Defense Advanced Research Projects Agency ("DARPA") from 1996 to 1998.

The sensor has a transparent glass window on one side through which photons are focused onto a photocathode grown on the vacuum side of the window. When photons strike the photocathode through the window, electrons are emitted into the vacuum. These electrons are then electrically accelerated through the vacuum and strike a charge coupled device ("CCD") imager, which in turn outputs a high resolution, low noise video signal. These devices are extraordinarily sensitive to infrared light with frequencies just beyond the visible spectrum and are used in the Company's LIVAR target identification system.

A second type of sensor incorporates the same basic technology described above; however, the module contains a Complementary Metal-Oxide-Semiconductor ("CMOS") imager instead of a CCD chip. This Electron Bombarded Active Pixel Sensor ("EBAPS ^{TM} ") imager development was initially funded under a cost sharing project awarded to Intevac by the National Institute of Standards and Technology ("NIST").

Both of these sensors offer both high sensitivity and high resolution and work well in the visible as well as the near infrared range of the spectrum. The output is high-resolution video, rather than the low-resolution direct view green imagery produced by traditional night vision devices. This frees the user from having to hold

the device to the eye and permits remote viewing and image processing. The Company believes it has capability and features not possible with the direct view night vision devices currently in use by the military.

LIVAR Target Identification System:

Intevac integrated its EBCCD sensor with a laser illuminator to create its Laser Illuminated Viewing and Ranging system ("LIVAR"). The LIVAR system is similar to RADAR, but with a number of improvements. The illuminator is an eye safe laser, rather than a longer wavelength microwave source, and the reflected signal is displayed as a digital video image, rather than as a blip. This enables real time, high-resolution imagery for target identification at much longer ranges than was previously possible.

The potential benefit of the LIVAR system is clear for military conflicts like those in Kosovo and Afghanistan. In such conflicts, casualties to US servicemen are politically unacceptable, and it is preferable for aircraft to operate at high altitudes where they are relatively safe from ground launched missile attacks. It is also unacceptable to inflict collateral damage to the other sides' civilians or to other untargeted assets. However, these goals are mutually exclusive unless capability exists for positively identifying targets from long ranges.

Currently the military uses several means for target location and identification including forward-looking infrared ("FLIR") systems and RADAR. While these systems can sense targets at relatively long ranges, the resolution is poor, and positive identification is difficult, or impossible. The LIVAR system complements the existing FLIR and RADAR technology and enables long range target identification in addition to target sensing.

The first military program planning the widespread deployment of LIVAR was approved late in 2001. Intevac is under contract for the development phase of the program and volume production is expected to commence in late 2003. In February 2002 Intevac delivered a portable LIVAR targeting and surveillance system to the U.S. Army.

Low Cost Low Light Level Cameras

Today's low light level cameras, derived from military night vision technology, are too expensive for most commercial applications. Intevac's objective is to reduce this cost to $1,000 per camera, a cost at which the Company believes that large available markets for commercial security cameras, law enforcement and traditional military night vision tubes could be addressed. Intevac is currently developing this low light level video camera with National Semiconductor under a program sponsored by NIST. The NIST program involves the development of a CMOS chip that integrates an active pixel imaging sensor with camera electronics by National Semiconductor, photocathode design, product integration and packaging and development of low cost manufacturing processes by Intevac's Photonics Division, and development of ultra-high vacuum automated processing and assembly equipment by Intevac's Equipment Division. Intevac plans to begin commercial sales late in 2002.

Photodiodes for Fiber Optic Communications

Photodiodes are an essential part of today's fiber optic communication systems. These systems transmit huge volumes of data at high speed in the form of light pulses transmitted down a thin fiber optic strand. A critical element of these systems is the photodiode that converts light pulses from the fiber optic into electrical signals. Intevac has applied its patented technology to the development of 10 gigabit per second and 40 gigabit per second Indium Gallium Arsenide – Indium Phosphide photodiodes. These photodiodes offer significant advantages over conventional Indium Gallium Arsenide detectors by combining high operating speed, good responsivity, low dark current, and high output. Intevac began furnishing samples of these devices in die form to fiber optic system component manufacturers during 2001.

Competition

We believe that the principal competitive factors affecting the markets for our products include price, product performance and functionality, integration and manageability of products, customer support and service, reputation and reliability. Intevac's equipment products experience intense competition worldwide from competitors including Anelva Corporation, Ulvac Japan, Ltd. and Unaxis Holdings, Ltd., each of which have sold substantial numbers of systems worldwide. Anelva, Ulvac and Unaxis all have substantially greater financial, technical, marketing, manufacturing and other resources than Intevac. There can be no assurance that Intevac's competitors will not develop enhancements to, or future generations of, competitive products that offer superior price or performance features or that new competitors will not enter Intevac's markets and develop such enhanced products.

Given the lengthy sales cycle and the significant investment required to integrate equipment into the manufacturing process, Intevac believes that once a manufacturer has selected a particular supplier's equipment for a specific application, that manufacturer generally relies upon that supplier's equipment and frequently will continue to purchase any additional equipment for that application from the same supplier. Accordingly, competition for customers in the equipment industry is intense, and suppliers of equipment may offer substantial pricing concessions and incentives to attract new customers or retain existing customers.

Intevac believes that its Photonics products are significantly differentiated from and offer significant advantages over other competing products and technologies and that the Company has favorable patent protection for much of its Photonics technology. However, the Company believes that competitors will arise for its Photonics products, and that these competitors may have greater resources than the Company.

Research and Development

Intevac's products serve markets characterized by rapid technological change and evolving industry standards. Intevac routinely invests substantial amounts in research and development and expects to continue an active development program. Intevac's research and development expenses were $14.5 million, $10.6 million and $14.1 million, respectively, in 2001, 2000 and 1999. Research and development expenses represented 28%, 29% and 33%, respectively, of net revenues in 2001, 2000 and 1999. Intevac expects that research and development spending will decline during 2002 as the result of the completion during 2001 of the majority of the design activities related to development of the D-STAR, RTP and MDP-200 platforms.

Research and development expenses do not include costs of $8.0 million, $6.0 million and $5.9 million in 2001, 2000 and 1999, respectively, related to Photonics contract research and development which are included in cost of goods sold. Research and development expenses also do not include costs of $0.5 million, $0.7 million and $1.1 million incurred by Intevac in 2001, 2000 and 1999, respectively, and reimbursed under the terms of research and development cost sharing agreements related to development of disk and flat panel manufacturing equipment.

Sales Channel, Customers and Marketing

Domestic sales are made by the Company's direct sales force, whereas international sales are made by distributors and representatives that provide services such as sales, installation, warranty and customer support. The Company also has a subsidiary in Singapore to support customers in Southeast Asia. Through the second quarter of 2000, Intevac marketed its flat panel manufacturing equipment to the Far East through its Japanese joint venture, IMAT. During the third quarter of 2000 the Company and its joint venture partner, Matsubo, transferred IMAT's activities and employees to Matsubo, which became a distributor of the Company's flat panel products, and shut down the operations of IMAT.

The selling process for Intevac's equipment products is often a multi-level and long-term process involving individuals from marketing, engineering, operations, customer service and senior management. The process involves making samples for the prospective customer and responding to individual needs for moderate levels of machine customization. Installing and integrating new equipment requires a substantial investment by a customer. Sales of Intevac's systems depend, in significant part, upon the decision of a prospective

customer to replace obsolete equipment or to increase manufacturing capacity by upgrading or expanding existing manufacturing facilities or constructing new manufacturing facilities, all of which typically involve a significant capital commitment. Therefore, customers often require a significant number of product presentations and demonstrations before making a purchasing decision. Accordingly, Intevac's systems typically have a lengthy sales cycle, during which Intevac may expend substantial funds and management time and effort with no assurance that a sale will result.

The selling process for Intevac's Photonics business primarily involves the solicitation of contracts and subcontracts from government agencies and from government contractors and subcontractors. Some contracts are bid at a fixed price, some contracts are bid at cost plus a fee and some contracts are bid on a cost-sharing basis. The sales process involves government procurement regulations and is dependant on the continuing availability of government funding for the Company's research programs. Future production orders for Intevac's military products depend on the government funding of weapons systems that will utilize Intevac products such as LIVAR.

Historically, a significant portion of the Company's revenues in any particular period have been attributable to sales to a limited number of customers. In 2001, Equipment sales through Matsubo, the Company's Japanese distributor, accounted for 49% of net revenues. In 2000, MMC Technology, Seagate, Westt and Matsubo each accounted for more than 10% of Intevac's consolidated revenues and in aggregate accounted for 56% of net revenues. In 1999, Matsubo, Seagate and Lockheed Martin each accounted for more than 10% of Intevac's consolidated revenues and in aggregate accounted for 66% of net revenues. Intevac's largest customers change from period to period and it is expected that sales of its products to relatively few customers will continue to account for a high percentage of its net revenues in the foreseeable future.

Foreign sales accounted for 73% of revenues in 2001, 27% of revenues in 2000 and 60% of revenues in 1999. The majority of Intevac's foreign sales are to companies in the Far East and Intevac anticipates that sales to customers in the Far East will continue to be a significant portion of its Equipment revenues.

Customer Support

Intevac provides process and applications support, customer training, installation, start-up assistance and emergency service support to its customers. Process and applications support is provided by Intevac's equipment process engineers who also visit customers at their plants to assist in process development projects. Intevac conducts training classes for process engineers, machine operators and machine service personnel. Additional training is also given during the machine installation. Installation and start up support is generally provided within the United States by the Intevac customer service organization. This group also assists with the installation and start up of systems in overseas locations as required.

Intevac generally provides a one-year warranty on its equipment. During this warranty period any necessary non-consumable parts are supplied and installed. Intevac employees provide field service support primarily in the United States, Singapore and Malaysia. In other countries, field service support is provided by Intevac's distributors and sales representatives, supplemented by Intevac factory support. Intevac and its distributors stock consumables and spare parts to support the installed base of systems. These parts are available on a 24-hour per day basis.

Manufacturing

All of Intevac's manufacturing is conducted at its facility in Santa Clara, California. Intevac's Equipment manufacturing operations include electromechanical assembly, mechanical and vacuum assembly, fabrication of the sputter sources and system assembly, alignment and testing. Intevac's Photonics manufacturing operations include growth of advanced photocathodes and assembly of complex vacuum devices under clean room conditions utilizing a number of advanced processing techniques. Intevac makes extensive use of the infrastructure serving the semiconductor equipment business. Intevac purchases vacuum pumps, valves, instrumentation and fittings, power supplies, printed wiring board assemblies, computers and control circuitry and custom mechanical parts made by forging, machining and welding. Intevac has a well-equipped

fabrication center that manufactures a portion of the fabricated parts used in Intevac products and fabricates parts for commercial customers.

Intevac's manufacturing strategy is to operate with low fixed costs, to produce high quality, cost-effective systems and low cost replacement parts and to be able to respond effectively to changes in volume. To do this, Intevac currently designs its products to use standard parts where possible. Intevac performs manufacturing activities that add value or that require unique technology or specialized knowledge and, taking advantage of its Silicon Valley location, utilizes subcontractors to perform other manufacturing activities.

Backlog

Intevac's backlog was $30.6 million and $42.1 million at December 31, 2001 and December 31, 2000, respectively. Intevac includes in its backlog only those customer orders for systems, component parts and contract research and development for which it has accepted signed purchase orders with assigned delivery dates. The equipment requirements of Intevac's customers cannot be determined with accuracy, and therefore Intevac's backlog at any certain date may not be indicative of future demand for Intevac's products.

The reduction in backlog was primarily due to a reduction in the number of FPD deposition systems on order. The Company delivered 5 systems in 2001 and has 1 system in backlog at December 31, 2001. Intevac's backlog at December 31, 2001 is mostly scheduled for delivery or customer acceptance during the first half of 2002.

Patents and Licensing

Intevac currently holds 36 patents issued in the United States and 22 patents issued in foreign countries, and has patent applications pending in the United States and foreign countries. Of the 36 U.S. patents, 12 relate to disk equipment, 12 relate to flat panel equipment and 12 relate to photonics. Four foreign patents relate to disk equipment, 5 relate to flat panel equipment and 13 relate to photonics. In addition, Intevac has the right to utilize certain patents under licensing arrangements with Litton Industries, Stanford University, Lawrence Livermore Laboratories and Alum Rock Technology.

Employees

At December 31, 2001, Intevac had 183 employees, including 7 contract employees. 84 of these employees were in research and development, 67 in manufacturing, and 32 in administration, customer support and marketing.

Certain Factors Which May Affect Future Operating Results

$37.5 Million of convertible notes are outstanding and will mature in 2004.

In connection with the sale of $57.5 million of its 6 1/2% Convertible Subordinated Notes Due 2004 (the "Convertible Notes") in February 1997, Intevac incurred a substantial increase in the ratio of long-term debt to total capitalization (shareholders' equity plus long-term debt). At the noteholder's option, the Convertible Notes may be exchanged, prior to maturity, into Intevac common shares at a price of $20.625 per share, which is substantially above current market price. During 2001 and 1999 Intevac spent a total of $11.9 million to repurchase $20.0 million of the Convertible Notes. The $37.5 million of the Convertible Notes that remain outstanding as of December 31, 2001 commit Intevac to substantial principal and interest obligations that are significantly in excess of the Company's $18.2 million cash balance at December 31, 2001. Intevac may, from time to time, repurchase and retire additional Convertible Notes prior to their maturity date.

The degree to which Intevac is leveraged could have an adverse effect on Intevac's ability to obtain additional financing for working capital, acquisitions or other purposes, and could make it more vulnerable to industry downturns and competitive pressures. Intevac's ability to meet its debt service obligations will be dependent on Intevac's future performance, which will be subject to financial, business and other factors affecting the operations of Intevac, many of which are beyond its control. In the event that the Company's noteholders do not choose to exchange their Convertible Notes for Intevac common stock prior to the

Convertible Notes 2004 maturity date, then the Company will be required to repay the Convertible Notes at maturity. If this is the case, then there can be no assurance that the Company will have generated sufficient cash from operations to repay the Convertible Notes without raising additional capital through the sale of additional debt or equity. Additionally, there can be no assurance that the Company will be able to secure additional equity and/or debt financing on terms favorable to the Company and its shareholders.

The majority of Intevac's new products address new and emerging markets.

Intevac has invested heavily in the development of products that address new markets. The Equipment Division has developed a flexible deposition tool and a rapid thermal processing tool to address growing segments of the FPD equipment market that are intended to displace products offered by competing manufacturers. The Photonics Division's LIVAR target identification system and low-cost low-light level camera products are designed to offer significantly improved capability relative to any products currently offered in the marketplace. Additionally, the Photonics Division is entering a new market for the Company with its photodiodes for fiber optic communication systems. Failure of these products to perform as intended or to successfully penetrate these new markets and develop into profitable product lines will have an adverse effect on Intevac's business.

Demand for capital equipment is cyclical.

Intevac's sells capital equipment to capital intensive industries, which sell commodity products such as flat panel displays and disk drives. These industries operate with high fixed costs. When demand for these commodity products exceeds capacity, then demand for new capital equipment such as Intevac's tends to be amplified. When supply of these commodity products exceeds capacity, then demand for new capital equipment such as Intevac's tends to be depressed. The cyclical nature of the capital equipment industry means that in some years sales of new systems by the Company will be unusually high, and that in other years sales of new systems by the Company will be severely depressed. Failure to anticipate or respond quickly to the industry business cycle could have an adverse effect on Intevac's business.

The Equipment Business is subject to rapid technical change.

Intevac's ability to remain competitive requires substantial investments in research and development. The failure to develop, manufacture and market new systems, or to enhance existing systems, will have an adverse effect on Intevac's business. From time to time in the past, Intevac has experienced delays in the introduction of, and technical difficulties with, some of its systems and enhancements. Intevac's future success in developing and selling equipment will depend upon a variety of factors, including accurate prediction of future customer requirements, technology advances, cost of ownership, introduction of new products on schedule, cost-effective manufacturing and product performance in the field. Intevac's new product decisions and development commitments must anticipate continuously evolving industry requirements significantly in advance of sales. Any failure to accurately predict customer requirements and to develop new generations of products to meet those requirements would have an adverse effect on Intevac's business.

Our products are complex, constantly evolving and are often designed and manufactured to individual customer requirements that require additional engineering.

Intevac's Equipment Division products have a large number of components and are highly complex. Intevac may experience delays and technical and manufacturing difficulties in future introductions or volume production of new systems or enhancements. In addition, some of the systems built by Intevac must be customized to meet individual customer site or operating requirements. Intevac has limited manufacturing capacity and engineering resources and may be unable to complete the development, manufacture and shipment of its products, or to meet the required technical specifications for its products in a timely manner. Such delays could lead to rescheduling of orders in backlog, or in extreme situations, to cancellation of orders. In addition, Intevac may incur substantial unanticipated costs early in a product's life cycle, such as increased engineering, manufacturing, installation and support costs which may not be able to be passed on to the customer. In some instances, Intevac is dependent upon a sole supplier or a limited number of suppliers for

complex components or sub-assemblies utilized in its products. Any of these factors could adversely affect Intevac's business.

The Photonics Business does not yet generate significant revenues from product sales.

To date the activities of the Photonics Division have concentrated on the development of its technology and prototype products that demonstrate this technology. Revenues have been derived primarily from research and development contracts funded by the United States Government and its contractors. The Company continues to develop standard Photonics products for sale to military and commercial customers. The Photonics Division will require substantial further investment in sales and marketing, in product development and in additional production facilities to support the planned transition to volume sales of Photonics products to military and commercial customers. There can be no assurance that the Company will succeed in these activities and generate significant sales of products based on its Photonics technology.

The sales of our Equipment products are dependent on substantial capital investment by our customers.

The purchase of Intevac's systems, along with the purchase of other related equipment and facilities, requires extremely large capital expenditures by our customers. These costs are far in excess of the cost of the Intevac systems alone. The magnitude of such capital expenditures requires that our customers have access to large amounts of capital and that they be willing to invest that capital over long periods of time to be able to purchase our equipment. Some of our customers may not be willing, or able, to make the magnitude of capital investment required.

Rapid increases in areal density are reducing the number of thin-film disks required per disk drive.

Over the past few years the amount of data that can be stored on a single thin-film computer disk has been increasing at approximately 100% per year. Although the number of disk drives produced has continued to increase each year, the growth in areal density has resulted in a reduction in the number of disks required per disk drive. TrendFocus, a market research firm specializing in the disk drive industry, projects that the number of thin-film disks used worldwide declined in 2001 from 2000 levels and are expected to remain at the same level in 2002. Without a significant technological change or an increase in the number of disks required, Intevac's disk equipment sales are largely limited to upgrades of existing systems, rather than capacity expansion or system replacement.

Our competitors are large and well financed and competition is intense.

Intevac experiences intense competition in the Equipment Division. For example, Intevac's equipment products experience competition worldwide from competitors including Anelva Corporation, Ulvac Japan, Ltd. and Unaxis Holdings, Ltd., each of which have sold substantial numbers of systems worldwide. Anelva, Ulvac and Unaxis all have substantially greater financial, technical, marketing, manufacturing and other resources than Intevac. There can be no assurance that Intevac's competitors will not develop enhancements to, or future generations of, competitive products that will offer superior price or performance features or that new competitors will not enter Intevac's markets and develop such enhanced products.

Given the lengthy sales cycle and the significant investment required to integrate equipment into the manufacturing process, Intevac believes that once a manufacturer has selected a particular supplier's equipment for a specific application, that manufacturer generally relies upon that supplier's equipment and frequently will continue to purchase any additional equipment for that application from the same supplier. Accordingly, competition for customers in the equipment industry is intense, and suppliers of equipment may offer substantial pricing concessions and incentives to attract new customers or retain existing customers.

Intevac's business is dependent on its intellectual property.

There can be no assurance that:

• any of Intevac's pending or future patent applications will be allowed or that any of the allowed applications will be issued as patents, or

• any patent owned by Intevac will not be invalidated, deemed unenforceable, circumvented or challenged, or

• the rights granted under our patents will provide competitive advantages to Intevac, or

• any of Intevac's pending or future patent applications will be issued with claims of the scope sought by Intevac, if at all, or

• others will not develop similar products, duplicate Intevac's products or design around the patents owned by Intevac, or

• patent rights, intellectual property laws or Intevac's agreements will adequately protect Intevac's intellectual property rights.

Failure to adequately protect Intevac's intellectual property rights could have an adverse effect upon Intevac's business.

From time to time Intevac has received claims that it is infringing third parties' intellectual property rights. There can be no assurance that third parties will not in the future claim infringement by Intevac with respect to current or future patents, trademarks, or other proprietary rights relating to Intevac's disk sputtering systems, flat panel manufacturing equipment or other products. Any present or future claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require Intevac to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to Intevac, or at all. Any of the foregoing could have an adverse effect upon Intevac's business.

Our operating results fluctuate significantly.

Over the last eight quarters Intevac's operating loss as a percentage of net revenues has fluctuated between approximately (59%) and (1%) of net revenues. Over the same period sales per quarter have fluctuated between $23.6 million and $5.9 million. Intevac anticipates that its sales and operating margins will continue to fluctuate. As a result, period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

Operating costs in northern California are high.

Intevac's operations are located in Santa Clara, California. The cost of living in northern California is extremely high, which increases both the cost of doing business and the cost and difficulty of recruiting new employees. Intevac's operating results depend in significant part upon its ability to effectively manage costs and to retain and attract qualified management, engineering, marketing, manufacturing, customer support, sales and administrative personnel. The failure to control costs and to attract and retain qualified personnel could have an adverse effect on Intevac's business.

Business interruptions could adversely affect our business.

Intevac's operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure and other events beyond our control. Additionally, the costs of electricity and natural gas have increased significantly. Any further cost increases will impact the Company's ability to achieve profitability.

A majority of our sales are to international customers.

Sales and operating activities outside of the United States are subject to inherent risks, including fluctuations in the value of the United States dollar relative to foreign currencies, tariffs, quotas, taxes and other market barriers, political and economic instability, restrictions on the export or import of technology, potentially limited intellectual property protection, difficulties in staffing and managing international operations and potentially adverse tax consequences. Intevac earns a significant portion of its revenue from international sales, and there can be no assurance that any of these factors will not have an adverse effect on Intevac's business.

Intevac generally quotes and sells its products in US dollars. However, in some cases, Intevac has quoted and sold its products in Japanese Yen. In those cases Intevac may enter into foreign currency contracts in an effort to reduce the overall risk of currency fluctuations to Intevac's business. However, there can be no assurance that the offer and sale of products denominated in foreign currencies, and the related foreign currency hedging activities will not adversely affect Intevac's business.

Intevac's two principal competitors for disk sputtering equipment are based in foreign countries and have cost structures based on foreign currencies. Accordingly, currency fluctuations could cause Intevac's products to be more, or less, competitive than its competitors' products. Currency fluctuations will decrease, or increase, Intevac's cost structure relative to those of its competitors, which could impact Intevac's competitive position.

Intevac's stock price is volatile.

Intevac's stock price has experienced both significant increases in valuation, and significant decreases in valuation, over short periods of time. Intevac believes that factors such as announcements of developments related to Intevac's business, fluctuations in Intevac's operating results, failure to meet securities analysts' expectations, general conditions in the disk drive and thin-film media manufacturing industries and the worldwide economy, announcements of technological innovations, new systems or product enhancements by Intevac or its competitors, fluctuations in the level of cooperative development funding, acquisitions, changes in governmental regulations, developments in patents or other intellectual property rights and changes in Intevac's relationships with customers and suppliers could cause the price of Intevac's Common Stock to continue to fluctuate substantially. In addition, in recent years the stock market in general, and the market for small capitalization and high technology stocks in particular, has experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any of these factors could adversely affect the market price of Intevac's Common Stock.

Intevac routinely evaluates acquisition candidates and other diversification strategies.

Intevac has completed multiple acquisitions as part of its efforts to expand and diversify its business. For example, Intevac's business was initially acquired from Varian Associates in 1991. Additionally, Intevac acquired its current gravity lubrication, CSS test equipment and rapid thermal processing product lines in three acquisitions. Intevac also acquired its RPC electron beam processing business in late 1997, and subsequently closed this business. Intevac intends to continue to evaluate new acquisition candidates and diversification strategies. Any acquisition will involve numerous risks, including difficulties in the assimilation of the acquired company's employees, operations and products, uncertainties associated with operating in new markets and working with new customers, and the potential loss of the acquired company's key employees. Additionally, unanticipated expenses, difficulties and consequences may be incurred relating to the integration of technologies, research and development, and administrative functions. Any future acquisitions may result in potentially dilutive issuance of equity securities, acquisition related write-offs and the assumption of debt and contingent liabilities. Any of the above factors could adversely affect Intevac's business.

Intevac uses hazardous materials.

Intevac is subject to a variety of governmental regulations relating to the use, storage, discharge, handling, emission, generation, manufacture, treatment and disposal of toxic or otherwise hazardous substances, chemicals, materials or waste. Any failure to comply with current or future regulations could result

in substantial civil penalties or criminal fines being imposed on Intevac or its officers, directors or employees, suspension of production, alteration of its manufacturing process or cessation of operations. Such regulations could require Intevac to acquire expensive remediation or abatement equipment or to incur substantial expenses to comply with environmental regulations. Any failure by Intevac to properly manage the use, disposal or storage of, or adequately restrict the release of, hazardous or toxic substances could subject Intevac to significant liabilities.

A majority of the Common Stock outstanding is controlled by the directors and executive officers of Intevac.

Based on the shares outstanding on December 31, 2001, the current directors and their affiliates and executive officers, in the aggregate, beneficially own a majority of the outstanding shares of Common Stock. These shareholders, acting together, are able to effectively control all matters requiring approval by the shareholders of Intevac, including the election of a majority of the directors and approval of significant corporate transactions. The Company's directors also hold 7% of the outstanding Convertible Notes.

Item 2. ***Properties***

Intevac leases its 119,583 square foot facility in Santa Clara, California. The lease for this building expires in March 2007. Intevac has an option to extend the lease for an additional five-year period, with a monthly base rent to be negotiated by Intevac and the lessor. If Intevac and the lessor are unable to reach agreement with respect to such monthly base rent, an appraisal process set forth in the lease will determine the monthly base rent for the extension. Intevac also leases a facility of approximately 2,400 square feet in Singapore to house the Singapore customer support organization. This lease expires in December 2002. Intevac believes that its current facilities are suitable and adequate for its current and foreseeable operations. Intevac operates with one full manufacturing shift and one partial manufacturing shift. Intevac believes that it currently has sufficient productive capacity to meet its current needs.

Item 3. ***Legal Proceedings***

On June 12, 1996 two Australian Army Black Hawk Helicopters collided in midair during nighttime maneuvers. Eighteen Australian servicemen perished and twelve were injured. The Company was named as a defendant in a lawsuit related to this crash. The lawsuit was filed in Stamford, Connecticut Superior Court on June 10, 1999 by Mark Durkin, the administrator of the estates of the deceased crewmembers, the injured crewmembers and the spouses of the deceased and/or injured crewmembers. Included in the suit's allegations are assertions that the crash was caused by defective night vision goggles. The suit names three US manufacturers of military night vision goggles, of which Intevac was one. The suit also names the manufacturer of the pilot's helmets, two manufacturers of night vision system test equipment and the manufacturer of the helicopter. The suit claims damages for 13 personnel killed in the crash, 5 personnel injured in the crash and spouses of those killed or injured. It is known that the Australian Army established a Board of Inquiry to investigate the accident and that the Board of Inquiry concluded that the accident was not caused by defective night vision goggles.

On July 27, 2000 the Connecticut Superior Court disallowed the defendants' motion to dismiss the lawsuit. That decision was appealed to the Connecticut Supreme Court. On October 30, 2001 the Connecticut Supreme Court reversed the Superior Court's decision and remanded the case to the trial court with the direction to grant the defendants' motions to dismiss the suit subject to conditions already agreed to by the defendants. These conditions agreed to by the defendants include (1) consenting to jurisdiction in Australia; (2) accepting service of process in connection with an action in Australia; (3) making their personnel and records available for litigation in Australia; (4) waiving any applicable statutes of limitation in Australia up to six months from the date of dismissal of this action or for such other reasonable time as may be required as a condition of dismissing this action; (5) satisfying any judgement that may be entered against them in Australia; and (6) consenting to the reopening of the action in Connecticut in the event the above conditions are not met as to any proper defendant in the action. At this time, the plaintiffs have not chosen to

recommence litigation against the Company in Australia. Any such action could expose Intevac to further risk, plus the expense and uncertainties of defending the matter in a distant foreign jurisdiction.

On June 12, 2001 the Company filed a complaint in Santa Clara County Superior Court, State of California, against Intarsia Corporation. The complaint related to Intarsia's cancellation of an order for a customized sputtering system and sought damages of at least $3.3 million. On July 26, 2001 Intarsia filed a cross-complaint against the Company in the Santa Clara County Superior Court. On August 14, 2001, the Company filed a demurrer to the cross-complaint, and on October 11, 2001, Intarsia filed an amended cross-complaint. The amended cross-complaint included allegations of fraud, negligent misrepresentation, breach of contract and breach of covenant of good faith and fair dealing, and sought damages in the amount of $349,000 plus additional relief as may have been deemed appropriate by the court. On February 1, 2002 the Company and Intarsia executed a stipulation for settlement which resolved the matter. The terms of the stipulation will not result in any material effect on the Company's financial results.

Item 4. ***Submission of Matters to a Vote of Security-Holders***

No matters were submitted to a vote of security-holders during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K.

EXECUTIVE OFFICERS AND DIRECTORS

Certain information about Intevac's directors and executive officers is listed below:

Name	Age	Position
Executive Officers and Directors:		
Norman H. Pond	63	Chairman of the Board
Kevin Fairbairn	48	President, Chief Executive Officer and Director
Verle Aebi	47	President of Photonics Division
Charles B. Eddy III	51	Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary
Edward Durbin(1)	74	Director
George L. Farinsky(1)	67	Director
Robert D. Hempstead	58	Director
David N. Lambeth(1)(2)	54	Director
H. Joseph Smead(2)	76	Director

(1) Member of Audit Committee

(2) Member of Compensation Committee

Mr. Pond is a founder of Intevac and has served as Chairman of the Board since February 1991. Mr. Pond served as President and Chief Executive Officer from February 1991 until July 2000 and again from September 2001 through January 2002. Before joining Intevac, from 1988 to 1990, Mr. Pond served as President and Chief Operating Officer of Varian Associates, Inc., a publicly held manufacturer of semiconductor, communication, defense and medical products where he was responsible for overall management of Varian's operations. From 1984 to 1988, Mr. Pond was President of Varian's Electron Device and Systems Group and became a Director of Varian in 1986. Mr. Pond holds a BS in physics from the University of Missouri at Rolla and a MS in physics from the University of California at Los Angeles.

Mr. Fairbairn joined Intevac as President and Chief Executive Officer in January 2002 and was appointed a Director of the Company in February 2002. Before joining Intevac, from July 1985 to January 2002, Mr. Fairbairn was employed by Applied Materials, most recently as Vice-President and General Manager of the Conductor Etch Organization with responsibility for the Silicon and Metal Etch Divisions. From 1996 to 1999, Mr. Fairbairn was General Manager of Applied's Plasma Enhanced Chemical Vapor Deposition

Business Unit and from 1993 to 1996, he was General Manager of Applied's Plasma Silane CVD Product Business Unit. Mr. Fairbairn holds a MA in Engineering Sciences from Cambridge University.

Mr. Aebi has served as President of the Photonics Division since July 2000. Mr. Aebi served as General Manager of the Photonics Division since May 1995 and was elected as a Vice President of the Company in September 1995. From 1988 through 1994, Mr. Aebi was the Engineering Manager of the Company's night vision business, where he was responsible for new product development in the areas of advanced photocathodes and image intensifiers. Mr. Aebi holds a BS in physics and an MS in electrical engineering from Stanford University.

Mr. Eddy has served as Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary of Intevac since April 1991. Mr. Eddy served as Chief Financial Officer of Videonics, Inc., a manufacturer of consumer video editing equipment, from 1987 to 1991 and served as Chief Financial Officer of Parallel Computers, Inc., a startup computer company, from 1983 to 1987. Mr. Eddy was with Intel Corporation from 1974 to 1983 where he served in a variety of positions, including controller and plant manager. Mr. Eddy holds a BS in engineering science from the University of Virginia and a MBA from Dartmouth College.

Mr. Durbin has served as a Director of Intevac since February 1991. Mr. Durbin joined Kaiser Aerospace and Electronics Corporation, a privately held manufacturer of electronic and electro-optical systems, in 1975 and served as Vice Chairman with responsibility for marketing and business development until January 2001. Mr. Durbin holds a BS in electrical engineering from The Cooper Union and a MS in electrical engineering from the Polytechnic Institute of Brooklyn.

Mr. Farinsky has served as a Director of Intevac since May 2001. Mr. Farinsky has been an investor and consultant since he retired as a corporate financial executive in 1991. From 1987 to 1991 he was Executive Vice President and Chief Financial Officer of Ashton-Tate Corporation. Prior to joining Ashton-Tate, he held executive management positions at the Bank of British Columbia, Dysan Corporation, Kaiser Resources, Ltd, Kaiser Industries Corporation, Mattel, Inc. and Teledyne, Inc. Mr. Farinsky holds a BS in business administration from the University of San Francisco and is a Certified Public Accountant licensed in California, but is not engaged in public practice. Mr. Farinsky is also a director of Broadcom Corporation.

Dr. Hempstead has served as a Director of Intevac since March 1997 and served as Chief Operating Officer of Intevac from April 1996 through June 1999. Before joining Intevac, Dr. Hempstead served as Executive Vice President of Censtor Corp., a manufacturer of computer disk drive heads and disks, from November 1994 to February 1996. He was a self-employed consultant from 1989 to November 1994. Dr. Hempstead is currently Chief Technology Officer at Veeco Instruments. Dr. Hempstead holds a BS and MS in electrical engineering from Massachusetts Institute of Technology and a Ph.D. in physics from the University of Illinois.

Dr. Lambeth has served as a Director of Intevac since May 1996. Dr. Lambeth has been Professor of both Electrical and Computer Engineering and Material Science Engineering at Carnegie Mellon University since 1989. Dr. Lambeth was Associate Director of the Data Storage Systems at Carnegie Mellon University from 1989 to 1999. Since 1988, Dr. Lambeth has been the owner of Lambeth Systems, an engineering consulting and research firm. From 1973 to 1988, Dr. Lambeth worked at Eastman Kodak Company's Research Laboratories, most recently as the head of the Magnetic Materials Laboratory. Dr. Lambeth holds a BS in electrical engineering from the University of Missouri and a Ph.D. in physics from the Massachusetts Institute of Technology.

Dr. Smead has served as a Director of Intevac since February 1991. Dr. Smead joined Kaiser Aerospace and Electronics Corporation ("Kaiser") in 1974 and served as Kaiser's President from 1974 until October 1997. Dr. Smead served as President and Chairman of the Board of Directors of K Systems, Inc., Kaiser's parent company, from 1977 until October 1997. Dr. Smead served as Chairman of the Board of Directors of Kaiser until December 1999. Dr. Smead resigned as a director of Kaiser and its subsidiaries in December 2000. Dr. Smead holds a BS in electrical engineering from the University of Colorado, a MS in electrical engineering from the University of Washington and a Ph.D. in electrical engineering from Purdue University.

PART II

Item 5. *Market for Registrant's Common Equity and Related Shareholder Matters*

Intevac's Common Stock commenced trading on the Nasdaq National Market on November 21, 1995 and is traded under the symbol "IVAC." As of December 31, 2001, there were approximately 2,000 holders of record of the Common Stock. The following table sets forth for the periods indicated the high and low closing sale prices for the Common Stock as reported on the Nasdaq National Market.

	High	Low
Fiscal 2000		
First Quarter	$8.000	$3.500
Second Quarter	$4.625	$2.688
Third Quarter	$7.090	$3.313
Fourth Quarter	$5.130	$3.130
Fiscal 2001		
First Quarter	$5.890	$3.500
Second Quarter	$5.950	$4.400
Third Quarter	$4.980	$1.950
Fourth Quarter	$4.240	$2.380

Dividend Policy

Intevac currently anticipates that it will retain its earnings, if any, for use in the operation of its business and does not expect to pay cash dividends on its capital stock in the foreseeable future.

Item 6. ***Selected Consolidated Financial Data***

The following selected financial data of Intevac is qualified by reference to and should be read in conjunction with the consolidated financial statements of Intevac, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations, each appearing elsewhere in this report.

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(In thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues	$ 51,484	$ 36,049	$ 42,962	$ 95,975	$133,207
Cost of net revenues	41,729	34,059	40,410	71,717	91,255
Gross profit	9,755	1,990	2,552	24,258	41,952
Operating expenses:					
Research and development	14,478	10,576	14,136	12,473	10,716
Selling, general and administrative	6,745	4,415	7,226	10,879	11,399
Restructuring and other	—	(638)	3,069	1,088	—
Acquired in-process research and development	—	—	—	—	299
Total operating expenses	21,223	14,353	24,431	24,710	22,414
Operating income (loss)	(11,468)	(12,363)	(21,879)	(452)	19,538
Interest expense	(2,912)	(3,033)	(3,711)	(4,187)	(3,581)
Interest income and other income, net	1,065	3,072	3,632	3,176	3,268
Income (loss) from continuing operations before income taxes	(13,315)	(12,324)	(21,958)	(1,463)	19,225
Provision for (benefit from) income taxes	4,424	—	(8,344)	(882)	6,728
Income (loss) from continuing operations	(17,739)	(12,324)	(13,614)	(581)	12,497
Income from discontinued operations, net	—	—	—	1,005	—
Income from repurchase of convertible notes, net	803	—	3,844	—	—
Net income (loss)	$(16,936)	$(12,324)	$ (9,770)	$ 424	$ 12,497
Basic earnings per share:					
Income (loss) from continuing operations	$ (1.48)	$ (1.04)	$ (1.16)	$ (0.05)	$ 1.00
Net income (loss)	$ (1.42)	$ (1.04)	$ (0.83)	$ 0.04	$ 1.00
Shares used in per share calculations	11,955	11,803	11,777	12,052	12,514
Diluted earnings per share:					
Income (loss) from continuing operations	$ (1.48)	$ (1.04)	$ (1.16)	$ (0.05)	$ 0.94
Net income (loss)	$ (1.42)	$ (1.04)	$ (0.83)	$ 0.03	$ 0.94
Shares used in per share calculations	11,955	11,803	11,777	12,354	15,385
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 18,157	$ 38,403	$ 40,895	$ 60,916	$ 71,142
Working capital	27,160	41,093	51,579	77,774	78,025
Total assets	60,165	83,936	94,382	122,976	147,794
Long-term debt	37,545	41,245	43,188	59,461	59,480
Total shareholders' equity	1,408	17,804	29,623	40,436	42,435

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis contains forward-looking statements which involve risks and uncertainties. Words such as "believes," "expects," "anticipates" and the like indicate forward-looking statements. Intevac's actual results may differ materially from the results discussed in the forward-looking statements for a variety of reasons, including those set forth under "Certain Factors Which May Affect Future Operating Results" and should be read in conjunction with the Consolidated Financial Statements and related Notes contained elsewhere in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). We review the accounting policies we use in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable, inventories, income taxes, warranty obligations, long-lived assets, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Results may differ from these estimates due to actual outcomes being different from those on which we based our assumptions. These estimates and judgments are reviewed by management on an ongoing basis. The Audit Committee and our auditors review significant estimates and judgements at the end of each quarter prior to the public release of our financial results.

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of this Form 10-K. We believe the following critical accounting policies affect the more significant judgments and estimates made in the preparation of our consolidated financial statements.

Revenue Recognition — Intevac recognizes revenue using the guidance from SEC Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements." Intevac's revenue recognition policy requires that there be persuasive evidence of a sales contract, that the price is fixed, that title has transferred, that product payment is not contingent on any factors and is reasonably assured, and that the Company has completed all the material tasks and deliverables required by the contract.

Revenues for systems are recognized upon customer acceptance. For large deposition and RTP systems shipped through a distributor, revenue is typically recognized after the distributor has accepted the system at Intevac's factory and the system has been shipped. For large deposition and RTP systems sold direct to end customers, revenue is recognized after installation and acceptance of the system at the customer site. When the Company believes that there may be higher than normal end user installation and acceptance issues for systems shipped through a distributor, such as when the first unit of a newly designed system is delivered, then the Company defers revenue recognition until the distributor's customer has also accepted the system. Revenues for technology upgrades, spare parts, consumable and prototype products built by the Photonics Division are generally recognized upon shipment. Service and maintenance contract revenue, which to date has been insignificant, is recognized ratably over applicable contract periods or as the service is performed.

The Company performs best efforts research and development work under various research contracts. Revenue on these contracts is recognized in accordance with contract terms, typically as costs are incurred. Typically, for each contract, the Company commits to perform certain research and development efforts up to an agreed upon amount. In connection with these contracts, the Company receives funding on an incremental basis up to a ceiling. Some of these contracts are cost sharing in nature, where Intevac is reimbursed for a portion of the total costs expended. In addition, the Company has, from time to time, negotiated with a third party to fund a portion of the Company's costs in return for a joint interest to the Company's rights at the end of the contract. In the event a particular contract over-runs its agreed upon amount, the Company may be liable for the additional costs.

Inventories — Intevac makes provisions for potentially excess and obsolete inventory based on backlog and forecasted demand. However, order backlog is subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from forecasted demand due to a number of factors. For example, the thin-film disk industry has suffered from over capacity and poor financial results, which has led to industry consolidation. Consolidation can lead to the availability of used equipment that competes at very low prices with the Company's products. Financial stress and consolidation in the Company's customer base can also lead to the cancellation of orders for products after the Company has incurred substantial costs related to those orders. Such problems have resulted, and may continue to result, in excess and obsolete inventory, and the provision of related reserves.

Warranty — The Company's standard warranty is twelve months from customer acceptance. During this warranty period any necessary non-consumable parts are supplied and installed. A provision for the estimated warranty cost is recorded at the time revenue is recognized.

Valuation of long-lived and intangible assets and goodwill — We assess the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

When we determine that the carrying value of long-lived assets, intangibles or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

Results of Operations

Net revenues. Net revenues consist primarily of sales of equipment used to manufacture flat panel displays, equipment used to manufacture thin-film disks, related equipment and system components, and contract research and development related to the development of electro-optical devices and systems. Net revenues totaled $51.5 million, $36.0 million and $43.0 million in 2001, 2000 and 1999, respectively.

Equipment revenues totaled $42.7 million, $28.8 million and $36.0 million in 2001, 2000 and 1999, respectively. Equipment revenues increased in 2001 due to an increase in sales of flat panel manufacturing systems, partially offset by a decrease in sales of disk manufacturing systems, disk system upgrades and components. Equipment revenues decreased in 2000 from 1999 primarily due to a decrease in sales of disk manufacturing systems, and to a lesser extent flat panel manufacturing systems, partially offset by increased sales of disk system upgrades and components. Intevac believes that the market for FPD deposition equipment has significant growth potential. The Company delivered five of its D-STAR deposition systems during 2001 and at the end of 2001 had backlog for upgrades to the five systems and one new D-STAR. Nonetheless, the Company will need to broaden its customer base and secure additional D-STAR orders during the first half of 2002 to be able increase D-STAR sales in 2002. Additionally, the market for the Company's disk manufacturing equipment continues to face over-capacity and is undergoing consolidation. Future growth in this market will depend on the overall health of the industry, the availability of used equipment and technical obsolescence of the installed base of systems.

Photonics revenues totaled $8.8 million, $7.2 million and $7.0 million in 2001, 2000 and 1999, respectively. Photonics revenues increased in 2001 over 2000 as the result of increased revenues from contract

research and development. Photonics revenues increased from 1999 to 2000 as the result of an increase in shipments of prototype products, which was partially offset by a lower level of revenues from contract research and development. Photonics revenues in 2002 are expected to be primarily from contract research and development with limited revenue from products such as LIVAR target identification systems, EBAPS low-cost low-light-level cameras and photodiodes. Future growth in Photonics is dependent on the Company's success in capitalizing on its base of technology by bringing products such as EBAPS and photodiodes into commercial production and proliferating LIVAR into additional major military weapons programs.

Intevac's backlog of orders at December 31, 2001 was $30.6 million as compared to a December 31, 2000 backlog of $42.1 million. The reduction in backlog was primarily due to a reduction in the number of FPD deposition systems on order. Most of Intevac's backlog at December 31, 2001 is scheduled for either customer acceptance or delivery during the first half of 2002. The Company needs to book substantial orders with delivery scheduled in the second half of 2002 to cause 2002 sales to meet or exceed 2001 sales.

Significant portions of the Company's revenues in any particular period have been attributable to sales to a limited number of customers. In 2001, Equipment sales through Matsubo, the Company's Japanese distributor, accounted for 49% of net revenues. In 2000, MMC Technology, Seagate, Westt and Matsubo each accounted for more than 10% of Intevac's consolidated revenues and in aggregate accounted for 56% of net revenues. In 1999, Matsubo, Seagate and Lockheed Martin each accounted for more than 10% of Intevac's consolidated revenues and in aggregate accounted for 66% of net revenues. The Company's largest customers tend to change from period to period as a function of each customer's plans to renovate or to expand production capacity.

International sales totaled $37.3 million, $9.6 million and $25.7 million in 2001, 2000 and 1999, respectively. International sales accounted for 73%, 27% and 60% of net revenues in 2001, 2000 and 1999, respectively. The increase in international sales in 2001 over 2000 was primarily due to an increase in net revenues from flat panel manufacturing systems. The decrease in international sales from 1999 to 2000 was primarily due to a decrease in net revenues from disk manufacturing equipment. Substantially all of Intevac's international sales are to customers in the Far East.

Gross margin. Cost of net revenues consists primarily of purchased materials, fabrication, assembly, test and installation labor and overhead, warranty costs, royalties, provisions for inventory reserves, scrap and costs attributable to contract research and development. Gross margin was 19%, 6% and 6% in 2001, 2000 and 1999, respectively.

Gross margin in the Equipment Division was 23%, 12% and 7% in 2001, 2000 and 1999, respectively. Equipment gross margin improved in 2001, but was tempered by high initial costs to manufacture Intevac's redesigned flat panel manufacturing systems and establishment of $2.4 million of inventory reserves related to a cancelled order for a custom flat panel system. 2001 Equipment gross margin excluding the effect of the inventory reserve would have been 29%. Equipment gross margin in 2000 was negatively impacted by establishment of $5.1 million of reserves related to slow moving equipment inventory and a $0.8 million write-off of goodwill related to electronically swept source technology, which was acquired in 1996 and subsequently abandoned. 2000 Equipment gross margin excluding the effect of these two items would have been 32%. Gross margin in 1999 was adversely impacted by the under-absorption of manufacturing overhead due to low manufacturing volume, the sale of four used disk sputtering systems at heavily discounted prices, high initial costs of two new systems, write-down of RPC inventory related to the plan to discontinue RPC operations, payment of $0.5 million as part of the settlement of a patent claim and establishment of a $0.4 million cost to market reserve on a used MDP-250B disk sputtering system remaining in inventory.

Gross margin in the Photonics Division was (2%), (8%) and 7% in 2001, 2000 and 1999, respectively. Photonics gross margins in 2001 and 2000 have been negatively impacted by a significant portion of revenue being derived from cost-sharing research and development contracts versus fully funded research and development contracts in years prior to 2000. The Company expects that Photonics gross margins will fluctuate based on the relative mix of sales derived from prototype products, from fully funded research and development contracts and from cost-shared research and development contracts.

Research and development. Research and development expense consists primarily of prototype materials, salaries and related costs of employees engaged in ongoing research, design and development activities for flat panel manufacturing equipment, disk manufacturing equipment and research by the Photonics Division. Company funded research and development expense totaled $14.5 million, $10.6 million and $14.1 million in 2001, 2000 and 1999, respectively. The increase from 2000 to 2001 was primarily the result of increased expenses related to the development and redesign of flat panel manufacturing equipment and, to a lesser extent, the development of Photonics products. The decrease from 1999 to 2000 was primarily the result of lower expenses related to the development of disk manufacturing equipment.

Research and development expenses do not include costs of $8.0 million, $6.0 million and $5.9 million in 2001, 2000 and 1999, respectively, related to Photonics contract research and development which are included in cost of goods sold. Research and development expenses also do not include costs of $0.5 million, $0.7 million and $1.1 million incurred by Intevac in 2001, 2000 and 1999, respectively, and reimbursed under the terms of research and development cost sharing agreements related to development of disk and flat panel manufacturing equipment.

Selling, general and administrative. Selling, general and administrative expense consists primarily of selling, marketing, customer support, financial, travel, management, legal and professional services and bad debt expense. Domestic sales are made by the Company's direct sales force, whereas international sales are made by distributors and representatives that provide services such as sales, installation, warranty and customer support. The Company also has a subsidiary in Singapore to support customers in Southeast Asia. Through the second quarter of 2000, Intevac marketed its flat panel manufacturing equipment to the Far East through its Japanese joint venture, IMAT. During the third quarter of 2000 the Company and its joint venture partner, Matsubo, transferred IMAT's activities and employees to Matsubo, which became a distributor of the Company's flat panel products, and shut down the operations of IMAT.

Selling, general and administrative expense totaled $6.7 million, $4.4 million and $7.2 million in 2001, 2000 and 1999, respectively, representing 13%, 12% and 17% of net revenue. The increase from 2000 to 2001 was primarily due to a $1.5 million credit to bad debt expense recognized in 2000. The primary reasons for the decrease from 1999 to 2000 were the $1.5 million credit to bad debt expense and a $1.2 million reduction in expense from 1999 related to elimination of the electron beam processing equipment product line.

Restructuring and other expense (gain). Restructuring and other expense (gain) was ($0.6) million and $3.1 million in 2000 and 1999, respectively.

During the fourth quarter of 1999, the Company adopted a plan to discontinue operations at its RPC Technologies, Inc. electron beam processing equipment subsidiary and to close RPC's facility in Hayward, California and incurred a charge of $1.6 million in 1999 related to this plan. The employment of 26 employees was terminated as a result. In the first quarter of 2000, Intevac sold certain assets of the RPC Technologies, Inc. subsidiary to Quemex Technology. Proceeds from the sale included a cash payment, assumption of the Hayward facility lease and the assumption of certain other liabilities. Excluded from the sale were two previously leased systems and three completed systems remaining in inventory. The Company was able to reverse the portions of the restructuring reserve established to provide for future rents due on the facility and for the closure of the facility. However, since Intevac retained ownership of the two leased systems, the Company established an equivalent reserve to provide for any residual value at the end of the leases.

During the third quarter of 1999, the Company adopted an expense reduction plan that included closing one of the buildings at its Santa Clara facility and a reduction in force of 7 employees. The Company incurred a charge of $2.2 million in 1999 related to the expense reduction plan. In the fourth quarter of 1999, $0.1 million of the restructuring reserve was reversed due to lower than expected costs on the closure of the facility. During the first quarter of 2000, the Company vacated the building and negotiated a lease termination for that space with its landlord, which released the Company from the obligation to pay any rent after April 30, 2000. As a result, the Company reversed $0.6 million of the restructuring reserve during the first quarter of 2000. During the third quarter of 2000, the Company completed all activities related to closing the vacated portion of the building and reversed the remaining $23,000 of the restructuring reserve.

During the first quarter of 1999, the Company implemented a reduction in force of 27 employees and incurred a charge of $0.1 million related to severance costs for the affected employees.

Interest expense. Interest expense consists primarily of interest on the Convertible Notes issued in the first quarter of 1997, and, to a lesser extent, interest on approximately $2.0 million of long-term debt related to the purchase of Cathode Technology in 1996. Interest expense totaled $2.9 million, $3.0 million and $3.7 million in 2001, 2000 and 1999, respectively. The decline in interest expense was primarily the result of the repurchase by Intevac of $3.7 million and $16.3 million of the Convertible Notes during 2001 and 1999, respectively, and, to a lesser extent, the repayment of the Cathode Technology debt in January 2001.

Interest income and other, net. Interest income and other, net totaled $1.1 million, $3.1 million and $3.6 million in 2001, 2000 and 1999, respectively. Interest income and other, net in 2001 consisted of $1.2 million of interest income on investments, $0.4 million of dividends on Intevac's interest in 601 California Avenue LLC, a $0.8 million loss on the disposition of Pacific Gas and Electric commercial paper and $0.3 million of early payment discounts and other income. Interest income and other, net in 2000 consisted of $2.3 million of interest income on investments, $0.4 million of dividends on Intevac's interest in 601 California Avenue LLC, $0.2 million of gains on foreign currency forward contracts and $0.2 million of early payment discounts and other income. Interest income and other, net in 1999 consisted of $2.1 million of interest income on Intevac's investments, $1.1 million of dividends on Intevac's interest in 601 California Avenue LLC, and $0.5 million of gains on foreign currency forward contracts.

6 1/2% Convertible Subordinated Notes Due 2004. In 2001, Intevac repurchased $3.7 million of its Convertible Notes and recognized a gain of $0.8 million, net of applicable taxes. In 1999, Intevac repurchased $16.3 million of its Convertible Notes from which it recognized a gain of $3.8 million, net of applicable taxes.

Provision for (benefit from) income taxes. In 2001, the Company recorded $5.0 million of income tax expense to provide additional valuation allowance against deferred tax assets. The Company's net deferred tax assets totaled zero at December 31, 2001 net of a $16.9 million valuation allowance.

Intevac's estimated effective tax rate for 2000 was 0%. The Company did not accrue a tax benefit during 2000 due to the inability to realize additional refunds from loss carry-backs. The Company's net deferred tax assets totaled $7.7 million at December 31, 2000, net of a $3.6 million valuation allowance established due to the uncertainty of realizing certain tax credits and loss carry-forwards.

For the year ended December 31, 1999, Intevac recorded an $8.3 million tax benefit provision, computed at a 38% annual tax rate, on a pretax loss from continuing operations of $22.0 million. Intevac's 1999 effective tax rate differed from the applicable statutory rates primarily due to benefits from tax-exempt interest income, which were partially offset by nondeductible goodwill amortization.

Liquidity and Capital Resources

Operating activities in 2001 used cash of $11.7 million, primarily due to the net loss incurred, which was partially offset by depreciation, amortization and an increase in the valuation allowance against deferred tax assets. Investing activities in 2001 provided cash of $28.9 million as a result of the net sale of investments, which was partially offset by the purchase of property and equipment. Financing activities in 2001 used cash of $3.7 million due to the repurchase of a portion of the Convertible Notes and the repayment of the Cathode Technology debt, partially offset by the sale of Intevac's stock to employees under its stock option and employee stock purchase plans.

At December 31, 2001, Intevac had $18.2 million of cash and cash equivalents. Intevac intends to undertake approximately $4.0 million in capital expenditures during the next 12 months and believes the existing cash and cash equivalent balances will be sufficient to meet its cash requirements for the next twelve months.

Intevac has incurred operating losses each year since 1998 and the Company cannot predict with certainty when it will return to profitability. We anticipate generating positive cash flow during the 2002 fiscal year, but that is dependent on continued growth in the business and our continued ability to obtain advances

from our customers. Additionally, as of December 31, 2001 we had $37.5 million of outstanding Convertible Notes, which mature in March 2004. We do not currently have the funds available to repay the debt and there can be no assurance that the Company will be able to restructure the debt or secure additional equity and/or debt financing to redeem the Convertible Notes on terms favorable to the Company and its shareholders, if the Convertible Notes are not converted by their holders into Intevac common stock prior to their maturity.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

Interest rate risk. The table below presents principal amounts and related weighted-average interest rates by year of maturity for the Company's debt obligations.

	2002	2003	2004	2005	2006	Beyond	Total	Fair Value
				(Dollars in thousands)				
Long-term debt								
Fixed rate	—	—	$37,545	—	—	—	$37,545	$20,087
Average rate	6.50%	6.50%	6.50%	—	—	—		

Foreign exchange risk. From time to time, the Company enters into foreign currency forward exchange contracts to hedge anticipated foreign currency transaction, translation and re-measurement exposures. The objective of these contracts is to minimize the impact of foreign currency exchange rate movements on the Company's operating results. At December 31, 2001, the Company did not have any foreign currency forward exchange contracts.

Item 8. ***Financial Statements and Supplementary Data***

INTEVAC, INC.

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

REPORT OF GRANT THORNTON LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Intevac, Inc.

We have audited the accompanying consolidated balance sheets of Intevac, Inc. as of December 31, 2001 and 2000 and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the two years in the period ended December 31, 2001. Our audits also included the 2000 and 2001 data in the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intevac, Inc. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2000 and 2001 data in the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

GRANT THORNTON LLP

San Jose, California
January 25, 2002

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Intevac, Inc.

We have audited the accompanying consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the year ended December 31, 1999. Our audit also included the 1999 data in the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations of Intevac, Inc. and its cash flows for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the 1999 data in the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

San Jose, California
January 21, 2000

INTEVAC, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31,	
	2001	**2000**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,157	$ 4,616
Short-term investments	—	33,787
Trade and other accounts receivable, net of allowances of $225 and $114 at December 31, 2001 and 2000	8,046	9,593
Inventories, including $4,070 and $3,033 held at customer locations at December 31, 2001 and 2000	21,691	15,833
Prepaid expenses and other current assets	478	844
Deferred tax assets	—	1,307
Total current assets	48,372	65,980
Property, plant and equipment, at cost:		
Leasehold improvements	5,873	5,705
Machinery and equipment	21,096	19,836
	26,969	25,541
Less accumulated depreciation and amortization	18,105	14,481
	8,864	11,060
Investment in 601 California Avenue LLC	2,431	2,431
Intangible assets, net of amortization of $2,441 and $2,434 at December 31, 2001 and 2000	—	7
Debt issuance costs, net of amortization of $1,808 and $1,529 at December 31, 2001 and 2000	495	774
Deferred tax assets and other long term assets	3	3,684
Total assets	$ 60,165	$83,936
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Book overdraft	$ 242	$ 814
Notes payable	—	1,904
Accounts payable	2,386	1,943
Accrued payroll and related liabilities	1,573	1,534
Other accrued liabilities	3,547	2,375
Customer advances	13,464	16,317
Total current liabilities	21,212	24,887
Convertible notes	37,545	41,245
Commitments	—	—
Shareholders' equity:		
Undesignated preferred stock, no par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value:		
Authorized shares — 50,000		
Issued and outstanding shares — 12,004 and 11,844 at December 31, 2001 and 2000	19,093	18,675
Accumulated other comprehensive income	122	—
Retained earnings (accumulated deficit)	(17,807)	(871)
Total shareholders' equity	1,408	17,804
Total liabilities and shareholders' equity	$ 60,165	$83,936

See accompanying notes.

INTEVAC, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	Years Ended December 31,		
	2001	2000	1999
Net revenues	$ 51,484	$ 36,049	$ 42,962
Cost of net revenues	41,729	34,059	40,410
Gross profit	9,755	1,990	2,552
Operating expenses:			
Research and development	14,478	10,576	14,136
Selling, general and administrative	6,745	4,415	7,226
Restructuring and other	—	(638)	3,069
Total operating expenses	21,223	14,353	24,431
Operating loss	(11,468)	(12,363)	(21,879)
Interest expense	(2,912)	(3,033)	(3,711)
Interest income	1,245	2,341	2,100
Other income and expense, net	(180)	731	1,532
Loss from continuing operations before income taxes	(13,315)	(12,324)	(21,958)
Provision for (benefit from) income taxes	4,424	—	(8,344)
Loss before extraordinary item	(17,739)	(12,324)	(13,614)
Extraordinary item:			
Gain from repurchase of convertible notes, net of applicable income taxes of $605 and $2,355 in 2001 and 1999, respectively	803	—	3,844
Net loss	$(16,936)	$(12,324)	$ (9,770)
Other comprehensive income:			
Foreign currency translation adjustments	122	—	—
Total adjustments	122	—	—
Total comprehensive loss	$(16,814)	$(12,324)	$ (9,770)
Basic and diluted loss per share:			
Loss from continuing operations	$ (1.48)	$ (1.04)	$ (1.16)
Net loss	$ (1.42)	$ (1.04)	$ (0.83)
Shares used in per share amounts	11,955	11,803	11,777

See accompanying notes.

INTEVAC, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings (Accum. Deficit)	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 1998	11,887	$17,917	$ 122	$ 22,397	$ 40,436
Shares issued in connection with:					
Exercise of stock options	27	38	—	—	38
Employee stock purchase plan	122	684	—	—	684
Repurchase of common stock	(321)	(491)	—	(1,174)	(1,665)
Income tax benefits realized from activity in employee stock plans	—	22	—	—	22
Change in foreign currency translation adjustments	—	—	(122)	—	(122)
Net loss	—	—	—	(9,770)	(9,770)
Balance at December 31, 1999	11,715	$18,170	$ —	$ 11,453	$ 29,623
Shares issued in connection with:					
Exercise of stock options	20	58	—	—	58
Employee stock purchase plan	109	418	—	—	418
Income tax benefits realized from activity in employee stock plans	—	29	—	—	29
Net loss	—	—	—	(12,324)	(12,324)
Balance at December 31, 2000	11,844	$18,675	$ —	$ (871)	$ 17,804
Shares issued in connection with:					
Exercise of stock options	41	13	—	—	13
Employee stock purchase plan	119	405	—	—	405
Change in foreign currency translation adjustments	—	—	122	—	122
Net loss	—	—	—	(16,936)	(16,936)
Balance at December 31, 2001	12,004	$19,093	$ 122	$(17,807)	$ 1,408

See accompanying notes.

INTEVAC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ending December 31,		
	2001	**2000**	**1999**
Operating activities			
Loss from continuing operations	$(17,739)	$ (12,324)	$(13,614)
Net gain from repurchase of convertible notes	803	—	3,844
Net loss	(16,936)	(12,324)	(9,770)
Adjustments to reconcile net loss to net cash and cash equivalents provided by (used in) operating activities:			
Depreciation	3,916	3,721	3,805
Deferred income tax asset valuation allowance	4,988	2,734	—
Amortization of intangibles	251	2,342	1,578
Gain on purchase of convertible notes	(1,408)	—	(6,199)
(Gain)/loss on IMAT investment	—	125	(39)
Restructuring and other charges — non-cash portion	—	856	428
Loss on disposal of investment	803	—	—
Loss on disposal of equipment	8	2	336
Changes in assets and liabilities:			
Accounts receivable	1,547	1,614	(1,038)
Inventory	(3,536)	(343)	4,147
Prepaid expenses and other assets	366	(332)	586
Accounts payable	443	929	(1,020)
Accrued payroll and other accrued liabilities	639	(5,768)	1,287
Customer advances	(2,853)	6,466	(1,779)
Total adjustments	5,164	12,346	2,092
Net cash and cash equivalents provided by (used in) operating activities	(11,772)	22	(7,678)
Investing activities			
Purchase of investments	(5,463)	(116,271)	(50,880)
Proceeds from sales and maturities of investments	38,447	120,084	70,205
Purchase of equipment	(4,050)	(2,990)	(1,736)
Net cash and cash equivalents provided by investing activities	28,934	823	17,589
Financing activities			
Proceeds from issuance of common stock	418	476	722
Repurchase of common stock	—	—	(1,665)
Repurchase of Intevac convertible notes	(2,257)	—	(9,664)
Repayment of notes payable	(1,904)	—	—
Net cash and cash equivalents provided by (used in) financing activities	(3,743)	476	(10,607)
Effect of foreign currency translation adjustments	122	—	—
Net increase (decrease) in cash and cash equivalents	13,541	1,321	(696)
Cash and cash equivalents at beginning of period	4,616	3,295	3,991
Cash and cash equivalents at end of period	$ 18,157	$ 4,616	$ 3,295
Cash paid (received) for:			
Interest	$ 2,715	$ 2,789	$ 3,555
Income taxes	2	2	—
Income tax refund	—	(5,803)	(3,099)
Other non-cash changes:			
Inventories transferred to (from) property, plant and equipment	$ (2,322)	$ 304	$ 1,942
Income tax benefit realized from activity in employee stock plans	—	29	22

See accompanying notes.

1. Business and Nature of Operations

Intevac, Inc.'s businesses are the design, manufacture and sale of complex capital equipment used to manufacture products such as flat panel displays and thin-film disks ("Equipment") and the development of highly sensitive electro-optical devices and systems ("Photonics").

Systems sold by the Equipment Division are typically used to deposit highly engineered thin-films of material on a substrate, or to modify the characteristics and properties of thin-films already deposited on a substrate. Systems manufactured by the Equipment Division generally utilize proprietary manufacturing techniques and processes and operate under high levels of vacuum. The systems are designed for high-volume continuous operation and use precision robotics, computerized controls and complex software programs to fully automate and control the production process. Products manufactured with these systems include color cell phone displays, automotive displays, computer monitors and disks for computer hard disk drives. The Equipment Division has also designed ultra high vacuum automated equipment for Photonics to be used for the future manufacture of low-cost low-light-level cameras.

The Photonics Division is developing electro-optical devices and systems that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. This development work is aimed at creating new products for both military and industrial applications. Products include LIVAR systems for positive target identification at long range, low-cost low-light-level cameras for use in security and military applications and photodiodes for use in high-speed fiber optic systems.

During the fourth quarter of 1999, the Company adopted a plan to discontinue its electron beam processing equipment product line and to close the facility in Hayward, California where that equipment was built.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Intevac and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated.

Revenue Recognition

Intevac recognizes revenue using the guidance from SEC Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements." Intevac's revenue recognition policy requires that there be persuasive evidence of a sales contract, that the price is fixed, that title has transferred, that product payment is not contingent on any factors and is reasonably assured, and that the Company has completed all the material tasks and deliverables required by the contract.

Systems and components — Revenues for systems are recognized upon customer acceptance. For large deposition and RTP systems shipped through a distributor, revenue is typically recognized after the distributor has accepted the system at Intevac's factory and the system has been shipped. For large deposition and RTP systems sold direct to end customers, revenue is recognized after installation and acceptance of the system at the customer site. When the Company believes that there may be higher than normal end user installation and acceptance issues for systems shipped through a distributor, such as when the first unit of a newly designed system is delivered, then the Company defers revenue recognition until the distributor's customer has also accepted the system. Revenues for technology upgrades, spare parts, consumable and prototype products built by the Photonics Division are generally recognized upon shipment.

Service and Maintenance — Service and maintenance contract revenue, which to date has been insignificant, is recognized ratably over applicable contract periods or as services are performed.

Technology Development — The Company performs best efforts research and development work under various research contracts. Revenue on these contracts is recognized in accordance with contract terms, typically as costs are incurred. Typically, for each contract, the Company commits to perform certain research and development efforts up to an agreed upon amount. In connection with these contracts, the Company receives funding on an incremental basis up to a ceiling. Upon completion of each contract, each party will typically receive certain rights to the technical and computer software data developed under the contract. Some of these contracts are cost sharing in nature, where Intevac is reimbursed for a portion of the total costs expended. In addition, the Company has, from time to time, negotiated with a third party to fund a portion of the Company's costs in return for a joint interest to the Company's rights at the end of the contract. In the event a particular contract over-runs its agreed upon amount, the Company may be liable for the additional costs.

Net revenues and related cost of net revenues associated with these contracts were $7,885,000 and $9,782,000, respectively for 2001, $5,975,000 and $7,090,000, respectively for 2000, and $7,067,000 and $7,071,000, respectively for 1999.

Warranty

The Company's standard warranty is twelve months from customer acceptance. During this warranty period any necessary non-consumable parts are supplied and installed. A provision for the estimated warranty cost is recorded upon customer acceptance for systems and upon shipment for non-system products.

International Distribution Costs

The Company makes payments to agents and representatives under agreements related to international sales in return for obtaining orders and providing installation and warranty services. These payments to agents and representatives are included in selling, general and administrative expenses. These amounts totaled approximately $141,000, $0 and $0 for the years ended December 31, 2001, 2000 and 1999, respectively.

Customer Advances

Customer advances generally represent nonrefundable deposits invoiced by the Company in connection with receiving customer purchase orders and other events preceding acceptance of systems. Customer advances related to products that have not been shipped to customers, and included in accounts receivable were $857,000 and $2,719,000 at December 31, 2001 and 2000, respectively.

Cash, Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Short-term investments consist principally of highly rated debt instruments with maturities generally between one and twelve months and are carried at fair value. These investments are typically short-term in nature and therefore bear minimal risk.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. At December 31, 2000, all debt securities were classified as available-for-sale under Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Securities classified as available-for-sale are reported at fair market value with the related unrealized gains and losses included in retained earnings. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income and expenses. The cost of securities sold is based on the specific identification method.

Cash and cash equivalents represent cash accounts and money market funds. Short-term investments of $33,787,000 at December 31, 2000 consisted primarily of investments in commercial paper and market auction rate bonds. Fair values are based on quoted market prices. The amount of unrealized gain or loss was not significant at December 31, 2000 and 1999. Gross realized gains and losses for the years ended December 31, 2000 and 1999 were not significant.

Valuation of Long-lived and Intangible Assets and Goodwill

We assess the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

When we determine that the carrying value of long-lived assets, intangibles or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. In 2000, the Company determined that the intangible assets related to the purchase of Cathode Technology Corporation (“Cathode”) and Lotus Technologies, Inc. had become impaired. At December 31, 2000 the remaining goodwill related to those purchases, amounting to $1,056,000, was written off.

Foreign Exchange Contracts

The Company may enter into foreign currency forward exchange contracts to hedge certain of its foreign currency transaction, translation and re-measurement exposures. The Company’s accounting policies for some of these instruments are based on the Company’s designation of such instruments as hedging transactions. Instruments not designated as a hedge transaction will be “marked to market” at the end of each accounting period. The criteria the Company uses for designating an instrument as a hedge include effectiveness in exposure reduction and one-to-one matching of the derivative financial instrument to the underlying transaction being hedged. Gains and losses on foreign currency forward exchange contracts that are designated and effective as hedges of existing transactions are recognized in income in the same period as losses and gains on the underlying transactions are recognized and generally offset.

During fiscal 2000 and 1999, the Company entered into yen denominated foreign currency forward exchange contracts to hedge anticipated yen denominated sales. The Company did not designate these foreign currency forward contracts as hedge transactions; therefore, the contracts were “marked to market.” As of December 31, 2001, the Company had no foreign currency forward exchange contracts outstanding. In fiscal 2000 the Company realized gains of $111,000 related to foreign currency forward exchange contracts, and in fiscal 1999 the Company recorded transaction losses of $251,000 related to foreign currency forward exchange contracts.

While the notional amounts of foreign exchange contracts are often used to express the volume of these transactions, the potential accounting loss on these transactions if all counterparties failed to perform is limited

to the amounts, if any, by which the counterparties' obligations exceed the Company's obligation to the counterparties.

Financial Instruments

The carrying amount of the short-term financial instruments (cash and cash equivalents, short-term investments, accounts receivable and certain other liabilities) approximates fair value due to the short-term maturity of those instruments. Based on the quoted market prices for the same or similar issues or on the current rates offered for debt of the same remaining maturities, the fair value of the $37.5 million of outstanding Convertible Notes as of December 31, 2001 is $20.1 million.

Inventories

Inventories for systems and components are stated at the lower of standard cost or market. Inventories consist of the following:

	December 31,	
	2001	2000
	(In thousands)	
Raw materials	$ 5,659	$ 4,591
Work-in-progress	11,962	8,209
Finished goods	4,070	3,033
	$21,691	$15,833

Intevac makes provisions for potentially excess and obsolete inventory based on backlog and forecasted demand. However, order backlog is subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from forecasted demand due to a number of factors. For example, the thin-film disk industry has suffered from over capacity and poor financial results, which has led to industry consolidation. Consolidation can lead to the availability of used equipment that competes at very low prices with the Company's products. Financial stress and consolidation in the Company's customer base can also lead to the cancellation of orders for products after the Company has incurred substantial costs related to those orders. Such problems have resulted, and may continue to result, in excess and obsolete inventory, and the provision of related reserves. Inventory reserves included in the above table were $12.7 million at December 31, 2001 and $8.7 million at December 31, 2000.

Property, Plant and Equipment

Equipment and leasehold improvements are carried at cost less allowances for accumulated depreciation and amortization. Gains and losses on dispositions are reflected in the consolidated statements of operations.

Depreciation for machinery and equipment is computed using the straight-line method over the estimated useful lives of the assets, which are generally three to seven years. Amortization of leasehold improvements is computed using the shorter of the remaining terms of the leases or the estimated economic useful lives of the improvements.

Intangible Assets

The Company amortizes intangible assets on a straight-line basis over the estimated useful lives, which range from two to seven years.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income" requires unrealized gains or losses on the Company's available-for-sale securities and the foreign currency translation adjustments, which prior to the adoption were reported separately in shareholders' equity, to be included in other comprehensive income. As of December 31, 2001, the $122,000 balance of accumulated other comprehensive income is comprised entirely of accumulated foreign currency translation adjustments. There was no accumulated other comprehensive income as of December 31, 2000 or 1999.

Employee Stock Plans

The Company accounts for its stock option plans and its employee stock purchase plan in accordance with provisions of the Accounting Principles Board's Opinion No. 25 ("APB 25"), "Accounting For Stock Issued to Employees." SFAS 123, "Accounting for Stock Based Compensation" provides a fair value-based alternative to APB 25. The Company is continuing to account for its employee stock plans in accordance with the provisions of APB 25. Under APB 25, because the exercise prices of the Company's stock options granted to employees equal the market prices of the underlying stock on the date of grant, no compensation expense is recognized.

Financial Presentation

Certain prior year amounts in the Consolidated Financial Statements have been reclassified to conform to 2001 presentation.

Net loss Per Share

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

	2001	2000	1999
		(In thousands)	
Numerator:			
Loss from continuing operations	$(17,739)	$(12,324)	$(13,614)
Gain from repurchase of convertible notes, net of applicable income taxes	803	—	3,844
Net loss	$(16,936)	$(12,324)	$ (9,770)
Numerator for basic loss per share — loss available to common stockholders	$(16,936)	$(12,324)	$ (9,770)
Effect of dilutive securities:			
6 1/2% convertible notes(1)	—	—	—
Numerator for diluted loss per share — loss available to common stockholders after assumed conversions	$(16,936)	$(12,324)	$ (9,770)
Denominator:			
Denominator for basic loss per share — weighted-average shares	11,955	11,803	11,777
Effect of dilutive securities:			
Employee stock options(2)	—	—	—
6 1/2% convertible notes(1)	—	—	—
Dilutive potential common shares	—	—	—
Denominator for diluted loss per share — adjusted weighted-average shares and assumed conversions	11,955	11,803	11,777

(1) Diluted EPS for the twelve-month periods ended December 31, 2001, 2000 and 1999 excludes "as converted" treatment of the Convertible Notes as their inclusion would be anti-dilutive. The number of "as converted" shares excluded from the twelve-month periods ended December 31, 2001, 2000 and 1999 was 1,954,910, 1,999,758 and 2,345,273, respectively

(2) Diluted EPS for the twelve-month periods ended December 31, 2001, 2000 and 1999 excludes the effect of employee stock options as their inclusion would be anti-dilutive. The number of employee stock options excluded from the twelve-month periods ended December 31, 2001, 2000 and 1999 was 114,017, 156,504 and 169,564, respectively

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." Under SFAS 141, all business combinations are to be accounted for using the purchase method. SFAS 141 is effective for all business combinations initiated after June 30, 2001.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company believes that the adoption of SFAS 144 will not have a material effect on its consolidated financial statements.

3. Concentrations

Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash equivalents, short-term investments, accounts receivable and foreign exchange forward contracts. The Company generally invests its excess cash in money market funds and in commercial paper, which have contracted maturities generally within one year. By policy, the Company's investments in commercial paper, certificates of deposit, Eurodollar time deposits, or banker's acceptances are rated A1/P1 or better. In 2001, the Company recorded a loss of $803,000 on its investment in commercial paper issued by Pacific Gas & Electric.

The Company's largest customers tend to change from period to period as a function of each customer's plans to renovate, or expand production capacity. Historically, a significant portion of the Company's revenues in any particular period have been attributable to sales to a limited number of customers. In 2001, one customer accounted for 49% of the Company's consolidated net revenues. In 2000, four customers accounted for 17%, 16%, 12% and 11%, respectively, of the Company's consolidated revenues and in aggregate accounted for 56% of net revenues. In 1999 three customers accounted for 34%, 21% and 11%, respectively, of the Company's consolidated revenues and in aggregate accounted for 66% of net revenues. The Company

performs credit evaluations of its customers' financial conditions and requires deposits on system orders but does not generally require collateral or other security to support customer receivables.

Products

Flat panel and disk manufacturing equipment together contributed a significant portion of the Company's revenues in 2001, while disk manufacturing equipment alone contributed a significant portion of the Company's revenues in 2000 and 1999. The Company expects that its ability to maintain or expand its current levels of revenues and to return to profitability in the future will depend upon its success in enhancing its existing systems and developing and manufacturing competitive flat panel and disk manufacturing equipment and its success in developing other products such as photonics devices and systems.

4. Equity Investments

601 California Avenue LLC

In 1995, the Company entered into a Limited Liability Company Operating Agreement (the "Operating Agreement"), which expires December 31, 2015, with 601 California Avenue LLC (the "LLC"), a California limited liability company formed and owned by the Company and certain shareholders of the Company at that time. Under the Operating Agreement, the Company transferred its leasehold interest in the site of the Company's discontinued night vision business (the "Site") in exchange for a preferred share in the LLC with a face value of $3,900,000. The Company is accounting for the investment under the cost method and has recorded its investment in the LLC at $2,431,000, which represents the Company's historical carrying value of the leasehold interest in the Site. The preferred share in the LLC pays a 10% annual cumulative preferred dividend.

During 1996, the LLC formed a joint venture with Stanford University (the "Stanford JV") to develop the property. The project was completed and leased in August 1998. The Company received dividends of $390,000, $390,000 and $1,077,000 from the LLC in 2001, 2000 and 1999, respectively. The dividends received during 1999 consisted of the annual $390,000 dividend plus the cumulative dividends earned in prior years. As of December 31, 2001 all outstanding cumulative dividends on the preferred share had been paid. These dividends are included in other income and expense.

IMAT Inc.

On June 27, 1997, the Company entered into an agreement with Matsubo to form a joint venture responsible for the sales and service of Intevac's flat panel display equipment in Japan and other Asian countries. The Company invested $436,000 for 49% of the voting stock of the joint venture. The joint venture was accounted for by the equity method. Gains and losses related to the Company's share of the joint venture were reflected in other income and expense, net on the consolidated statements of income. The Company's equity in the net income or (loss) of IMAT, Inc. was ($125,000) and $15,000 in 2000 and 1999, respectively. During the third quarter of 2000, the Company and its joint venture partner, Matsubo, transferred IMAT's activities and employees to Matsubo and terminated the operations of IMAT.

5. Commitments

The Company leases certain facilities under non-cancelable operating leases that expire at various times up to 2007. The facility leases require the Company to pay for all normal maintenance costs. The lease for the primary facility in Santa Clara includes an option to extend the lease for an additional five-year period.

Future minimum rental payments under these leases at December 31, 2001 are as follows (in thousands):

2002	$ 2,634
2003	2,953
2004	3,070
2005	3,192
2006	3,318
Thereafter (through March 2007)	838
Total	$16,005

Gross rental expense was approximately $2,993,000, $1,596,000 and $2,652,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Offsetting rental expense for the periods ending December 31, 2000 and 1999 was sublease income of $62,000 and $238,000, respectively.

6. Employee Benefit Plan

In 1991, the Company established a defined contribution retirement plan with 401(k) plan features. The plan covers all United States employees eighteen years and older. Employees may make contributions by a percentage reduction in their salaries, not to exceed the statutorily prescribed annual limit. The Company made cash contributions of $301,000, $123,000 and $170,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Employees may choose among eleven investment options for their contributions and their share of the Company contributions, and they are able to move funds between investment options at any time. Administrative expenses relating to the plan are insignificant.

7. Notes Payable

In 1996, the Company issued notes related to the purchase of Cathode. The notes bore interest at 5.58% compounded monthly and payable quarterly. Principal payments on the note were made quarterly based on unit sales of the Cathode sputter sources. The remaining balance on the notes was paid in full in January 2001.

8. Convertible Notes

During the first quarter of 1997, the Company completed an offering of $57.5 million of its 6 1/2% Convertible Subordinated Notes (the “Convertible Notes”), which mature March 1, 2004. Interest is payable each March 1st and September 1st. The notes are convertible into shares of the Company’s common stock at $20.625 per share. Expenses associated with the offering of approximately $2.3 million were deferred. Such expenses are being amortized to interest expense over the term of the notes.

During 2001, the Company repurchased $3,700,000, face value, of its Convertible Notes. The repurchase resulted in a gain of $803,000 (net of income taxes). During 1999, the Company repurchased $16,255,000, face value, of its Convertible Notes. The repurchase resulted in a gain of $3,844,000 (net of income taxes).

9. Segment Reporting

Segment Description

Intevac, Inc. has two reportable operating segments: Equipment and Photonics. The Company’s Equipment Division sells complex capital equipment used in the manufacturing of flat panel displays and thin-film disks. The Company’s Photonics Division is developing devices and systems utilizing electron sources that permit highly sensitive detection of photons in the visible and the short-wave infrared spectrum.

Included in corporate activities are general corporate expenses, the equity in net loss of equity investee (see Note 4), amortization expenses related to certain intangible assets and the reversal in 2000 of a portion of a restructuring reserve established in September 1999, less an allocation of corporate expenses to operating units equal to 1% of net revenues. Assets of corporate activities include unallocated cash and short-term investments, deferred income tax assets (which were written off in 2001) and certain intangibles and other assets.

Segment Profit or Loss and Segment Assets

The Company evaluates performance and allocates resources based on profit or loss from operations before interest, other income and expense and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Business Segment Net Revenues

	2001	2000	1999
		(In thousands)	
Equipment	$42,723	$28,797	$36,008
Photonics	8,761	7,252	6,954
Total	$51,484	$36,049	$42,962

Business Segment Profit & Loss

	2001	2000	1999
		(In thousands)	
Equipment(1)	$ (7,234)	$ (8,048)	$(16,667)
Photonics	(2,595)	(2,164)	(935)
Corporate activities(2)	(1,639)	(2,151)	(4,277)
Operating loss	(11,468)	(12,363)	(21,879)
Interest expense	(2,912)	(3,033)	(3,711)
Interest income	1,245	2,341	2,100
Other income and expense, net	(180)	731	1,532
Loss from continuing operations before income taxes	$(13,315)	$(12,324)	$(21,958)

(1) Includes restructuring and other charge of $1,639 in 1999.

(2) Includes restructuring and other charge of $2,128 in 1999.

Business Segment Assets

	2001	2000	1999
		(In thousands)	
Equipment	$31,843	$32,207	$29,871
Photonics	7,253	4,404	4,483
Corporate activities	21,069	47,325	60,028
Total assets	$60,165	$83,936	$94,382

Business Segment Property, Plant & Equipment

Additions	2001	2000	1999
		(In thousands)	
Equipment(1)	$ 692	$2,237	$4,230
Photonics	3,010	656	794
Corporate activities	348	401	278
Total additions	$4,050	$3,294	$5,302

(1) Includes inventory transferred to fixed assets of $304 and $1,942 in 2000 and 1999, respectively.

Depreciation	2001	2000	1999
		(In thousands)	
Equipment	$2,559	$2,387	$2,808
Photonics	799	716	512
Corporate activities	558	618	485
Total depreciation	$3,916	$3,721	$3,805

Geographic Area Net Trade Revenues

	2001	2000	1999
		(In thousands)	
United States	$14,154	$26,466	$17,254
Far East	36,363	9,414	25,372
Europe	827	49	234
Rest of World	140	120	102
Total revenues	$51,484	$36,049	$42,962

10. Shareholders' Equity

The Company's Articles of Incorporation authorize 10,000,000 shares of Preferred Stock. The Board of Directors has the authority to issue the Preferred Stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the shareholders.

Stock Option/ Stock Issuance Plans

The Board of Directors approved the 1991 Stock Option/ Stock Issuance Plan (the "1991 Plan") in 1991. The maximum number of shares that may be issued over the term of the 1991 Plan is 2,666,667 shares.

The 1991 Plan is divided into two separate components: the Option Grant Program and the Stock Issuance Program. Under the Option Grant Program, the Company may grant either incentive stock options or nonqualified options or implement stock appreciation rights provisions at the discretion of the Board of Directors. Exercisability, option price, and other terms are determined by the Board of Directors, but the option price shall not be less than 85% and 100% of the fair market value for nonqualified options and incentive stock options, respectively, as determined by the Board of Directors. Options granted under the 1991 Plan are immediately exercisable; however, unexercised options and shares purchased upon the exercise of the options are subject to vesting over a five-year period. The Company may repurchase shares that are not vested. No shares were subject to repurchase at December 31, 2001, 2000 and 1999.

In 1995, the Board of Directors approved adoption of (i) the 1995 Stock Option/ Stock Issuance Plan (the "1995 Plan") under which employees, non-employee directors and consultants may be granted stock options to purchase stock or issued shares of stock at not less than 85% of fair market value on the grant/ issuance date; and (ii) the Employee Stock Purchase Plan. The 1995 Plan, as amended in 2000, serves as the successor equity incentive program to the Company's 1991 Plan. Upon adoption of the 1995 Plan, all shares available for issuance under the 1991 Plan were transferred to the 1995 Plan. As of December 31, 2001, 2,079,251 shares of common stock are authorized for future issuance under the 1995 Plan. Options granted under the 1995 Plan are exercisable upon vesting and generally vest over a five-year period. Options currently expire no later than ten years from the date of grant.

Options to purchase 1,062,742, 878,157 and 692,457 shares were vested at December 31, 2001, 2000 and 1999, respectively.

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if the Company has accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of this Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes multiple option pricing model with the following weighted average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 3.03%, 5.17% and 6.15%; dividend yields of 0.0%, 0.0% and 0.0%; volatility factors of the expected market price of the Company's common stock of 0.946, 0.936 and 0.855; and a weighted-average expected life of the option of 0.25, 0.25 and 0.25 years beyond each respective vesting period.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Under the 1995 Employee Stock Purchase Plan, as amended in 1999, (the "ESPP"), the Company is authorized to issue up to 1,000,000 shares of common stock to participating employees. Under the terms of the ESPP, employees can choose to have up to 10% of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the lower of the subscription date fair market value or the purchase date fair market value. Approximately 70% of eligible employees have participated in the ESPP. Under the ESPP, the Company sold 118,904, 108,784 and 122,325 shares to employees in 2001, 2000 and 1999, respectively. As of December 31, 2001, 293,696 shares remained reserved for issuance under the ESPP. The Company does not recognize compensation cost related to employee purchase rights under the Plan. To comply with the pro forma reporting requirements of SFAS 123, compensation cost is estimated for the fair value of the employees' purchase rights using the Black-Scholes model with the following assumptions for those rights granted in 2001, 2000 and 1999, respectively: risk-free interest rates of 1.93%, 5.36% and 5.78%; dividend yield of 0.0%, 0.0% and 0.0%; expected volatility of 0.946, 0.936 and 0.855; and an expected life of 2.00, 2.00 and 1.99 years (the offering period ends July 31, 2003 for the subscription period that began in August 2001). The weighted average fair value of those purchase rights granted in 2001, 2000 and 1999 were $2.47, $2.78 and $2.94, respectively per share.

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS 123, the

Company's net loss and earnings per share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999
	(In thousands, except per share data)		
Pro forma net loss from continuing operations	$(18,634)	$(13,143)	$(14,871)
Pro forma net loss	$(17,831)	$(13,143)	$(11,027)
Pro forma basic and diluted loss per share			
Net loss from continuing operations	$ (1.56)	$ (1.11)	$ (1.26)
Net loss	$ (1.49)	$ (1.11)	$ (0.94)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2001		2000		1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding — beginning of year	1,570,297	$5.39	1,496,370	$5.82	1,599,762	$6.92
Granted	341,900	3.90	336,100	3.75	399,100	4.70
Exercised	(41,149)	0.30	(20,261)	2.86	(26,497)	1.45
Forfeited	(66,526)	5.23	(241,912)	5.99	(475,995)	8.82
Outstanding — end of year	1,804,522	5.23	1,570,297	5.39	1,496,370	5.82
Exercisable at end of year	1,062,742	$5.88	878,157	$5.84	797,470	$5.81
Weighted-average per share fair value of options granted during the year		$1.93		$2.20		$2.64

Outstanding and Exercisable by Price Range as of December 31, 2001

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding As of December 31, 2001	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable As of December 31, 2001	Weighted Average Exercise Price
$0.750 - $ 3.063	101,312	3.40 yrs	$ 2.02	96,112	$ 1.97
$3.200 - $ 3.200	206,400	9.80 yrs	$ 3.20	500	$ 3.20
$3.375 - $ 3.375	220,000	8.47 yrs	$ 3.38	60,000	$ 3.38
$3.550 - $ 4.190	191,950	8.14 yrs	$ 3.85	68,070	$ 3.84
$4.315 - $ 5.690	260,300	8.41 yrs	$ 5.13	131,000	$ 5.16
$6.000 - $ 6.000	353,161	3.61 yrs	$ 6.00	353,161	$ 6.00
$6.063 - $ 6.625	189,000	6.74 yrs	$ 6.46	119,760	$ 6.47
$6.750 - $ 7.625	181,899	4.88 yrs	$ 7.48	164,439	$ 7.51
$7.688 - $21.250	100,500	6.14 yrs	$10.45	69,700	$11.48
$0.750 - $21.250	1,804,522	6.67 yrs	$ 5.23	1,062,742	$ 5.88

11. Income Taxes

The provision for (benefit from) income taxes on income from continuing operations consists of the following (in thousands):

	Years Ended December 31,		
	2001	2000	1999
Federal:			
Current	$ (492)	$—	$(8,552)
Deferred	3,771	—	843
	3,279	—	(7,709)
State:			
Current	(113)	—	2
Deferred	1,217	—	(637)
	1,104	—	(635)
Foreign:			
Current	41	—	—
Total	$4,424	$—	$(8,344)

The tax benefits associated with exercises of nonqualified stock options and disqualifying dispositions of stock acquired through the incentive stock option and employee stock purchase plans reduced taxes currently payable for 2001, 2000 and 1999 as shown above by $0, $29,000 and $22,000, respectively. Such benefits were credited to additional paid-in capital when realized.

Deferred income taxes reflect the net tax effects of temporary differences between losses reported and the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets computed in accordance with SFAS 109 are as follows (in thousands):

	December 31,	
	2001	2000
Deferred tax assets:		
Vacation accrual, rent accrual and warranty reserve	$ 1,260	$ 812
Depreciation	1,237	898
Inventory valuation	5,505	3,959
Research, AMT and other tax credit carry-forwards	1,767	735
Federal and State NOL carry-forward	6,745	4,903
Other	428	222
	16,942	11,529
Valuation allowance for deferred tax assets	(16,890)	(6,339)
Total deferred tax assets	$ 52	$ 5,190
Deferred tax liabilities:		
Other	$ 52	$ 202
Total deferred tax liabilities	$ 52	$ 202
Net deferred tax assets	$ —	$ 4,988

The valuation allowance increased by $10,551,000 and $3,605,000 during 2001 and 2000, respectively, due to the uncertainty of realizing certain tax credit and loss carry-forwards, and other deferred tax assets. The Federal and State NOL carry-forwards of $17,831,000 and $7,607,000 expire at various dates through 2021 and 2011, respectively, if not previously utilized. The AMT credit carry-forwards do not expire.

A reconciliation of the income tax provision on income from continuing operations at the federal statutory rate of 35% to the income tax provision at the effective tax rate is as follows (in thousands):

	Years Ended December 31,		
	2001	2000	1999
Income taxes (benefit) computed at the federal statutory rate	$ (4,730)	$(4,314)	$(7,685)
State taxes (net of federal benefit)	(408)	(640)	(413)
Tax exempt income	—	(14)	(467)
Goodwill amortization	—	713	366
Research and other tax credits	(1,033)	—	—
Effect of tax rate changes and other permanent differences	44	650	(145)
Valuation allowance	10,551	3,605	—
Total	$ 4,424	$ —	$(8,344)

12. Research and Development Cost Sharing Agreements

The Company entered into an agreement with a Japanese company to perform best efforts joint research and development work. The nature of the project is to develop a glass-coating machine to be used in the production of flat panel displays. The Company was funded for one-half of the actual costs of the project up to a ceiling of $9,450,000. At December 31, 1999, the Company had received the entire amount under the contract. Qualifying costs of approximately $3,108,000 and $1,467,000 for the years ended December 31, 2000 and 1999, respectively, were incurred on this project, resulting in offsets against research and development costs of approximately $583,000 and $736,000 in 2000 and 1999, respectively. As of December 31, 2000, the entire advance had been applied to qualifying costs.

Upon completion of the research and development work, if successful, each party will receive certain manufacturing and marketing rights for separate regions of the world. The agreement also calls for certain royalty payments by each party to the other party, based on production and sales. The royalty rate will be 5% for each party.

13. Restructuring and Other

During the fourth quarter of 1999, the Company adopted a plan to discontinue operations at its RPC Technologies, Inc. electron beam processing equipment subsidiary and to close RPC’s facility in Hayward, California and incurred a charge of $1,639,000 in 1999 related to this plan. The employment of 26 employees was terminated. The significant components of this charge included $679,000 for inventory write-downs which were charged to cost of sales, $264,000 for fixed asset write-offs, $200,000 for closure of the facility, $163,000 for employee severance costs, $161,000 for future rent due on the facility and $152,000 for write-off of intangibles. In the first quarter of 2000, Intevac sold certain assets of the RPC Technologies, Inc. subsidiary to Quemex Technology. Proceeds from the sale included a cash payment, assumption of the Hayward facility lease and the assumption of certain other liabilities. Excluded from the sale were two previously leased systems and three completed systems remaining in inventory. The Company was able to reverse the portions of the restructuring reserve established to provide for future rents due on the facility and for the closure of the facility. However, since Intevac retained ownership of the two leased systems, the Company established an equivalent reserve to provide for any residual value at the end of the leases. Of the three systems in inventory,

two were included in 2000 revenues and one is included in 2001 revenues. One of the two leased systems was sold to the lessee in 2001.

During the third quarter of 1999, the Company adopted an expense reduction plan that included closing one of the buildings at its Santa Clara facility and a reduction in force of 7 employees. The Company incurred a charge of $2,225,000 in 1999 related to the expense reduction plan. The significant components of this charge included $873,000 for future rent due on the building (net of expected sublease income), $160,000 for costs associated with operating the building through May 2000 and $1,192,000 for the write-off of leasehold improvements and other costs associated with restructuring. In the fourth quarter of 1999, $97,000 of the restructuring reserve was reversed due to lower than expected costs on the closure of the facility. During the first quarter of 2000, the Company vacated the building and negotiated a lease termination for that space with its landlord, which released the Company from the obligation to pay any rent after April 30, 2000. As a result, the Company reversed $615,000 of the restructuring reserve during the first quarter of 2000. During the third quarter of 2000, the Company completed all activities related to closing the building. As a result, the Company reversed the remaining $23,000 of the restructuring reserve during the third quarter of 2000.

During the first quarter of 1999, the Company implemented a reduction in force of 17 employees. The reductions took place at the Company's facilities in Santa Clara, California. The Company incurred a charge of $115,000 in 1999 related to severance costs for the affected employees. As of December 31, 1999, all of the severance had been paid.

The following table displays the activity in the building closure restructuring reserve, established in the third quarter of 1999, and in the RPC operation discontinuance restructuring reserve, established in the fourth quarter of 1999, through December 31, 2000.

	Building Closure Restructuring	RPC Operation Discontinuance Restructuring
	(In thousands)	
Original restructuring charge	$2,225	$1,639
Actual expense incurred	(511)	(851)
Reversal of restructuring charge	(97)	—
Balance at December 31, 1999	1,617	788
Actual expense incurred	(815)	(365)
Valuation reserve — leased systems	—	(361)
Reversal of restructuring charge	(615)	—
Balance at April 1, 2000	187	62
Actual expense incurred	(162)	(61)
Balance at July 1, 2000	25	1
Actual expense incurred	(2)	(1)
Reversal of restructuring charge	(23)	—
Balance at December 31, 2000	$ —	$ —

14. Other Accrued Liabilities

	December 31,	
	2001	2000
	(In thousands)	
Accrued income taxes	$ —	$ 351
Accrued product warranties	908	745
Accrued interest expense	813	894
Accrued rent expense	1,241	269
Other	585	116
Total other accrued liabilities	$3,547	$2,375

15. Quarterly Consolidated Results of Operations (Unaudited)

	Three Months Ended			
	March 31, 2001	June 30, 2001	Sept. 29, 2001	Dec. 31, 2001
	(In thousands, except per share data)			
Net sales	$10,005	$ 9,490	$ 8,414	$23,575
Gross profit	3,400	(181)	1,682	4,854
Net loss	(3,784)	(4,540)	(5,356)	(3,256)
Basic and diluted loss per share	$ (0.32)	$ (0.38)	$ (0.45)	$ (0.27)

	Three Months Ended			
	April 1, 2000	July 1, 2000	Sept. 30, 2000	Dec. 31, 2000
	(In thousands, except per share data)			
Net sales	$ 5,892	$9,191	$11,036	$ 9,930
Gross profit	651	1,808	604	(1,073)
Net loss	(2,861)	(701)	(3,409)	(5,353)
Basic and diluted loss per share	$ (0.24)	$ (0.06)	$ (0.29)	$ (0.45)

Item 9. ***Changes In and Disagreements With Accountants on Accounting and Financial Disclosure***

The information required by this item is included under the caption "Ratification of Independent Public Auditors" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders and is incorporated herein by reference.

PART III

Item 10. ***Directors and Officers of the Registrant***

The information required by this item relating to the Company's directors and nominees and disclosure relating to compliance with Section 16(a) of the Securities Exchange Act of 1934 is included under the captions "Election of Directors" and "Compliance with Section 16 (a) of the Securities Exchange Act of 1934" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by this item relating to the Company's executive officers and key employees is included under the caption "Executive Officers and Directors" under Item 4 in Part I of this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

The information required by this item is included under the caption "Executive Compensation and Related Information" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by this item is included under the caption "Ownership of Securities" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is included under the caption "Certain Transactions" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) *List of Documents filed as part of this Annual Report on Form 10-K.*

1. The following consolidated financial statements of Intevac, Inc. are filed in Part II, Item 8 of this Report on Form 10-K:

Report of Grant Thornton LLP, Independent Auditors

Report of Ernst & Young LLP, Independent Auditors

Consolidated Balance Sheets — December 31, 2001 and 2000

Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2001, 2000 and 1999

Consolidated Statement of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements — Years Ended December 31, 2001, 2000 and 1999

2. *Financial Statement Schedules.*

The following financial statement schedule of Intevac, Inc. is filed in Part IV, Item 14(a) of this Annual Report on Form 10-K:

Schedule II — Valuation and Qualifying Accounts

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

3. *Exhibits*

Exhibit Number	Description
*3.1	Amended and Restated Articles of Incorporation of the Registrant
*3.2	Bylaws of the Registrant
***4.2	Indenture, dated as of February 15, 1997, between the Company and State Street Bank and Trust Company of California, N.A. as Trustee, including the form of the Convertible Notes
*10.1	The Registrant's 1991 Stock Option/ Stock Issuance Plan
*10.2	The Registrant's 1995 Stock Option/ Stock Issuance Plan, as amended
*10.3	The Registrant's Employee Stock Purchase Plan, as amended
****10.5	Lease, dated February 5, 2001 regarding the space located at 3560, 3570 and 3580 Bassett Street, Santa Clara, California
*10.8	601 California Avenue LLC Limited Liability Operating Agreement, dated July 28, 1995
*10.9	The Registrant's 401(k) Profit Sharing Plan
**10.13	Stock Purchase Agreement by and among Lotus Technologies, Inc., Lewis Lipton, Dennis Stark, Steve Romine and Intevac, Inc., dated June 6, 1996
21.1	Subsidiaries of the Registrant
23.1	Consent of Grant Thornton LLP, Independent Auditors
23.2	Consent of Ernst & Young LLP, Independent Auditors
24.1	Power of Attorney (see page 46)

* Previously filed as an exhibit to the Registration Statement on Form S-1 (No. 33-97806)

** Previously filed as an exhibit to the Registration Statement on Form S-1 (No. 333-05531)

*** Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-24275)

**** Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000

(b) *Reports on Form 8-K*

No reports on Form 8-K were filed during the last quarter of the fiscal year covered by this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 18, 2002.

INTEVAC, INC.

BY: /s/ CHARLES B. EDDY III

Charles B. Eddy, III

Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kevin Fairbairn and Charles B. Eddy III, and each of them, as his 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 any and all amendments (including post-effective amendments) to this Report on Form 10-K, 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, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KEVIN FAIRBAIRN (Kevin Fairbairn)	President, Chief Executive Officer and Director (Principal Executive Officer)	March 18, 2002
/s/ NORMAN H. POND (Norman H. Pond)	Chairman of the Board	March 18, 2002
/s/ CHARLES B. EDDY III (Charles B. Eddy III)	Vice President, Finance and Administration, Chief Financial Officer Treasurer and Secretary (Principal Financial and Accounting Officer)	March 18, 2002
/s/ EDWARD DURBIN (Edward Durbin)	Director	March 18, 2002
/s/ GEORGE L. FARINSKY (George L. Farinsky)	Director	March 18, 2002
/s/ ROBERT D. HEMPSTEAD (Robert D. Hempstead)	Director	March 18, 2002
/s/ DAVID N. LAMBETH (David N. Lambeth)	Director	March 18, 2002
/s/ H. JOSEPH SMEAD (H. Joseph Smead)	Director	March 18, 2002

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

INTEVAC, INC.

Description	Balance at Beginning of Period	Additions (Reductions) Charged (Credited) to Costs and Expenses	Additions (Reductions) Charged (Credited) to Other Accounts	Deductions - Describe(1)	Balance at End of Period
Year ended December 31, 1999:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$1,629,348	$ 151,802	$ 0	$68,074	$1,713,076
Year ended December 31, 2000:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$1,713,076	$(1,544,172)	$ (2,892)	$52,500	$ 113,512
Year ended December 31, 2001:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 113,512	$ 40,415	$70,833	$ (484)	$ 225,344

(1) Typically includes write-offs of amounts deemed uncollectible.

EXHIBIT INDEX

Exhibit Number	Description
* 3.1	Amended and Restated Articles of Incorporation of the Registrant
* 3.2	Bylaws of the Registrant
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**** Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

1. Lotus Technologies, Inc. — California
2. Intevac Foreign Sales Corporation — Barbados
3. Intevac Asia Private Limited — Singapore
4. Intevac Malaysia Sdn Bhd — Malaysia
5. IRPC, Inc. — California

EXHIBIT 23.1

CONSENT OF GRANT THORNTON LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-99648, 333-35801, 333-65421, 333-96529 and 333-50166) pertaining to the 1995 Stock Option/ Stock Issuance Plan and the Employee Stock Purchase Plan and in the Registration Statement (Form S-3 No. 333-24275) of Intevac, Inc. of our report dated January 25, 2002, with respect to the consolidated financial statements and schedule of Intevac, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 2001.

/s/ GRANT THORNTON LLP

San Jose, California
March 11, 2002

EXHIBIT 23.2

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-99648, 333-35801, 333-65421, 333-96529 and 333-50166) pertaining to the 1995 Stock Option/ Stock Issuance Plan and the Employee Stock Purchase Plan and in the Registration Statement (Form S-3 No. 333-24275) of Intevac, Inc. of our report dated January 21, 2000, with respect to the consolidated financial statements and schedule for the year ended December 31, 1999 of Intevac, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2001, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

San Jose, California
March 19, 2002

APPENDIX B

QUARTERLY REPORT ON FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2002

OR

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

For the transition period from to

Commission file number 0-26946

INTEVAC, INC.

(Exact name of registrant as specified in its charter)

California	**94-3125814**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

3560 Bassett Street
Santa Clara, California 95054
(Address of principal executive office, including Zip Code)

Registrant's telephone number, including area code: (408) 986-9888

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

On March 30, 2002, 12,060,003 shares of the Registrant's Common Stock, no par value, were outstanding.

INTEVAC, INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEVAC, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,464	$ 18,157
Accounts receivable, net of allowances of $227 and $225 at March 30, 2002 and December 31, 2001	10,078	8,046
Income taxes recoverable	2,214	—
Inventories	23,222	21,691
Prepaid expenses and other current assets	711	478
Total current assets	50,689	48,372
Property, plant and equipment, net	7,735	8,864
Investment in 601 California Avenue LLC	2,431	2,431
Debt issuance costs and other long-term assets	441	498
Total assets	$ 61,296	$ 60,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,259	$ 2,628
Accrued payroll and related liabilities	1,797	1,573
Other accrued liabilities	3,755	3,547
Customer advances	16,519	13,464
Total current liabilities	24,330	21,212
Convertible notes	37,545	37,545
Shareholders' equity:		
Common stock, no par value	19,237	19,093
Accumulated other comprehensive income	135	122
Accumulated deficit	(19,951)	(17,807)
Total shareholders' equity	(579)	1,408
Total liabilities and shareholders' equity	$ 61,296	$ 60,165

See accompanying notes.

INTEVAC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended	
	March 30, 2002	March 31, 2001
Net revenues	$ 6,670	$10,005
Cost of net revenues	5,707	6,605
Gross profit	963	3,400
Operating expenses:		
Research and development	3,129	3,496
Selling, general and administrative	1,710	1,669
Total operating expenses	4,839	5,165
Operating loss	(3,876)	(1,765)
Interest expense	(667)	(738)
Interest income and other, net	185	(1,292)
Loss before income taxes	(4,358)	(3,795)
Benefit from income taxes	(2,214)	—
Net loss	$ (2,144)	$ (3,795)
Other comprehensive income:		
Foreign currency translation adjustment	13	11
Total comprehensive loss	$ (2,131)	$ (3,784)
Basic and diluted loss per share:		
Net loss	$ (0.18)	$ (0.32)
Shares used in per share amounts	12,041	11,896

See accompanying notes.

INTEVAC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended	
	March 30, 2002	**March 31, 2001**
Operating activities		
Net loss	$ (2,144)	$ (3,795)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	841	1,128
Foreign currency gain	—	(1)
Unrealized loss on investments	—	2,000
Changes in assets and liabilities	(2,378)	(3,714)
Total adjustments	(1,537)	(587)
Net cash and cash equivalents used in operating activities	(3,681)	(4,382)
Investing activities		
Purchase of investments	—	(5,463)
Proceeds from sale of investments	—	32,277
Purchase of leasehold improvements and equipment	(169)	(582)
Net cash and cash equivalents provided by (used in) investing activities	(169)	26,232
Financing activities		
Proceeds from issuance of common stock	144	216
Net cash and cash equivalents provided by financing activities	144	216
Effect of exchange rate changes on cash	13	11
Net increase (decrease) in cash and cash equivalents	(3,693)	22,077
Cash and cash equivalents at beginning of period	18,157	4,616
Cash and cash equivalents at end of period	$14,464	$26,693
Supplemental Schedule of Cash Flow Information		
Cash paid for:		
Interest	$ 1,220	$ 1,374

See accompanying notes.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business Activities and Basis of Presentation

Intevac, Inc.'s businesses are the design, manufacture and sale of complex capital equipment used to manufacture products such as flat panel displays and thin-film disks ("Equipment") and the development of highly sensitive electro-optical devices and systems ("Photonics").

Systems sold by the Equipment Division are typically used to deposit highly engineered thin-films of material on a substrate, or to modify the characteristics and properties of thin-films already deposited on a substrate. Systems manufactured by the Equipment Division generally utilize proprietary manufacturing techniques and processes and operate under high levels of vacuum. The systems are designed for high-volume continuous operation and use precision robotics, computerized controls and complex software programs to fully automate and control the production process. Products manufactured with these systems include cell phone color displays, automotive displays, computer monitors and disks for computer hard disk drives. The Equipment Division has also designed ultra high vacuum automated equipment for Photonics to be used for the future manufacture of low-cost low-light-level cameras.

The Photonics Division is developing electro-optical devices and systems that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. This development work is aimed at creating new products for both military and industrial applications. Products include Laser Illuminated Viewing and Ranging ("LIVAR®") systems for positive target identification at long range, low-cost low-light-level cameras for use in security and military applications and photodiodes for use in high-speed fiber optic systems.

The financial information at March 30, 2002 and for the three-month periods ended March 30, 2002 and March 31, 2001 is unaudited, but includes all adjustments (consisting only of normal recurring accruals) that the Company considers necessary for a fair presentation of the financial information set forth herein, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, it does not include all of the information and footnotes required by U.S. GAAP for annual financial statements. For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The Company evaluates the collectibility of trade receivables on an ongoing basis and provides reserves against potential losses when appropriate.

The results for the three-month period ended March 30, 2002 are not considered indicative of the results to be expected for any future period or for the entire year.

2. Inventories

The components of inventory consist of the following:

	March 30, 2002	December 31, 2001
	(in thousands)	
Raw materials	$ 5,664	$ 5,659
Work-in-progress	9,187	11,962
Finished goods	8,371	4,070
	$23,222	$21,691

Finished goods inventory consists of completed units at customer sites undergoing installation and acceptance testing.

3. Net Income (Loss) Per Share

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

	Three months ended	
	March 30, 2002	March 31, 2001
	(in thousands)	
Numerator:		
Numerator for basic earnings per share — loss available to common stockholders	(2,144)	(3,795)
Effect of dilutive securities:		
6 1/2% convertible notes(1)	—	—
Numerator for diluted earnings per share — loss available to common stockholders after assumed conversions	$ (2,144)	$ (3,795)
Denominator:		
Denominator for basic earnings per share — weighted-average shares	12,041	11,896
Effect of dilutive securities:		
Employee stock options(2)	—	—
6 1/2% convertible notes(1)	—	—
Dilutive potential common shares	—	—
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	12,041	11,896

(1) Diluted EPS for the three-month periods ended March 30, 2002 and March 31, 2001 exclude “as converted” treatment of the convertible notes as their inclusion would be anti-dilutive. The number of “as converted” shares excluded for the three-month periods ended March 30, 2002 and March 31, 2001 was 1,820,364 and 1,999,758, respectively.

(2) Diluted EPS for the three-month periods ended March 30, 2002 and March 31, 2001 exclude the effect of employee stock options as their inclusion would be anti-dilutive. The number of employee stock option shares excluded for the three-month periods ended March 30, 2002 and March 31, 2001 was 59,882 and 173,590, respectively.

4. Segment Reporting

Segment Description

Intevac, Inc. has two reportable operating segments: Equipment and Photonics. The Company's Equipment Division sells complex capital equipment used in the manufacturing of flat panel displays and thin-film disks. The Company's Photonics Division is developing devices and systems utilizing electron sources that permit highly sensitive detection of photons in the visible and the short-wave infrared spectrum.

Included in corporate activities are general corporate expenses less an allocation of corporate expenses to operating units equal to 1% of net revenues.

Business Segment Net Revenues

	Three months ended	
	March 30, 2002	March 31, 2001
	(in thousands)	
Equipment	$4,935	$ 7,932
Photonics	1,735	2,073
Total	$6,670	$10,005

Business Segment Profit & Loss

	Three months ended	
	March 30, 2002	March 31, 2001
	(in thousands)	
Equipment	$(2,651)	$ (563)
Photonics	(698)	(662)
Corporate activities	(527)	(540)
Operating loss	(3,876)	(1,765)
Interest expense	(667)	(738)
Interest income	74	581
Other income and expense, net	111	(1,873)
Loss before income taxes	$(4,358)	$(3,795)

Geographic Area Net Trade Revenues

	Three months ended	
	March 30, 2002	March 31, 2001
	(in thousands)	
United States	$4,237	$ 3,101
Far East	2,133	6,704
Europe	300	60
Rest of World	—	140
Total	$6,670	$10,005

5. Income Taxes

The Company accrued a $2.2 million tax benefit for the three-month period ended March 30, 2002. This resulted from recent federal tax law changes that allow losses incurred in 2001 and 2002 to be carried back 5 years. The Company paid federal income taxes of approximately $5.1 million for 1996 and $0.9 million for 1997. The Company believes that at least $2.2 million of taxes paid are recoverable based on the loss incurred in 2001 and that additional taxes may also be recoverable, but the amount will not be determined and recorded until the Company files its 2001 federal income tax return either in the second or third quarter of 2002. For the three months ended March 31, 2001, the Company did not accrue a tax benefit due to the inability at that time to realize additional refunds from loss carry-backs. The Company's $16.5 million deferred tax asset is fully offset by a $16.5 million valuation allowance, resulting in a net deferred tax asset of zero at March 30, 2002.

6. Capital Transactions

During the three-month period ending March 30, 2002, Intevac sold stock to its employees under the Company's Employee Stock Purchase Plan. A total of 56,381 shares were issued for which the Company received $144,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements which involve risks and uncertainties. Words such as "believes," "expects," "anticipates" and the like indicate forward-looking statements. The Company's actual results may differ materially from those discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risk factors set forth elsewhere in this Quarterly Report on Form 10-Q under "Certain Factors Which May Affect Future Operating Results" and in other documents the Company files from time to time with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K filed in March 2002, Form 10-Q's and Form 8-K's.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). We review the accounting policies we use in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable, inventories, income taxes, warranty obligations, long-lived assets, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Results may differ from these estimates due to actual outcomes being different from those on which we based our assumptions. These estimates and judgments are reviewed by management on an ongoing basis. The Audit Committee and our auditors review significant estimates and judgements prior to the public release of our financial results.

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of the Company's Annual Report on Form 10-K. We believe the following critical accounting policies affect the more significant judgments and estimates made in the preparation of our consolidated financial statements.

Revenue Recognition — Intevac recognizes revenue using the guidance from SEC Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements." Intevac's revenue recognition policy requires that there be persuasive evidence of a sales contract, that the price is fixed, that product title has transferred, that product payment is not contingent on any factors and is reasonably assured, and that the Company has completed all the material tasks and deliverables required by the contract.

Revenues for systems are recognized upon customer acceptance. For large deposition and RTP systems shipped through a distributor, revenue is typically recognized after the distributor has accepted the system at Intevac's factory and the system has been shipped. For large deposition and RTP systems sold direct to end customers, revenue is recognized after installation and acceptance of the system at the customer site. When the Company believes that there may be higher than normal end-user installation and acceptance issues for systems shipped through a distributor, such as when the first unit of a newly designed system is delivered, then the Company defers revenue recognition until the distributor's customer has also accepted the system. Revenues for technology upgrades, spare parts, consumable and prototype products built by the Photonics Division are generally recognized upon shipment. Service and maintenance contract revenue, which to date has been insignificant, is recognized ratably over applicable contract periods or as the service is performed.

The Company performs best efforts research and development work under various research contracts. Revenue on these contracts is recognized in accordance with contract terms, typically as costs are incurred. Typically, for each contract, the Company commits to perform certain research and development efforts up to an agreed upon amount. In connection with these contracts, the Company receives funding on an incremental basis up to a ceiling. Some of these contracts are cost sharing in nature, where Intevac is reimbursed for a portion of the total costs expended. In addition, the Company has, from time to time, negotiated with a third party to fund a portion of the Company's costs in return for a joint interest to the Company's rights at the end

of the contract. In the event a particular contract over-runs its agreed upon amount, the Company may be liable for the additional costs.

Inventories — Intevac makes provisions for potentially excess and obsolete inventory based on backlog and forecasted demand. However, order backlog is subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from forecasted demand due to a number of factors. For example, the thin-film disk industry has suffered from over-capacity and poor financial results, which has led to industry consolidation. Consolidation can lead to the availability of used equipment that competes at very low prices with the Company's products. Financial stress and consolidation in the Company's customer base can also lead to the cancellation of orders for products after the Company has incurred substantial costs related to those orders. Such problems have resulted, and may continue to result, in excess and obsolete inventory, and the provision of related reserves.

Warranty — The Company's standard warranty is twelve months from customer acceptance. During this warranty period any necessary non-consumable parts are supplied and installed. A provision for the estimated warranty cost is recorded at the time revenue is recognized.

Results of Operations

Three Months Ended March 30, 2002 and March 31, 2001

Net revenues. Net revenues consist primarily of sales of equipment used to manufacture flat panel displays, equipment used to manufacture thin-film disks, related equipment and system components, and contract research and development related to the development of electro-optical devices and systems. Net revenues decreased by 33% to $6.7 million for the three months ended March 30, 2002 from $10.0 million for the three months ended March 31, 2001. Net revenues from Equipment decreased to $4.9 million for the three months ended March 30, 2002 from $7.9 million for the three months ended March 31, 2001. The decrease in Equipment revenue was the result of decreased shipments of flat panel manufacturing equipment and of disk equipment spare parts. Equipment revenues included the sale of a MDP 200 modular add-on system that was integrated with a previously delivered MDP 250 disk manufacturing system. Net revenues from Photonics decreased to $1.7 million for the three months ended March 30, 2002 from $2.1 million for the three months ended March 31, 2001. The decrease in Photonics net revenues was the result of lower research and development contract revenues in the three-month period ended March 30, 2002, partially offset by revenue from the sale of two Model 120 LIVAR Cameras.

International sales decreased by 65% to $2.4 million for the three months ended March 30, 2002 from $6.9 million for the three months ended March 31, 2001. The decrease in international sales was due to a reduction in net revenues from disk manufacturing equipment and from flat panel manufacturing equipment. International sales constituted 37% of net revenues for the three months ended March 30, 2002 and 69% of net revenues for the three months ended March 31, 2001.

Backlog. The Company's backlog of orders for its products was $27.3 million at March 30, 2002 and $46.0 million at March 31, 2001. The reduction was primarily due to a lower backlog of flat panel deposition systems, five of which were taken to revenue in the fourth quarter of 2001. The Company includes in backlog the value of purchase orders for its products that have scheduled delivery dates.

Gross margin. Cost of net revenues consists primarily of purchased materials, fabrication, assembly, test and installation labor and overhead, customer-specific engineering costs, warranty costs, royalties, provisions for inventory reserves, scrap and costs attributable to contract research and development. Gross margin decreased to 14.4% for the three months ended March 30, 2002 from 34.0% for the three months ended March 31, 2001.

Equipment gross margins decreased to 15.5% for the three-month period ended March 30, 2002 from 45.0% for the three-month period ended March 31, 2001. Equipment margins decreased primarily due to a reduction in shipments of technology upgrades and high initial costs to complete Intevac's first MDP 200 system. Photonics gross margins increased to 11.3% during the three months ended March 30, 2002 from (8.1%) during the three months ended March 31, 2001. Photonics gross margins in the first quarter of 2002

were favorably impacted by the shipment of 2 LIVAR® camera systems and by the mix of sales derived from fully funded research and development contracts versus cost-shared research and development contracts.

Research and development. Research and development expense consists primarily of prototype materials, salaries and related costs of employees engaged in ongoing research, design and development activities for flat panel manufacturing equipment, disk manufacturing equipment, and research by the Photonics Division. Company funded research and development expense decreased to $3.1 million for the three months ended March 30, 2002 from $3.5 million for the three months ended March 31, 2001, representing 46.9% and 34.9%, respectively, of net revenue. This decrease was primarily the result of reduced spending for development of flat panel manufacturing equipment, partially offset by increased spending for photonics.

Research and development expenses do not include costs of $1.3 million and $2.1 million, respectively, for the three-month periods ended March 30, 2002 and March 31, 2001 related to contract research and development performed by the Company's Photonics business. These expenses are included in cost of net revenues.

Research and development expenses also do not include costs of $0.1 million in each of the three-month periods ended March 30, 2002 and March 31, 2001, reimbursed under the terms of various research and development cost sharing agreements.

Selling, general and administrative. Selling, general and administrative expense consists primarily of selling, marketing, customer support, production of customer samples, financial, travel, management, legal and professional services and bad debt expense. Domestic sales are made by the Company's direct sales force, whereas international sales are made by distributors and representatives that provide services such as sales, installation, warranty and customer support. The Company also has a subsidiary in Singapore to support customers in Southeast Asia.

Selling, general and administrative expense was $1.7 million for the both the three-month periods ended March 30, 2002 and March 31, 2001, representing 25.6% and 16.7%, respectively, of net revenue.

Interest expense. Interest expense consists primarily of interest on the Company's convertible notes. Interest expense was $0.7 million in both of the three-month periods ended March 30, 2002 and March 31, 2001.

Interest income and other, net. Interest income and other, net totaled $0.2 million and ($1.3) million for the three months ended March 30, 2002 and March 31, 2001, respectively. Interest income and other, net in 2002 consisted of $0.2 million of interest and dividend income on investments. Interest income and other, net in 2001 consisted of $0.7 million of interest and dividend income on investments offset by the establishment of a reserve related to the Company's $2.0 million investment in commercial paper issued by Pacific Gas and Electric Company, which had filed for reorganization under Chapter 11 of the US Bankruptcy Code in early 2001.

Provision for (benefit from) income taxes. The Company accrued a $2.2 million tax benefit for the three-month period ended March 30, 2002. This resulted from recent federal tax law changes that allow losses incurred in 2001 and 2002 to be carried back 5 years. The Company paid federal income taxes of approximately $5.1 million for 1996 and $0.9 million for 1997. The Company believes that at least $2.2 million of taxes paid are recoverable based on the loss incurred in 2001 and that additional taxes may also be recoverable, but the amount will not be determined and recorded until the Company files its 2001 federal income tax return either in the second or third quarter of 2002. For the three months ended March 31, 2001, the Company did not accrue a tax benefit due to the inability at that time to realize additional refunds from loss carry-backs.

Liquidity and Capital Resources

The Company's operating activities used cash of $3.7 million during the three months ended March 30, 2002. The cash used was due primarily to the net loss incurred and increases in receivables and inventory, which were partially offset by increased customer advances and depreciation and amortization. In the three

months ended March 31, 2001, the Company's operating activities used cash of $4.4 million due primarily to increased inventory and the net loss incurred by the Company.

The Company's investing activities used cash of $0.2 million for the three months ended March 30, 2002 as a result of the purchase of fixed assets. In the three months ended March 31, 2001, the Company's investing activities provided cash of $26.2 million as a result of the net sale of investments. During the three months ended March 31, 2001, the Company converted the majority of its short-term investments into cash or cash equivalents.

The Company's financing activities provided cash of $0.1 million and $0.2 million for the three-month periods ended March 30, 2002 and March 31, 2001, respectively, as the result of the sale of the Company's stock to its employees through the Company's employee benefit plans.

Intevac has incurred operating losses each year since 1998 and the Company cannot predict with certainty when it will return to profitability. We anticipate generating positive cash flow during the 2002 fiscal year, but that is dependent on continued growth in the business and our continued ability to obtain advances from our customers. Additionally, as of March 30, 2002 we had $37.5 million of outstanding Convertible Notes, which mature in March 2004. We do not currently have the funds available to repay the debt and there can be no assurance that the Company will be able to restructure the debt or secure additional equity and/or debt financing to redeem the Convertible Notes on terms favorable to the Company and its shareholders, if the Convertible Notes are not converted by their holders into Intevac common stock prior to their maturity.

Certain Factors Which May Affect Future Operating Results

$37.5 Million of convertible notes are outstanding and will mature in 2004.

In connection with the sale of $57.5 million of its 6 1/2% Convertible Subordinated Notes Due 2004 (the "Convertible Notes") in February 1997, Intevac incurred a substantial increase in the ratio of long-term debt to total capitalization (shareholders' equity plus long-term debt). At each noteholder's option, the Convertible Notes may be exchanged, prior to maturity, into Intevac common shares at a price of $20.625 per share, which is substantially above current market price. During 2001 and 1999 Intevac spent a total of $11.9 million to repurchase $20.0 million of the Convertible Notes. The $37.5 million of the Convertible Notes that remain outstanding as of March 30, 2002 commit Intevac to substantial principal and interest obligations that are significantly in excess of the Company's $14.5 million cash balance at March 30, 2002. Intevac may, from time to time, repurchase and retire additional Convertible Notes prior to their maturity date.

The degree to which Intevac is leveraged could have an adverse effect on Intevac's ability to obtain additional financing for working capital, acquisitions or other purposes, and could make it more vulnerable to industry downturns and competitive pressures. Intevac's ability to meet its debt service obligations will be dependent on Intevac's future performance, which will be subject to financial, business and other factors affecting the operations of Intevac, many of which are beyond its control. In the event that the Company's noteholders do not choose to exchange their Convertible Notes for Intevac common stock prior to the Convertible Notes' 2004 maturity date, the Company will be required to repay the Convertible Notes at maturity. If this is the case, then there can be no assurance that the Company will have generated sufficient cash from operations to repay the Convertible Notes without raising additional capital through the sale of additional debt or equity. Additionally, there can be no assurance that the Company will be able to secure additional equity and/or debt financing on terms favorable to the Company and its shareholders, or at all.

The majority of Intevac's new products address new and emerging markets.

Intevac has invested heavily in the development of products that address new markets. The Equipment Division has developed a flexible deposition tool and a rapid thermal processing tool to address growing segments of the flat panel display equipment market that are intended to displace products offered by competing manufacturers. The Photonics Division's LIVAR target identification system and low-cost low-light level camera products are designed to offer significantly improved capability relative to any products currently offered in the marketplace. Additionally, the Photonics Division is entering a new market for the

Company with its photodiodes for fiber optic communication systems. Failure of these products to perform as intended or to successfully penetrate these new markets and develop into profitable product lines will have an adverse effect on Intevac's business.

Demand for capital equipment is cyclical.

Intevac sells capital equipment to capital intensive industries, which manufacture and sell commodity products such as flat panel displays and disk drives. These industries operate with high fixed costs. When demand for these commodity products exceeds capacity, then demand for new capital equipment such as Intevac's tends to be amplified. When supply of these commodity products exceeds capacity, then demand for new capital equipment such as Intevac's tends to be depressed. The cyclical nature of the capital equipment industry means that in some years sales of new systems by the Company will be unusually high, and that in other years sales of new systems by the Company will be severely depressed. Failure to anticipate or respond quickly to the industry business cycle could have an adverse effect on Intevac's business.

The Equipment Business is subject to rapid technical change.

Intevac's ability to remain competitive requires substantial investments in research and development. The failure to develop, manufacture and market new systems, or to enhance existing systems, will have an adverse effect on Intevac's business. From time to time in the past, Intevac has experienced delays in the introduction of, and technical difficulties with, some of its systems and enhancements. Intevac's future success in developing and selling equipment will depend upon a variety of factors, including accurate prediction of future customer requirements, technology advances, cost of ownership, introduction of new products on schedule, cost-effective manufacturing and product performance in the field. Intevac's new product decisions and development commitments must anticipate continuously evolving industry requirements significantly in advance of sales. Any failure to accurately predict customer requirements and to develop new generations of products to meet those requirements would have an adverse effect on Intevac's business.

Our products are complex, constantly evolving and are often designed and manufactured to individual customer requirements that require additional engineering.

Intevac's Equipment Division products have a large number of components and are highly complex. Intevac may experience delays and technical and manufacturing difficulties in future introductions or volume production of new systems or enhancements. In addition, some of the systems built by Intevac must be customized to meet individual customer site or operating requirements. Intevac has limited manufacturing capacity and engineering resources and may be unable to complete the development, manufacture and shipment of its products, or to meet the required technical specifications for its products in a timely manner. Such delays could lead to rescheduling of orders in backlog, or in extreme situations, to cancellation of orders. In addition, Intevac may incur substantial unanticipated costs early in a product's life cycle, such as increased engineering, manufacturing, installation and support costs which may not be able to be passed on to the customer. In some instances, Intevac is dependent upon a sole supplier or a limited number of suppliers for complex components or sub-assemblies utilized in its products. Any of these factors could adversely affect Intevac's business.

The Photonics Business does not yet generate significant revenues from product sales.

To date the activities of the Photonics Division have concentrated on the development of its technology and prototype products that demonstrate this technology. Revenues have been derived primarily from research and development contracts funded by the United States Government and its contractors. The Company continues to develop standard Photonics products for sale to military and commercial customers. The Photonics Division will require substantial further investment in sales and marketing, in product development and in additional production facilities to support the planned transition to volume sales of Photonics products to military and commercial customers. There can be no assurance that the Company will succeed in these activities and generate significant sales of products based on its Photonics technology.

The sales of our Equipment products are dependent on substantial capital investment by our customers.

The purchase of Intevac's systems, along with the purchase of other related equipment and facilities, requires extremely large capital expenditures by our customers. These costs are far in excess of the cost of the Intevac systems alone. The magnitude of such capital expenditures requires that our customers have access to large amounts of capital and that they be willing to invest that capital over long periods of time to be able to purchase our equipment. Some of our customers may not be willing, or able, to make the magnitude of capital investment required.

Rapid increases in areal density are reducing the number of thin-film disks required per disk drive.

Over the past few years the amount of data that can be stored on a single thin-film computer disk has been increasing at approximately 100% per year. Although the number of disk drives produced has continued to increase each year, the growth in areal density has resulted in a reduction in the number of disks required per disk drive. TrendFocus, a market research firm specializing in the disk drive industry, projects that the number of thin-film disks used worldwide declined in 2001 from 2000 levels and are expected to remain at the same level in 2002. Without a significant technological change or an increase in the number of disks required, Intevac's disk equipment sales are largely limited to upgrades of existing systems, rather than capacity expansion or system replacement.

Our competitors are large and well financed and competition is intense.

Intevac experiences intense competition in the Equipment Division. For example, Intevac's equipment products experience competition worldwide from competitors including Anelva Corporation, Ulvac Japan, Ltd. and Unaxis Holdings, Ltd., each of which have sold substantial numbers of systems worldwide. Anelva, Ulvac and Unaxis all have substantially greater financial, technical, marketing, manufacturing and other resources than Intevac. There can be no assurance that Intevac's competitors will not develop enhancements to, or future generations of, competitive products that will offer superior price or performance features or that new competitors will not enter Intevac's markets and develop such enhanced products.

Given the lengthy sales cycle and the significant investment required to integrate equipment into the manufacturing process, Intevac believes that once a manufacturer has selected a particular supplier's equipment for a specific application, that manufacturer generally relies upon that supplier's equipment and frequently will continue to purchase any additional equipment for that application from the same supplier. Accordingly, competition for customers in the equipment industry is intense, and suppliers of equipment may offer substantial pricing concessions and incentives to attract new customers or retain existing customers.

Intevac's business is dependent on its intellectual property.

There can be no assurance that:

• any of Intevac's pending or future patent applications will be allowed or that any of the allowed applications will be issued as patents, or

• any patent owned by Intevac will not be invalidated, deemed unenforceable, circumvented or challenged, or

• the rights granted under our patents will provide competitive advantages to Intevac, or

• any of Intevac's pending or future patent applications will be issued with claims of the scope sought by Intevac, if at all, or

• others will not develop similar products, duplicate Intevac's products or design around the patents owned by Intevac, or

• patent rights, intellectual property laws or Intevac's agreements will adequately protect Intevac's intellectual property rights.

Failure to adequately protect Intevac's intellectual property rights could have an adverse effect upon Intevac's business.

From time to time Intevac has received claims that it is infringing third parties' intellectual property rights. There can be no assurance that third parties will not in the future claim infringement by Intevac with respect to current or future patents, trademarks, or other proprietary rights relating to Intevac's disk sputtering systems, flat panel manufacturing equipment or other products. Any present or future claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require Intevac to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to Intevac, or at all. Any of the foregoing could have an adverse effect upon Intevac's business.

Our operating results fluctuate significantly.

Over the last nine quarters Intevac's operating loss as a percentage of net revenues has fluctuated between approximately (59%) and (1%) of net revenues. Over the same period sales per quarter have fluctuated between $23.6 million and $5.9 million. Intevac anticipates that its sales and operating margins will continue to fluctuate. As a result, period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

Operating costs in northern California are high.

Intevac's operations are located in Santa Clara, California. The cost of living in northern California is extremely high, which increases both the cost of doing business and the cost and difficulty of recruiting new employees. Intevac's operating results depend in significant part upon its ability to effectively manage costs and to retain and attract qualified management, engineering, marketing, manufacturing, customer support, sales and administrative personnel. The failure to control costs and to attract and retain qualified personnel could have an adverse effect on Intevac's business.

Business interruptions could adversely affect our business.

Intevac's operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure and other events beyond our control. Additionally, the costs of electricity and natural gas have increased significantly. Any further cost increases will impact the Company's ability to achieve profitability.

A majority of our sales are to international customers.

Sales and operating activities outside of the United States are subject to inherent risks, including fluctuations in the value of the United States dollar relative to foreign currencies, tariffs, quotas, taxes and other market barriers, political and economic instability, restrictions on the export or import of technology, potentially limited intellectual property protection, difficulties in staffing and managing international operations and potentially adverse tax consequences. Intevac earns a significant portion of its revenue from international sales, and there can be no assurance that any of these factors will not have an adverse effect on Intevac's business.

Intevac generally quotes and sells its products in US dollars. However, in some cases, Intevac has quoted and sold its products in Japanese Yen. In those cases Intevac may enter into foreign currency contracts in an effort to reduce the overall risk of currency fluctuations to Intevac's business. However, there can be no assurance that the offer and sale of products denominated in foreign currencies, and the related foreign currency hedging activities will not adversely affect Intevac's results of operations.

Intevac's two principal competitors for disk sputtering equipment are based in foreign countries and have cost structures based on foreign currencies. Accordingly, currency fluctuations could cause Intevac's products to be more, or less, competitive than its competitors' products. Currency fluctuations will decrease, or increase, Intevac's cost structure relative to those of its competitors, which could impact Intevac's competitive position.

Intevac's stock price is volatile.

Intevac's stock price has experienced both significant increases in valuation, and significant decreases in valuation, over short periods of time. Intevac believes that factors such as announcements of developments related to Intevac's business, fluctuations in Intevac's operating results, failure to meet securities analysts' expectations, general conditions in the disk drive and thin-film media manufacturing industries and the worldwide economy, announcements of technological innovations, new systems or product enhancements by Intevac or its competitors, fluctuations in the level of cooperative development funding, acquisitions, changes in governmental regulations, developments in patents or other intellectual property rights and changes in Intevac's relationships with customers and suppliers could cause the price of Intevac's Common Stock to continue to fluctuate substantially. In addition, in recent years the stock market in general, and the market for small capitalization and high technology stocks in particular, has experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any of these factors could adversely affect the market price of Intevac's Common Stock.

Intevac routinely evaluates acquisition candidates and other diversification strategies.

Intevac has completed multiple acquisitions as part of its efforts to expand and diversify its business. For example, Intevac's business was initially acquired from Varian Associates in 1991. Additionally, Intevac acquired its current gravity lubrication, CSS test equipment and rapid thermal processing product lines in three acquisitions. Intevac also acquired its RPC electron beam processing business in late 1997, and subsequently closed this business. Intevac intends to continue to evaluate new acquisition candidates and diversification strategies. Any acquisition will involve numerous risks, including difficulties in the assimilation of the acquired company's employees, operations and products, uncertainties associated with operating in new markets and working with new customers, and the potential loss of the acquired company's key employees. Additionally, unanticipated expenses, difficulties and consequences may be incurred relating to the integration of technologies, research and development, and administrative functions. Any future acquisitions may result in potentially dilutive issuance of equity securities, acquisition related write-offs and the assumption of debt and contingent liabilities. Any of the above factors could adversely affect Intevac's business.

Intevac uses hazardous materials.

Intevac is subject to a variety of governmental regulations relating to the use, storage, discharge, handling, emission, generation, manufacture, treatment and disposal of toxic or otherwise hazardous substances, chemicals, materials or waste. Any failure to comply with current or future regulations could result in substantial civil penalties or criminal fines being imposed on Intevac or its officers, directors or employees, suspension of production, alteration of its manufacturing process or cessation of operations. Such regulations could require Intevac to acquire expensive remediation or abatement equipment or to incur substantial expenses to comply with environmental regulations. Any failure by Intevac to properly manage the use, disposal or storage of, or adequately restrict the release of, hazardous or toxic substances could subject Intevac to significant liabilities.

A majority of the Common Stock outstanding is controlled by the directors and executive officers of Intevac.

Based on the shares outstanding on March 30, 2002, the current directors and their affiliates and executive officers, in the aggregate, beneficially own a majority of the outstanding shares of Common Stock. These shareholders, acting together, are able to effectively control all matters requiring approval by the shareholders of Intevac, including the election of a majority of the directors and approval of significant corporate transactions. The Company's officers and directors also hold 7% of the outstanding Convertible Notes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk. The table below presents principal amounts and related weighted-average interest rates by year of maturity for the Company's debt obligations.

	2002	2003	2004	2005	2006	Beyond	Total	Fair Value
				(in thousands)				
Long-term debt								
Fixed rate	—	—	$37,545	—	—	—	$37,545	$20,697
Average rate	6.50%	6.50%	6.50%	—	—	—		

Foreign exchange risk. From time to time, the Company enters into foreign currency forward exchange contracts to economically hedge certain of its anticipated foreign currency transaction, translation and re-measurement exposures. The objective of these contracts is to minimize the impact of foreign currency exchange rate movements on the Company's operating results. At March 30, 2002, the Company did not have foreign currency forward exchange contracts.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 12, 1996 two Australian Army Black Hawk Helicopters collided in midair during nighttime maneuvers. Eighteen Australian servicemen perished and twelve were injured. The Company was named as a defendant in a lawsuit related to this crash. The lawsuit was filed in Stamford, Connecticut Superior Court on June 10, 1999 by Mark Durkin, the administrator of the estates of the deceased crewmembers, the injured crewmembers and the spouses of the deceased and/or injured crewmembers. Included in the suit's allegations are assertions that the crash was caused by defective night vision goggles. The suit names three US manufacturers of military night vision goggles, of which Intevac was one. The suit also names the manufacturer of the pilot's helmets, two manufacturers of night vision system test equipment and the manufacturer of the helicopter. The suit claims damages for 13 personnel killed in the crash, 5 personnel injured in the crash and spouses of those killed or injured. It is known that the Australian Army established a Board of Inquiry to investigate the accident and that the Board of Inquiry concluded that the accident was not caused by defective night vision goggles.

On July 27, 2000 the Connecticut Superior Court disallowed the defendants' motion to dismiss the lawsuit. That decision was appealed to the Connecticut Supreme Court. On October 30, 2001 the Connecticut Supreme Court reversed the Superior Court's decision and remanded the case to the trial court with the direction to grant the defendants' motions to dismiss the suit subject to conditions already agreed to by the defendants. These conditions agreed to by the defendants include (1) consenting to jurisdiction in Australia; (2) accepting service of process in connection with an action in Australia; (3) making their personnel and records available for litigation in Australia; (4) waiving any applicable statutes of limitation in Australia up to six months from the date of dismissal of this action or for such other reasonable time as may be required as a condition of dismissing this action; (5) satisfying any judgement that may be entered against them in Australia; and (6) consenting to the reopening of the action in Connecticut in the event the above conditions are not met as to any proper defendant in the action. The plaintiffs have not commenced litigation against the Company in Australia. Any such action could expose Intevac to further risk, plus the expense and uncertainties of defending the matter in a distant foreign jurisdiction.

On June 12, 2001 the Company filed a complaint in Santa Clara County Superior Court, State of California, against Intarsia Corporation. The complaint related to Intarsia's cancellation of an order for a customized sputtering system and sought damages of at least $3.3 million. On July 26, 2001 Intarsia filed a cross-complaint against the Company in the Santa Clara County Superior Court. On August 14, 2001, the Company filed a demurrer to the cross-complaint, and on October 11, 2001, Intarsia filed an amended cross-complaint. The amended cross-complaint included allegations of fraud, negligent misrepresentation, breach of contract and breach of covenant of good faith and fair dealing, and sought damages in the amount of $349,000 plus additional relief as may have been deemed appropriate by the court. On February 1, 2002 the Company and Intarsia agreed to resolve the matter. The terms of the settlement did not materially effect the Company's financial results.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security-Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith:

Exhibit Number	Description
3.2	Revised Bylaws of the Registrant
10.10	Compensation Package for Kevin Fairbairn, dated January 24, 2002

(b) *Reports on Form 8-K:*

None.

SIGNATURES

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

INTEVAC, INC.

Date: April 26, 2002

By: /s/ KEVIN FAIRBAIRN

Kevin Fairbairn
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: April 26, 2002

By: /s/ CHARLES B. EDDY III

Charles B. Eddy III
Vice President, Finance and Administration,
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit	Description
3.2	Revised Bylaws of the Registrant
10.10	Compensation Package for Kevin Fairbairn, dated January 24, 2002.

APPENDIX C

DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A

intevac

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Intevac, Inc., a California corporation which will be held May 15, 2002, at 6:30 p.m., local time, at the Company's headquarters, 3560 Bassett Street, Santa Clara, California 95054.

At the Annual Meeting, you will be asked to consider and vote upon the following proposals: (i) to elect seven (7) directors of the Company and (ii) to ratify the appointment of Grant Thornton LLP as independent accountants of the Company for the fiscal year ending December 31, 2002.

The enclosed Proxy Statement more fully describes the details of the business to be conducted at the Annual Meeting. After careful consideration, the Company's Board of Directors has unanimously approved the proposals and recommends that you vote **FOR** each such proposal.

After reading the Proxy Statement, please mark, date, sign and return the enclosed proxy card in the accompanying reply envelope to ensure receipt by the Company's Transfer Agent no later than May 12, 2002. If you decide to attend the Annual Meeting and would prefer to vote in person, please notify the Secretary of the Company that you wish to vote in person and your proxy will not be voted. **YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE AND RETURN THE ENCLOSED PROXY OR ATTEND THE ANNUAL MEETING IN PERSON.**

A copy of the Company's 2001 Annual Report has been mailed concurrently herewith to all shareholders entitled to notice of and to vote at the Annual Meeting.

We look forward to seeing you at the Annual Meeting. Please notify Sandra Thompson at (408) 496-2242 if you plan to attend.

Sincerely yours,

/s/ KEVIN FAIRBAIRN

Kevin Fairbairn
President and Chief Executive Officer

Santa Clara, California
March 25, 2002

IMPORTANT

Whether or not you plan to attend the meeting, please mark, date and sign the enclosed proxy and return it at your earliest convenience in the enclosed postage-prepaid return envelope.

INTEVAC, INC.

3560 Bassett Street
Santa Clara, California 95054

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 15, 2002

TO OUR SHAREHOLDERS:

You are cordially invited to attend the Annual Meeting of Shareholders of Intevac, Inc., a California corporation, to be held May 15, 2002 at 6:30 p.m., local time, at the Company's headquarters, 3560 Bassett Street, Santa Clara, California 95054, for the following purposes:

1. To elect directors to serve for the ensuing year or until their respective successors are duly elected and qualified. The nominees are Norman H. Pond, Kevin Fairbairn, Edward Durbin, George L. Farinsky, Robert D. Hempstead, David N. Lambeth and H. Joseph Smead.

2. To ratify the appointment of Grant Thornton LLP as independent accountants of the Company for the fiscal year ending December 31, 2002.

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement that accompanies this Notice.

Only shareholders of record at the close of business March 15, 2002 are entitled to notice of and to vote at the Annual Meeting and at any continuation or adjournment thereof.

All shareholders are cordially invited and encouraged to attend the Annual Meeting. In any event, to ensure your representation at the meeting, please carefully read the accompanying Proxy Statement which describes the matters to be voted on at the Annual Meeting and sign, date and return the enclosed proxy card in the reply envelope provided. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be returned to ensure that all your shares will be voted. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted. The prompt return of your proxy card will assist us in preparing for the Annual Meeting.

We look forward to seeing you at the Annual Meeting. Please notify Sandra Thompson at (408) 496-2242 if you plan to attend.

BY ORDER OF THE BOARD OF DIRECTORS
[-s- Charles B. Eddy]
CHARLES B. EDDY III
Vice President, Finance and Administration,
Chief Financial Officer, Treasurer and Secretary

Santa Clara, California
March 25, 2002

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. IN ANY EVENT, TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO VOTE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN THE POSTAGE-PREPAID ENVELOPE PROVIDED.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS OF INTEVAC, INC. To Be Held May 15, 2002

GENERAL

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Intevac, Inc., a California corporation, of proxies to be voted at the Annual Meeting of Shareholders to be held May 15, 2002, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Shareholders of record March 15, 2002 will be entitled to vote at the Annual Meeting. The Annual Meeting will be held at 6:30 p.m., local time, at the Company's headquarters, 3560 Bassett Street, Santa Clara, California 95054.

It is anticipated that this Proxy Statement and the enclosed proxy card will be first mailed to shareholders on or about April 2, 2002.

VOTING RIGHTS

The close of business March 15, 2002 was the record date for shareholders entitled to notice of and to vote at the Annual Meeting and any adjournments thereof. At the record date, the Company had 12,060,003 shares of its Common Stock outstanding and entitled to vote at the Annual Meeting, held by approximately 150 shareholders of record. The Company believes that approximately 1,700 beneficial owners hold shares through brokers, fiduciaries and nominees. Holders of Common Stock are entitled to one vote for each share of Common Stock so held. A majority of the shares of Common Stock entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting.

If any shareholder is unable to attend the Annual Meeting, such shareholder may vote by proxy. The enclosed proxy is solicited by the Company's Board of Directors, and, when the proxy card is returned properly completed, it will be voted as directed by the shareholder on the proxy card. Shareholders are urged to specify their choices on the enclosed proxy card. If a proxy card is signed and returned without choices specified, in the absence of contrary instructions, the shares of Common Stock represented by such proxy will be voted FOR Proposals 1 and 2 and will be voted in the proxy holders' discretion as to other matters that may properly come before the Annual Meeting.

The seven director nominees receiving the highest number of affirmative votes will be elected. Votes against a nominee, abstentions and brokers non-votes will have no effect on the election of directors. Approval of Proposal 2 requires (i) the affirmative vote of a majority of those shares present and voting, and (ii) the affirmative vote of the majority of the required quorum. Thus in the case of Proposal 2, abstentions and broker non-votes can have the effect of preventing approval of a proposal where the number of affirmative votes, though a majority of the votes cast, does not constitute a majority of the required quorum. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

REVOCABILITY OF PROXIES

Any person giving a proxy has the power to revoke it at any time before its exercise. A proxy may be revoked by filing with the Secretary of the Company an instrument of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

SOLICITATION OF PROXIES

The Company will bear the cost of soliciting proxies. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. The Company may reimburse such persons for their costs of forwarding the solicitation material to such beneficial owners. The original solicitation of proxies by mail may be supplemented by solicitation by telephone, telegram or other means by directors, officers, employees or agents of the Company. No additional compensation will be paid to these individuals for any such services. Except as described above, the Company does not intend to solicit proxies other than by mail.

The Annual Report of the Company for the fiscal year ended December 31, 2001 has been mailed concurrently with the mailing of this Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the Annual Meeting, seven directors (constituting the entire board) are to be elected to serve until the next Annual Meeting of Shareholders and until a successor for each such director is elected and qualified, or until the death, resignation, or removal of such director. It is intended that the proxies will be voted for the seven nominees named below unless authority to vote for any such nominee is withheld. All seven nominees are currently directors of the Company, and all except Mr. Fairbairn and Mr. Farinsky were elected to the Board by the shareholders at the last annual meeting. Each person nominated for election has agreed to serve if elected, and the Board of Directors has no reason to believe that any nominee will be unavailable or will decline to serve. In the event, however, that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any other person who is designated by the current Board of Directors to fill the vacancy. Unless otherwise instructed, the proxyholders will vote the proxies received by them for the nominees named below. The seven candidates receiving the highest number of the affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of the Company. The proxies solicited by this Proxy Statement may not be voted for more than seven nominees.

NOMINEES

Set forth below is information regarding the nominees to the Board of Directors.

Name	Position(s) with the Company	Age
Norman H. Pond	Chairman of the Board	63
Kevin Fairbairn	President and Chief Executive Officer	48
Edward Durbin(1)	Director	74
George L. Farinsky(1)	Director	67
Robert D. Hempstead	Director	58
David N. Lambeth(1)(2)	Director	55
H. Joseph Smead(2)	Director	76

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

BUSINESS EXPERIENCE OF NOMINEES FOR ELECTION AS DIRECTORS

Mr. Pond is a founder of Intevac and has served as Chairman of the Board since February 1991. Mr. Pond served as President and Chief Executive Officer from February 1991 until July 2000 and again from September 2001 through January 2002. Before joining Intevac, from 1988 to 1990, Mr. Pond served as

President and Chief Operating Officer of Varian Associates, Inc., a publicly held manufacturer of semiconductor, communication, defense and medical products where he was responsible for overall management of Varian's operations. From 1984 to 1988, Mr. Pond was President of Varian's Electron Device and Systems Group and became a Director of Varian in 1986. Mr. Pond holds a BS in physics from the University of Missouri at Rolla and a MS in physics from the University of California at Los Angeles.

Mr. Fairbairn joined Intevac as President and Chief Executive Officer in January 2002 and was appointed a Director of the Company in February 2002. Before joining Intevac, from July 1985 to January 2002, Mr. Fairbairn was employed by Applied Materials, most recently as Vice-President and General Manager of the Conductor Etch Organization with responsibility for the Silicon and Metal Etch Divisions. From 1996 to 1999, Mr. Fairbairn was General Manager of Applied's Plasma Enhanced Chemical Vapor Deposition Business Unit and from 1993 to 1996, he was General Manager of Applied's Plasma Silane CVD Product Business Unit. Mr. Fairbairn holds a MA in engineering sciences from Cambridge University.

Mr. Durbin has served as a Director of Intevac since February 1991. Mr. Durbin joined Kaiser Aerospace and Electronics Corporation, a privately held manufacturer of electronic and electro-optical systems, in 1975 and served as Vice Chairman with responsibility for marketing and business development until January 2001. Mr. Durbin holds a BS in electrical engineering from The Cooper Union and a MS in electrical engineering from the Polytechnic Institute of Brooklyn.

Mr. Farinsky has served as a Director of Intevac since May 2001. Mr. Farinsky has been an investor and consultant since he retired as a corporate financial executive in 1991. From 1987 to 1991 he was Executive Vice President and Chief Financial Officer of Ashton-Tate Corporation. Prior to joining Ashton-Tate, he held executive management positions at the Bank of British Columbia, Dysan Corporation, Kaiser Resources, Ltd,. Kaiser Industries Corporation, Mattel, Inc. and Teledyne, Inc. Mr. Farinsky holds a BS in business administration from the University of San Francisco and is a Certified Public Accountant licensed in California, but is not engaged in public practice. Mr. Farinsky is also a director of Broadcom Corporation.

Dr. Hempstead has served as a Director of Intevac since March 1997 and served as Chief Operating Officer of Intevac from April 1996 through June 1999. Before joining Intevac, Dr. Hempstead served as Executive Vice President of Censtor Corp., a manufacturer of computer disk drive heads and disks, from November 1994 to February 1996. He was a self-employed consultant from 1989 to November 1994. Dr. Hempstead is currently Chief Technology Officer at Veeco Instruments. Dr. Hempstead holds a BS and MS in electrical engineering from Massachusetts Institute of Technology and a Ph.D. in physics from the University of Illinois.

Dr. Lambeth has served as a Director of Intevac since May 1996. Dr. Lambeth has been Professor of both Electrical and Computer Engineering and Material Science Engineering at Carnegie Mellon University since 1989. Dr. Lambeth was Associate Director of the Data Storage Systems at Carnegie Mellon University from 1989 to 1999. Since 1988, Dr. Lambeth has been the owner of Lambeth Systems, an engineering consulting and research firm. From 1973 to 1988, Dr. Lambeth worked at Eastman Kodak Company's Research Laboratories, most recently as the head of the Magnetic Materials Laboratory. Dr. Lambeth holds a BS in electrical engineering from the University of Missouri and a Ph.D. in physics from the Massachusetts Institute of Technology.

Dr. Smead has served as a Director of Intevac since February 1991. Dr. Smead joined Kaiser Aerospace and Electronics Corporation in 1974 and served as Kaiser's President from 1974 until October 1997. Dr. Smead served as President and Chairman of the Board of Directors of K Systems, Inc., Kaiser's parent company, from 1977 until October 1997. Dr. Smead served as Chairman of the Board of Directors of Kaiser until December 1999. Dr. Smead resigned as a director of Kaiser and its subsidiaries in December 2000. Dr. Smead holds a BS in electrical engineering from the University of Colorado, a MS in electrical engineering from the University of Washington and a Ph.D. in electrical engineering from Purdue University.

BOARD MEETINGS AND COMMITTEES

The Board of Directors held four meetings during fiscal 2001. All members of the Board of Directors during fiscal 2001 attended at least seventy-five percent of the aggregate of the total number of meetings of the Board of Directors held during the fiscal year and the total number of meetings held by all committees of the Board on which each such director served. There are no family relationships among executive officers or directors of the Company. The Board of Directors has an Audit Committee and a Compensation Committee.

The Audit Committee of the Board of Directors held four meetings during fiscal 2001. The Audit Committee, which during 2001 comprised Mr. Durbin, Mr. Farinsky (after his appointment in May 2001) and Dr. Lambeth, recommends engagement of the Company's independent accountants, approves services performed by such accountants, and reviews and evaluates the Company's accounting system and its system of internal controls.

The Compensation Committee of the Board of Directors held one meeting during fiscal 2001. The Compensation Committee, which during 2001 comprised Dr. Lambeth and Dr. Smead, has overall responsibility for the Company's compensation policies and determines the compensation payable to the Company's executive officers, including their participation in certain of the Company's employee benefit and stock plans.

DIRECTOR COMPENSATION

Directors of the Company do not receive fees for services provided as a director, but they are reimbursed for reasonable expenses incurred in attending Board or committee meetings. The Company also does not pay fees for committee participation or special assignments of the Board of Directors. However, the directors are eligible to receive periodic option grants under the Discretionary Option Grant Programs in effect under the Company's 1995 Stock Option/ Stock Issuance Plan (the "1995 Plan"). Under the Discretionary Option Grant Program, all directors are eligible to receive option grants, when and as determined by the Board of Directors. During the 2001 fiscal year, Mr. Durbin, Dr. Hempstead and Dr. Smead each received option grants of 5,000 shares, Dr. Lambeth received options grants totaling 20,000 shares and Mr. Farinsky received an option grant of 35,000 shares under the Discretionary Option Grant Program.

The Board of Directors recommends that shareholders vote FOR election of all of the above nominees for election as directors.

PROPOSAL NO. 2:

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected Grant Thornton LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002. Grant Thornton LLP began auditing the Company's financial statements in 2000. Its representatives are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Change in Independent Public Auditor

In June 2000, Intevac dismissed Ernst & Young LLP as the Company's independent accountants and engaged Grant Thornton LLP as its new independent accountant. The Audit Committee of Intevac's Board of Directors participated in and approved the decision to change independent accountants June 5, 2000.

The reports of Ernst & Young LLP on the financial statements of the Company for the fiscal year ended December 31, 1999 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. Intevac had no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused

Ernst & Young LLP to make reference thereto in their report on the financial statements for the fiscal year ended December 31, 1999.

During the fiscal year ended December 31, 1999, and the subsequent interim period ended June 7, 2000, there were no reportable events as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Fees Paid To Accountants For Services Rendered During 2001

Audit Fees:

Audit fees billed to the Company by Grant Thornton LLP during the Company's 2001 fiscal year for review of the Company's annual financial statements and those financial statements included in the Company's quarterly reports on Form 10-Q totaled $163,000. The Company also paid Grant Thornton's predecessor accountant, Ernst & Young LLP $12,000 for their review of financial statements included in the Company's annual report on Form 10-K.

Financial Information Systems Design and Implementation Fees:

The Company did not engage Grant Thornton LLP to provide advice to the Company regarding financial information systems design and implementation during the year ended December 31, 2001.

All Other Fees:

Fees billed to the Company by Grant Thornton LLP during the 2001 fiscal year for all other non-audit services rendered to the Company, including tax related services totaled $36,000.

Shareholder ratification of the selection of Grant Thornton LLP as the Company's independent public accountants is not required by the Company's By-Laws or other applicable legal requirement. However, the Board is submitting the selection of Grant Thornton LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board at its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting, provided that such a vote also constitutes a majority of the required quorum, will be required to ratify the selection of Grant Thornton LLP as the Company's independent public accountants for the year ending December 31, 2002. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as the negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

The Board of Directors recommends that shareholders vote FOR the proposal to ratify the selection of Grant Thornton LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's Common Stock as of March 15, 2002 by (i) all persons known by the Company to be beneficial owners of five percent (5%) or more of its outstanding Common Stock based upon a review of 13G filings made with the Securities and Exchange Commission during 2001, (ii) each director of the Company and each nominee for director, (iii) the Chairman of the Board and each of the three other executive officers of the Company serving as such as of the end of the last fiscal year whose compensation for such year was in excess of $100,000, and (iv) all executive officers and directors of the Company as a group.

	Amount and Nature of Beneficial Ownership(1)	
Name and Address of Beneficial Owner	Number of Shares	Percent Owned(2)
Foster City LLC 395 Mill Creek Circle Vail, CO 81657	5,600,000	46.4%
Norman H. Pond(3) 3560 Basset Street Santa Clara, CA 95054	1,109,675	9.0%
State of Wisconsin Investment Board P.O. Box 7842 Madison, WI 53707	906,700	7.5%
Kevin Fairbairn	2,000	*
Charles B. Eddy(4)	167,182	1.4%
Verle Aebi(5)	82,615	*
Ed Durbin(6)	5,682,015	46.8%
George L. Farinsky(7)	35,000	*
Robert D. Hempstead(8)	138,799	1.1%
David N. Lambeth(9)	45,000	*
H. Joseph Smead(10)	5,637,683	46.7%
All directors and executive officers as a group (9 persons)(11)	7,299,969	57.3%

* Less than 1%.

(1) Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock. The number of shares beneficially owned includes Common Stock of which such individual has the right to acquire beneficial ownership either currently or within 60 days after March 15, 2002, including, but not limited to, upon the exercise of an option or conversion of convertible debt.

(2) Percentage of beneficial ownership is based upon 12,060,003 shares of Common Stock that were outstanding March 15, 2002. For each individual, this percentage includes Common Stock of which such individual has the right to acquire beneficial ownership either currently or within 60 days of March 15, 2002, including, but not limited to, upon the exercise of an option or conversion of convertible debt; however, such Common Stock is not considered outstanding for the purpose of computing the percentage owned by any other individual as required by General Rule 13d-3(d)(1)(i) under the Securities Exchange Act of 1934.

(3) Includes 818,100 shares held by the Norman Hugh Pond and Natalie Pond Trust DTD 12/23/80; 37,500 shares plus 60,363 shares held in the form of Intevac's Convertible Subordinated Notes due March 2004, both held by the Pond 1996 Charitable Remainder Unitrust, both of whose trustees are Norman Hugh Pond and Natalie Pond; options exercisable for 163,333 shares of Common Stock outstanding under the Company's 1995 Plan and 11,879 shares held in the form of Intevac's Convertible Subordinated Notes due March 2004.

(4) Includes 84,141 shares held by the Eddy Family Trust DTD 02/09/00, whose trustees are Charles Brown Eddy III and Melissa White Eddy, options exercisable for 70,466 shares of Common Stock under the 1995 Plan and 2,424 shares held in the form of Intevac's Convertible Subordinated Notes due March 2004.

(5) Includes options exercisable for 40,399 shares of Common Stock under the 1995 Plan.

(6) Includes options exercisable for 32,500 shares of Common Stock under the 1995 Plan, 47,515 shares held in the form of Intevac's Convertible Subordinated Notes due March 2004 and 5,600,000 shares held by Foster City LLC. Mr. Durbin is a director of the Company and a managing member of Foster City. Mr. Durbin disclaims beneficial ownership in the shares of the Company held by Foster City except to the extent of his pecuniary interest therein arising from his interest in Foster City.

(7) Includes options exercisable for 35,000 shares of Common Stock under the 1995 Plan.

(8) Includes options exercisable for 134,999 shares of Common Stock under the 1995 Plan.

(9) Includes options exercisable for 45,000 shares of Common Stock under the 1995 Plan.

(10) Includes options exercisable for 22,500 shares of Common Stock under the 1995 Plan and 5,600,000 shares held by Foster City LLC. Dr. Smead is a director of the Company and a managing member of Foster City. Dr. Smead disclaims beneficial ownership in the shares of the Company held by Foster City except to the extent of his pecuniary interest therein arising from his interest in Foster City.

(11) Includes options exercisable for 542,197 shares of Common Stock under the 1995 Plan and 122,181 shares held in the form of Intevac's Convertible Subordinated Notes due March 2004.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent (10%) of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership on Form 3 and reports of changes in ownership on Form 4 or Form 5 of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent (10%) shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during the fiscal year ended December 31, 2001, its officers, directors and holders of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning the compensation earned by (i) the Company's Chief Executive Officer and (ii) each of the three other executive officers of the Company whose salary and bonus was in excess of $100,000 for the 2001 fiscal year, for services rendered in all capacities to the Company and its subsidiaries for each of the last three fiscal years. Such individuals are referred to as the "Named Executive Officers". No executive officer who would have otherwise been includible in such table on the basis of salary and bonus earned for the 2001 fiscal year resigned or terminated employment during that fiscal year.

Summary Compensation Table

Name and Principal Position	Years	Annual Compensation		Long-Term Compensation Awards	All Other Compensation(2)
		Salary($)(1)	Bonus	Securities Underlying Options(#)	
Norman H. Pond	2001	$349,313	—	—	$4,456
Chairman of the Board	2000	292,724	—	—	2,966
	1999	262,432	—	—	3,579
Ajit Rode(3)	2001	289,016	—	—	2,427
Former Chief Executive Officer &	2000	111,064	50,000	200,000	907
President of Equipment Division	1999	—	—	—	—
Charles B. Eddy III	2001	181,456	—	5,000	2,359
Vice President, Finance and	2000	173,664	—	—	1,094
Administration, Chief Financial	1999	157,498	—	7,000	1,028
Officer, Treasurer and Secretary					
Verle Aebi	2001	183,914	—	5,000	2,238
President of Photonics Division	2000	176,243	—	—	975
	1999	156,801	—	10,000	1,022

(1) Includes salary deferral contributions to the Company's 401(k) Plan.

(2) The indicated amount for each Named Executive Officer comprises the contributions made by the Company on behalf of such individual to the Company's 401(k) Plan, which match part of such officer's salary deferral contributions to that plan, plus the cost of any life insurance in excess of $50,000 paid by the Company.

(3) Dr. Rode joined the Company in June 2000 as Chief Executive Officer and President of the Equipment Division. He was paid a bonus upon beginning employment with the Company. Dr. Rode resigned his position with the Company in September 2001.

Stock Options

The following table contains information concerning the stock option grants made to each of the Named Executive Officers during the fiscal year ended December 31, 2001. Except for the limited stock appreciation rights described in footnote (2) below, no stock appreciation rights were granted to those individuals during such year.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
Name	Number of Securities Underlying Options Granted(2)	Percent of Total Options Granted to Employees in 2001	Exercise or Base Price ($/Share)(3)	Expiration Date	5%	10%
Norman H. Pond	—	—	—	—	—	—
Ajit Rode	—	—	—	—	—	—
Charles B. Eddy III	5,000	1.6%	$3.200	10/19/11	$10,062	$25,500
Verle Aebi	5,000	1.6%	3.200	10/19/11	10,062	25,500

(1) There can be no assurance that the actual stock price appreciation over the 10-year option term will be at the 5% and 10% assumed annual rates of compounded stock price appreciation or at any other defined level. Unless the market price of the Common Stock appreciates over the option term, no value will be realized from the option grants made to the Named Executive Officer.

(2) Option shares generally vest in a series of five (5) successive equal annual installments upon the optionee's completion of each year of service over the five-year period measured from the grant date. In addition, the option shares vest in full upon an acquisition of the Company by merger or asset sale, unless such option is assumed by the acquiring entity. Each option has a maximum term of 10 years measured from the option grant date, subject to earlier termination following the optionee's cessation of service with the Company. Each option also includes a limited stock appreciation right which provides the optionee with a right, exercisable upon the successful completion of a hostile tender offer for fifty percent or more of the Company's outstanding voting securities, to surrender the option to the Company, to the extent the option is at that time exercisable for vested shares, in return for a cash distribution per surrendered option share equal to the excess of (i) the highest price per share of Common Stock paid in the hostile tender offer over (ii) the option exercise price payable per share.

(3) The exercise price may be paid in cash, in shares of the Company's Common Stock valued at fair market value on the exercise date, or through a cashless exercise procedure involving a same-day sale of the purchased shares. The Company may also finance the option exercise by loaning the optionee sufficient funds to pay the exercise price for the purchased shares, plus any Federal and state income tax liability incurred by the optionee in connection with such exercise.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning option exercises and option holdings for the 2001 fiscal year by each of the Named Executive Officers. Except for the limited stock appreciation rights described in footnote (2) to the Stock Options table above, no stock appreciation rights were outstanding at the end of that year.

Name	Shares Acquired on Exercise(#)	Value Realized(1)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End Exercisable/ Unexercisable(2)
Norman H. Pond	—	—	163,333/0	$ 0/0
Ajit Rode	—	—	40,000/160,000	$ 0/0
Charles B. Eddy III	—	—	69,466/12,200	$1,811/0
Verle Aebi	—	—	39,399/18,000	$1,995/0

(1) Equal to the fair market value of the purchased shares on the option exercise date less the exercise price paid for those shares.

(2) Based on the market price of $2.380 per share, which was the closing selling price per share of the Company's Common Stock on the Nasdaq National Market on the last day of the 2001 fiscal year, less the exercise price payable for such shares. Options for which the exercise price is greater than $2.380 are excluded from this calculation.

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the "Committee") administers the Company's compensation policies and programs and has primary responsibility for executive compensation matters, including the establishment of the base salaries of the Company's executive officers, the approval of individual bonuses and bonus programs for executive officers and the administration of certain employee benefit programs. In addition, the Committee has exclusive responsibility for administering the Company's 1995 Stock Option/ Stock Issuance Plan, under which stock option grants and direct stock issuances may be made to executive officers and other employees. The Committee during 2001 comprised two non-employee directors. The following is a summary of policies which the Committee applies in setting the compensation levels for the Company's executive officers.

GENERAL COMPENSATION POLICY. The overall policy of the Committee is to offer the Company's executive officers competitive compensation opportunities based upon their personal performance, the financial performance of the Company and their contribution to that performance. Each executive officer's compensation package generally comprises base salary, which is determined on the basis of the individual's position and responsibilities with the Company, the level of his or her performance, and the financial performance of the Company, and incentive performance awards generally in the form of stock options.

FACTORS. The primary factors which the Committee considers in establishing the components of each executive officer's compensation package are summarized below.

Base Salary. In setting the base salary for each executive officer, the Committee takes into account comparative compensation data for a select group of companies. Companies are included within the survey group on the basis of a number of factors, such as their size and organizational structure, the nature of their businesses, the geographic regions in which they operate, the composition of their compensation programs (including the extent to which they rely on other contingent forms of compensation), the extent to which they compete with the Company for executive talent and the availability of information concerning their compensation practices. On the basis of the compiled data, the Committee sets the base salary of each executive officer at a level which is competitive with the salaries of individuals in similar positions at the surveyed companies. The Committee also takes into account the performance of the Company in setting the base salary for each executive officer.

Incentive Compensation. At the end of each fiscal year the Compensation Committee evaluates each executive officer's base salary, the level of his performance, and the performance of the Company, and determines for each individual executive officer the amount of any cash incentive bonus to be paid to such executive officer. For fiscal 2001, no year-end cash incentive bonuses were paid.

Long-Term Stock-Based Incentive Compensation. Long-term incentives are provided through stock option grants. The grants are designed to align the interests of each executive officer with those of the shareholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. Each grant allows the officer to acquire shares of the Company's Common Stock at a fixed price per share (the market price on the grant date) over a specified period of time (up to ten years). Each option generally becomes exercisable in installments over a five-year period, contingent on the officer's continued employment with the Company. Accordingly, the option provides a return to the executive officer only if the market price of the shares appreciates over the option term and the officer continues in the Company's employ.

The size of the option grant to each executive officer is designed to create a meaningful opportunity for stock ownership and is based upon the executive officer's current position with the Company, internal comparability with option grants made to other Company executives, the executive officer's current level of performance and the executive officer's potential for future responsibility and promotion over the option term. The Committee also takes into account the number of vested and unvested options held by the executive officer to maintain an appropriate level of equity incentive for that individual. However, the Committee does not adhere to any specific guidelines as to the relative option holdings of the Company's executive officers.

CEO COMPENSATION. The compensation payable to Dr. Rode, the Company's Chief Executive Officer until September 28, 2001 was determined by the Committee using a process similar to that described above. His base salary was set at a level which the Committee believed would be competitive with the base salary levels in effect for chief executive officers at similarly-sized companies within the industry.

COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m). Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to publicly-held companies for compensation paid to certain executive officers, to the extent that compensation exceeds $1 million per officer in any year. The compensation paid to any of the Company's executive officers for the 2001 fiscal year did not exceed the $1 million limit per officer, and it is not expected the compensation to be paid to any of the Company's executive officers for the 2002 fiscal year will exceed that limit. In addition, the Company's 1995 Stock Option/ Stock Issuance Plan is structured so that any compensation deemed paid to an executive officer in connection with the exercise of his or her outstanding options under the 1995 Plan will qualify as performance-based compensation that will not be subject to the $1 million limitation.

Submitted by the Compensation Committee of the Company's Board of Directors:

David N. Lambeth & H. Joseph Smead, Compensation Committee Members

The foregoing Compensation Committee Report shall not be deemed to be "soliciting material" or to be filed with the SEC, nor shall such information be incorporated by reference into any past or future filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such filing.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Company's Board of Directors was formed September 14, 1995 and during 2001 comprised David N. Lambeth and H. Joseph Smead. Neither of these individuals was at any time during fiscal 2001, or at any other time, an officer or employee of the Company. No executive officer of the Company serves as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

AUDIT COMMITTEE REPORT

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the board, to report the results of its activities to the board and to maintain free and open communication among the committee, independent and internal auditors and management. While the Audit Committee has certain responsibilities and powers, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. It is not the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor, or to assure compliance with laws and regulation and the Company's Code of Conduct. The Audit Committee comprises three independent directors, and is governed by a written charter first adopted and approved by the Board of Directors September 14, 1995. Each of the members of the Audit Committee is independent as defined by Company policy and Rule 4200(a)(15) of the National Association of Securities Dealer's listing standards.

The Audit Committee recommends to the Board an accounting firm to serve as the Company's independent accountants. The Audit Committee also, as appropriate, reviews, evaluates, discusses and

consults with Company management, internal audit personnel and the independent accountants regarding the following:

- the plan for, and the independent auditor's report on, each audit of the Company's financial statements;
- the Company's financial disclosure documents, including the financial statements and reports included in filings with the SEC or sent to shareholders, as well as the Company's internal accounting controls, and accounting and financial personnel;
- changes in the Company's accounting practices, principles, controls or methodologies, or in the presentations contained in the Company's financial statements, and recent developments in accounting rules.

This year the Audit Committee reviewed the Audit Committee Charter and, after appropriate review and discussion, determined that it had fulfilled its responsibilities thereunder.

The Audit Committee is responsible for recommending to the Board that the Company's financial statements be included in the Company's Annual Report on Form 10-K. The Audit Committee discussed with Grant Thornton, the Company's independent accountants for fiscal 2001, those matters Grant Thornton communicated to the Audit Committee under applicable auditing standards, including information concerning the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. The Audit Committee discussed Grant Thornton's independence with Grant Thornton and received a letter from Grant Thornton regarding independence as required under applicable independence standards for auditors of public companies, satisfying the Committee in evaluating such independence. Finally, the Audit Committee reviewed and discussed, with Company management and Grant Thornton, the Company's audited consolidated balance sheets at December 31, 2001 and 2000, and consolidated statements of operations, cash flows and stockholders' equity for the three years ended December 31, 2001. Based on the discussions with Grant Thornton and management concerning the audit, the auditors independence, the financial statement review, and additional matters deemed relevant and appropriate by the Committee, the Audit Committee recommended to the Board that the Company's Annual Report on Form 10-K include these financial statements.

Submitted by the Audit Committee of the Company's Board of Directors:

Edward Durbin, George L. Farinsky & David N. Lambeth, Audit Committee Members

The foregoing Audit Committee Report shall not be deemed to be "soliciting material" or to be filed with the SEC, nor shall such information be incorporated by reference into any past or future filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such filing.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL AGREEMENTS

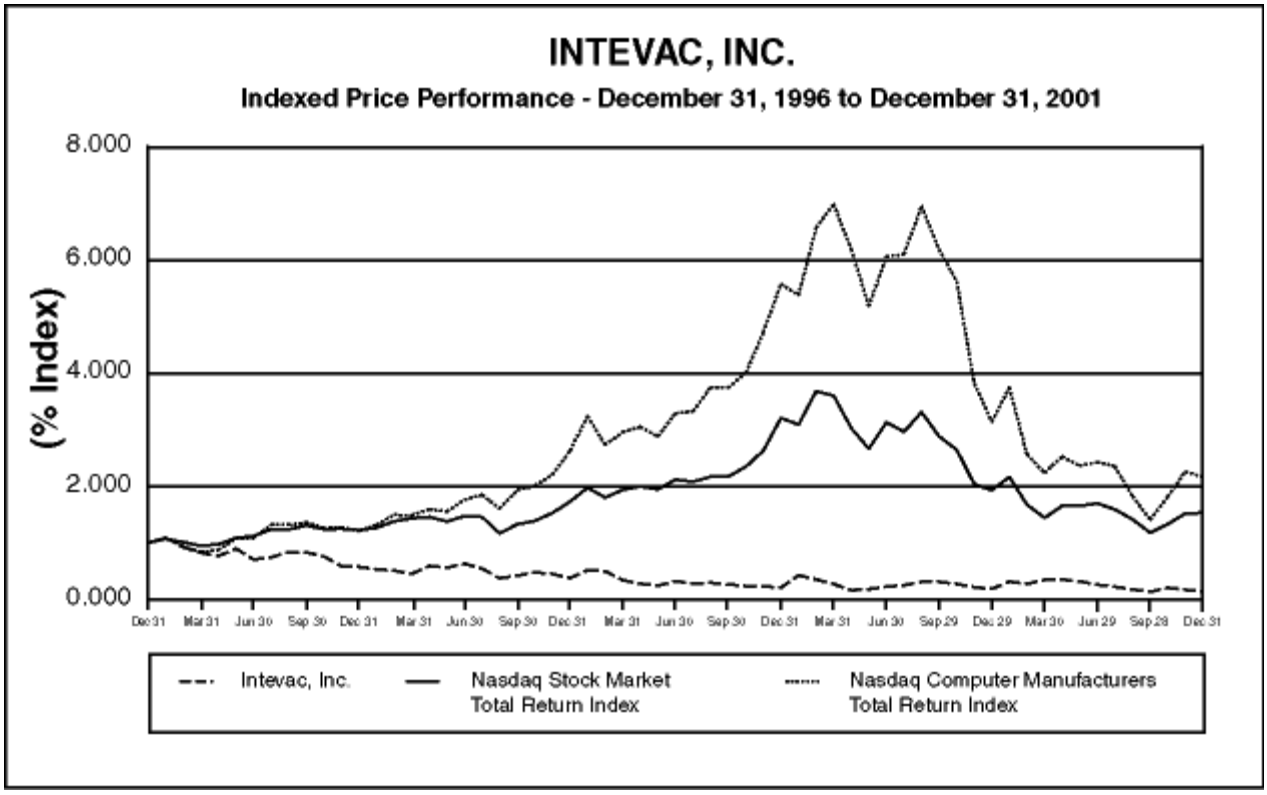
None of the Company's executive officers has an employment agreement with the Company, and each individual's employment may be terminated at any time at the discretion of the Board of Directors. Pursuant to the express provisions of the 1995 Stock Option/ Stock Issuance Plan, the outstanding options under the 1995 Plan held by the Chief Executive Officer and the Company's other executive officers would immediately accelerate in full, and all unvested shares of Common Stock at the time held by such individuals under the 1995 Plan would immediately vest, if their employment were to be terminated either involuntarily or through a forced resignation within twelve (12) months after any acquisition of the Company by merger or asset sale in which those options and shares did not otherwise vest. In addition, the Compensation Committee of the Board of Directors has the authority as Administrator of the 1995 Plan to provide for the accelerated vesting of the outstanding options under the 1995 Plan held by the Chief Executive Officer and the Company's other executive officers, and the immediate vesting of all unvested shares of Common Stock at the time held by such individuals under the 1995 Plan, if their employment were to be terminated either involuntarily or through a forced resignation following a hostile take-over of the Company effected through a successful tender offer for

more than fifty percent (50%) of the Company's outstanding Common Stock or through a change in the majority of the Board as a result of one or more contested elections for Board membership.

PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return on the Common Stock of the Company with that of the NASDAQ Stock Market Total Return Index, a broad market index published by the Center for Research in Security Prices ("CRSP"), and the NASDAQ Computer Manufacturers Stock Total Return Index compiled by CRSP. The comparison for each of the periods assumes that $100 was invested December 31, 1996 in the Company's Common Stock, the stocks included in the NASDAQ Stock Market Total Return Index and the stocks included in the NASDAQ Computer Manufacturers Stock Total Return Index. These indices, which reflect formulas for dividend reinvestment and weighting of individual stocks, do not necessarily reflect returns that could be achieved by individual investors.

COMPARISON OF CUMULATIVE TOTAL RETURN SINCE DECEMBER 31, 1996
AMONG INTEVAC, NASDAQ STOCK MARKET TOTAL RETURN INDEX AND
NASDAQ COMPUTER MANUFACTURERS TOTAL RETURN INDEX



Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933 or the Exchange Act that might incorporate future filings, including this Proxy Statement, in whole or in part, the preceding Compensation Committee Report on Executive Compensation, the preceding Audit Committee Report and the preceding Performance Graph shall not be incorporated by reference into any such filings; nor shall such reports or graph be incorporated by reference into any future filings.

OTHER BUSINESS

The Board of Directors knows of no other business that will be presented for consideration at the Annual Meeting. If other matters are properly brought before the Annual Meeting, however, it is the intention of the persons named in the accompanying proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

SHAREHOLDER PROPOSALS

Proposals of shareholders which are intended to be presented at the Company's annual meeting of shareholders to be held in 2003 must be received by the Company no later than December 3, 2002 to be included in the proxy statement and proxy relating to that meeting. If a shareholder intends to submit a proposal at our 2003 Annual Meeting of Shareholders that is not eligible for inclusion in the proxy statement relating to the meeting and the shareholder fails to give us notice in accordance with the requirements set forth in the Securities Exchange Act, no later than February 15, 2003, the proxy holders will be allowed to use their discretionary authority when and if the proposal is raised at our 2003 Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

-s- Charles B. Eddy III

CHARLES B. EDDY III
Vice President, Finance and Administration,
Chief Financial Officer, Treasurer and Secretary

March 25, 2002

APPENDIX D

Tender Offer Statement on Schedule TO
(located at the front of this document for filing purposes)

The exchange agent:

State Street Bank and Trust Company of California, N.A.

In person by hand only:

2 Avenue de Lafayette
5th Floor
Corporate Trust Operations
Boston, MA 02110

By facsimile transmission (for eligible institutions only):

(617) 662-1451
Attention: Corporate Trust Operations

For information or confirmation by telephone:

Ralph Jones
(617) 662-1548

Any questions or requests for assistance or additional copies of this prospectus and the letter of transmittal may be directed to the exchange agent at its telephone number and location set forth above. You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the exchange offer.

Any questions about the exchange offer may be directed to Intevac at the following address:

Mr. Charles Eddy, Vice President
Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054
Telephone: (408) 986-9888
Fax: (408) 727-5739

EXHIBIT (a)(1)(b)

INTEVAC, INC.

LETTER OF TRANSMITTAL

Exchange Offer for Outstanding
6 1/2% Convertible Subordinated Notes due 2004

Pursuant to the Offering Circular dated May 8, 2002

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN TIME, ON JUNE 5, 2002 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 12:00 MIDNIGHT, EASTERN TIME, ON THE EXPIRATION DATE

Delivery To:

State Street Bank and Trust Company of California, N.A.
Exchange Agent
2 Avenue de Lafayette
5th Floor
Corporate Trust Operations
Boston, MA 02110

For Information or Confirmation by Telephone Call:

(617) 662-1548

By Facsimile Transmission (for Eligible Institutions only):

(617) 662-1451
Attention: Corporate Trust Operations

DELIVERY OF THIS INSTRUMENT AND ALL OTHER DOCUMENTS TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE COMPLETING THIS LETTER OF TRANSMITTAL.

By signing this Letter of Transmittal (the "Letter"), you acknowledge that you have received and reviewed the Offering Circular, dated May 8, 2002 (the "Offering Circular"), of Intevac, Inc., a California corporation ("Intevac" or the "Company"), and this Letter, which together constitute Intevac's offer (the "Exchange Offer") to exchange for each $5,000 principal amount of its 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of its common stock, no par value per share, at an exercise price equal to $7.50 per share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009 (the "Exchange Notes").

We will accept up to a maximum of $18 million aggregate principal amount of Existing Notes from the registered holders thereof (the "Holders"). The Exchange Offer is conditioned on at least $9 million principal amount of Existing Notes being tendered in the Exchange Offer and is also subject to a number of other conditions set forth in "The Exchange Offer — Conditions to the Completion of the Exchange Offer" section of the Offering Circular. Capitalized terms used but not defined herein have the meanings assigned to them in the Offering Circular.

To tender Existing Notes pursuant to the Exchange Offer, the Exchange Agent must, prior to the Expiration Date, receive at the address listed above:

- with respect to Existing Notes held in certificated form, a properly completed and duly executed Letter and all other documents required by this Letter and the certificates for the Existing Notes being tendered, in proper form for transfer, and
- with respect to beneficial interests in Existing Notes held in global form, delivery of such Existing Notes pursuant to the procedures for book-entry transfer described in the Offering Circular under the caption "The Exchange Offer — Procedures for Tendering Existing Notes" as well as a confirmation of such delivery including an Agent's Message, as defined below, or in lieu of such Agent's Message, a properly completed and duly executed Letter.

This Letter is to be completed by any Holder (i) if certificates representing Existing Notes are to be forwarded herewith or (ii) if delivery of Existing Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at the Depository Trust Company ("DTC") and the Holder elects to submit this Letter to the Exchange Agent in lieu of an Agent's Message. Holders who desire to tender their Existing Notes for exchange and (i) whose Existing Notes are not immediately available, (ii) who cannot deliver their Existing Notes and all other documents required hereby to the Exchange Agent on or prior to the Expiration Date, or (iii) who are unable to deliver confirmation of the book-entry tender of their Existing Notes into the Exchange Agent's account at DTC (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, in each case, must tender their Existing Notes, according to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Offering Circular. The term "Agent's Message" means a message, transmitted by DTC and received by the Exchange Agent, that forms part of a Book-Entry Confirmation and states that DTC has received an express acknowledgment from the Holder tendering the Existing Notes that are the subject of the Book-Entry Confirmation that the Holder has received and agrees to be bound by the terms of this Letter, and that we may enforce such agreement against the Holder.

Delivery of documents to DTC's book-entry transfer facility does not constitute delivery to the Exchange Agent.

This Letter must be executed by the Holder of the Existing Notes listed herein. Tenders with respect to any Existing Notes only will be valid if the Holder tendering such Existing Notes has not previously revoked such tender in accordance with the procedures described below.

Any beneficial owner whose Existing Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender such Existing Notes in the Exchange Offer should promptly contact such registered Holder and instruct such registered Holder to tender on behalf of the beneficial owner. If such beneficial owner desires to tender on his or her own behalf, such beneficial owner must prior to completing and executing this Letter and delivering his Existing Notes, either make appropriate arrangements to register ownership of the Existing Notes in such beneficial owner's name or obtain a properly completed bond power from the registered Holder. The transfer of record ownership may take considerable time.

In order to properly complete this Letter, a Holder must (i) complete the box entitled "Description of Existing Notes;" (ii) if appropriate, check and complete the boxes relating to book entry transfer, guaranteed delivery, Special Issuance Instructions and Special Delivery Instructions; (iii) sign this Letter by completing the box entitled "Sign Here," and (iv) complete the Substitute Form W-9. Each Holder should carefully read the detailed Instructions below prior to completing this Letter.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Existing Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Existing Notes represented by such certificates, as well as the principal amount tendered, should be listed and attached on a separate signed schedule.

DESCRIPTION OF EXISTING NOTES

(1)	(2)	(3)	(4)
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	**Existing Note(s) Certificate Number(s)(1) (Attach signed list if necessary)**	**Aggregate Principal Amount of Existing Note(s)**	**Principal Amount Tendered(2)**
		Total	Total

1. Need not be completed by Holders tendering Existing Notes for exchange by book entry transfer.

2. Unless otherwise indicated in this column, a Holder will be deemed to have tendered ALL of the Existing Notes represented by certificate (s) listed in column 2. See Instruction 2. Existing Notes tendered hereby must be in denominations of principal amount of $5,000 and any integral multiple thereof. See Instruction 1.

Please check the appropriate box below and provide the requested information.

☐ **CHECK HERE IF TENDERED EXISTING NOTES ARE BEING ENCLOSED HEREWITH.**

☐ **CHECK HERE IF TENDERED EXISTING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution

DTC Account Number Transaction Code Number

☐ **CHECK HERE IF TENDERED EXISTING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Holder(s)

Window Ticket Number (if any)

Date of Execution of Notice of Guaranteed Delivery

Name of Institution which Guaranteed Delivery

For Book-Entry Transfer, Complete the Following:

DTC Account Number Transaction Code Number

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to Intevac the principal amount of Existing Notes indicated above in the box entitled "Description of Existing Notes." Subject to, and effective upon, the acceptance for exchange of the Existing Notes tendered hereby, in accordance with the terms of the Exchange Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Intevac all right, title and interest in and to such Existing Notes as are being tendered hereby.

For each $5,000 principal amount of Existing Notes accepted for exchange, the exchanging Holder will receive (assuming that at least $9 million principal amount of Existing Notes is tendered by Holders in the Exchange Offer and the other conditions described in the Offering Circular under the section entitled, "The Exchange Offer — Conditions to the Completion of the Exchange Offer" are satisfied):

- a $2,000 cash payment,
- 250 warrants, each warrant to purchase one share of our common stock, no par value per share, at an exercise price equal to $7.50 per share and with an expiration date of March 1, 2006, and
- an Exchange Note having a $1,000 principal amount (collectively, the "Exchange Consideration").

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the undersigned's true and lawful agent and attorney-in-fact — with full knowledge that the exchange agent is also acting as the agent of Intevac in connection with the exchange offer — with respect to such tendered Existing Notes, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offering Circular and in Instruction 9 of this Letter, to (i) deliver certificates representing such Existing Notes, or transfer ownership of such Existing Notes on the account books maintained by DTC (together in any such case, with all accompanying evidences of transfer and authenticity), to or upon the order of Intevac, (ii) present and deliver such Existing Notes for transfer and transfer the tendered Existing Notes on the books of Intevac, and (iii) receive for the account of Intevac all benefits or otherwise exercise all rights and incidents of beneficial ownership with respect to such Existing Notes. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Existing Notes, and to acquire the Exchange Consideration issuable upon the exchange of such tendered Existing Notes, and that, when the same are accepted for exchange, Intevac will acquire good and unencumbered title to the tendered Existing Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by Intevac. The undersigned hereby further represents that that it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes or the Warrants and has no arrangement or understanding to participate in a distribution of the Exchange Notes or the Warrants.

The name(s) and address(es) of the Holder(s) of the Existing Notes tendered by this Letter are printed above as they appear on the certificate(s) representing the Existing Notes. The certificate number(s) and the Existing Notes that the undersigned wishes to tender are indicated in the appropriate boxes above.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or Intevac to be necessary or desirable to complete the exchange, sale, assignment and transfer of the Existing Notes tendered by this Letter. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer — Withdrawal Rights and Non-Acceptance" section of the Offering Circular. Except as otherwise stated in the Offering Circular or this Letter, this tender for exchange of the Existing Notes is irrevocable.

The undersigned acknowledges that Intevac's acceptance of the Existing Notes validly tendered for exchange pursuant to any one of the procedures described in the section of the Offering Circular entitled "The Exchange Offer — Procedures for Tendering Existing Notes" and in the instructions to this Letter will constitute a binding agreement between the undersigned and Intevac upon the terms and subject to the conditions of the Exchange Offer.

Unless the undersigned has otherwise indicated by completing the boxes entitled "Special Issuance Instructions" or "Special Delivery Instructions" below, the undersigned hereby directs that the Exchange Notes, the Warrants and any

instrument representing the cash payment to be made in the Exchange Offer be issued in the name(s) of the undersigned, if applicable, and delivered to the address shown below the signature of the undersigned or, in the case of a book-entry transfer of Existing Notes, that the Exchange Notes, Warrants and any cash payment to be made in the Exchange Offer be credited to the account indicated above maintained with DTC.

If the undersigned has (i) tendered certificates for any Existing Notes that are not exchanged in the Exchange Offer for any reason or (ii) submitted certificates for more Existing Notes than the undersigned wishes to tender, unless the undersigned has otherwise indicated by completing the boxes entitled "Special Issuance Instructions" or "Special Delivery Instructions," the undersigned hereby directs that certificates for any Existing Notes that are not tendered or not exchanged should be issued in the name of the undersigned, if applicable, and delivered to the address shown below the signature of the undersigned or, in the case of a book-entry transfer of Existing Notes, that Existing Notes that are not exchanged be credited to the account indicated above maintained with DTC, in each case at Intevac's expense promptly following the expiration or termination of the Exchange Offer.

A tender for exchange of Existing Notes pursuant to any one of the procedures set forth in the section of the Offering Circular entitled "The Exchange Offer — Procedures for Tendering Existing Notes" will constitute the tendering Holder's acceptance of the terms and conditions of the Exchange Offer.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please credit the account indicated above maintained at DTC.

THE UNDERSIGNED, BY COMPLETING THE BOX ABOVE ENTITLED "DESCRIPTION OF EXISTING NOTES" AND BY SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE EXISTING NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if (i) Exchange Notes, Warrants and any instrument representing the cash payment to be made in the Exchange Offer (collectively, the "Exchange Consideration") or (ii) Existing Notes not tendered or exchanged, in either case, are to be issued in the name of someone other than the Holder of the Existing Notes whose name(s) appear above, or credited to an account maintained at DTC other than the account indicated above.

Issue (check appropriate box(es))

☐ Exchange Consideration to:
☐ Existing Note(s) to:

Name(s) _____

(Please Type or Print)

_____

(Please Type or Print)

Address _____

_____

(Zip Code)

_____

(Tax Identification or Social Security No.)
(Complete Substitute Form W-9)

Credit (check appropriate box(es))

☐ Exchange Consideration to:
☐ Existing Note(s) to:

the following account at DTC:

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if (i) certificates for the Exchange Notes and the Warrants and the instrument representing the cash payment issued in exchange for Existing Notes, (ii) certificates for Existing Notes in principal amount not exchanged for the Exchange Consideration, or (iii) certificates for Existing Notes (if any) not tendered for exchange, in any such case, are to be mailed or delivered to someone other than the undersigned or to the undersigned at an address other than the address shown below the undersigned's signature in the box entitled "Sign Here."

Mail to:

Name(s) _____

(Please Type or Print)

_____

(Please Type or Print)

Address _____

_____

(Zip Code)

(Tax Identification or Social Security No.)

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING.

SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete Accompanying Substitute Form W-9 below)

x _____ , 2002

x _____ , 2002

(Signature(s) of Owner) **(Date)**

If a Holder is tendering any Existing Notes, this Letter must be signed by the registered Holder(s) exactly as the name(s) appear(s) on the certificate(s) representing the Existing Notes or on a security position listing or by any person(s) authorized to become registered Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s) _____

_____

(Please Type or Print)

Capacity (full title): _____

Address _____

_____

(Including Zip Code)

Area Code and Telephone Number: _____

Taxpayer Identification or Social Security No.: _____

SIGNATURE GUARANTEE
(If required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution: _____

(Authorized Signature)

_____

(Name and Title)

_____

(Name of Firm)

Dated: _____

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Exchange Offer for the Outstanding 6 1/2% Convertible Subordinated Notes due 2004

of

INTEVAC, INC.

1. Delivery of this Letter; Guaranteed Delivery Procedures.

This Letter is to be completed by Holders of Existing Notes if certificates for Existing Notes are to be forwarded herewith or a Book-Entry Confirmation (including an Agent's Message) pursuant to DTC's Automated Tender Offer Program, or ATOP system, shall be delivered if tenders of Existing Notes are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer — Procedures for Tendering Existing Notes" section of the Offering Circular. Certificates for all physically tendered Existing Notes, or a Book-Entry Confirmation of delivery of the tendered Existing Notes into the Exchange Agent's account at DTC, as well as a properly completed and duly executed copy of this Letter (or manually signed facsimile hereof) or an Agent's Message pursuant to DTC's ATOP system, and all other required documents, must be received by the Exchange Agent at the address set forth on the cover of this Letter on or prior to the Expiration Date, or the tendering Holder must comply with the guaranteed delivery procedures set forth below. Existing Notes tendered hereby must be in denominations of principal amount of $5,000 and any integral multiple thereof.

Holders (i) whose Existing Notes are not immediately available, (ii) who cannot deliver their Existing Notes and all other required documents to the Exchange Agent on or prior to the Expiration Date, or (iii) who cannot complete the procedure for book-entry transfer and deliver all other required documents to the Exchange Agent on or prior to the Expiration Date, in any such case, may tender their Existing Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Offering Circular. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution, (ii) prior to 12:00 midnight, Eastern Time, on the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof), or an Agent's Message, and a Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder of Existing Notes and the principal amount of Existing Notes tendered for exchange, stating that the tender is being made thereby and guaranteeing that within three trading days after the Expiration Date the certificates representing such Existing Notes (or a Book-Entry Confirmation), in proper form for transfer, and any other required documents will be deposited by the Eligible Institution with the Exchange Agent, and (iii) certificates for all tendered Existing Notes or a Book-Entry Confirmation, together with a copy of the previously executed Letter (or a facsimile thereof) or an Agent's Message and all other required documents, must be received by the Exchange Agent within three trading days after the Expiration Date. The term "Eligible Institution" means any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act.

THE METHOD OF DELIVERY OF EXISTING NOTES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE TENDERING HOLDER, EXCEPT AS OTHERWISE PROVIDED BELOW, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. NEITHER THIS LETTER OF TRANSMITTAL NOR ANY EXISTING NOTES SHOULD BE SENT TO THE COMPANY OR THE TRUSTEE.

See "The Exchange Offer" section of the Offering Circular.

2. Tenders.

(a) Tenders of Existing Notes will be accepted only in integral multiples of $5,000 principal amount.

(b) If a tender for exchange is to be made with respect to less than the entire principal amount of an Existing Note evidenced by a submitted certificate, the tendering Holder(s) should fill in the aggregate principal amount of such Existing Note to be tendered in the box above entitled "Description of Existing Notes — Principal Amount Tendered."

(c) The entire principal amount of the Existing Note tendered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

(d) A reissued certificate representing the non-tendered portion of an Existing Note will be sent to the Holder of such Existing Note, unless otherwise provided in the appropriate box above entitled "Special Issuance Instructions" and/or "Special Delivery Instructions," promptly after the Expiration Date. All of the Existing Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures on this Letter; Bond Powers and Endorsements; Guarantee of Signatures.

If this Letter is signed by the registered Holder of the Existing Notes tendered hereby, the signature must correspond exactly with the name as it appears on the face of the Existing Notes or on the security position listing the Holder as the holder of such Existing Notes on the records of DTC, in either case, without any change whatsoever.

If any tendered Existing Notes are owned of record by two or more joint owners, all of such owners must sign this Letter.

If any tendered Existing Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter and any other required documents as there are different registrations.

When this Letter is signed by the registered Holder or Holders of the Existing Notes specified herein and tendered hereby, no endorsements of the Existing Notes or separate bond powers are required. If, however, Existing Notes not tendered or not accepted or the Exchange Notes or the Warrants are to be issued in the name of or returned to a person other than the registered Holder, then the Existing Notes transmitted hereby must be endorsed or accompanied by appropriate powers of attorney in a form satisfactory to the Company and, in either case, signed exactly as the name(s) of the Holder(s) appears on the Existing Notes. Signatures on such Existing Notes or powers of attorney must be guaranteed by an Eligible Institution (unless signed by an Eligible Institution).

If this Letter or certificates for Existing Notes or any bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted to the Exchange Agent.

If this Letter is signed by a person other than the registered Holder(s) of the Existing Notes tendered hereby, the Existing Notes must be endorsed or accompanied by appropriate powers of attorney, in either case, signed exactly as the name(s) of the registered Holder(s) appear(s) on the certificates. Signatures on such Existing Notes or powers of attorney must be guaranteed by an Eligible Institution (unless signed by an Eligible Institution).

Except as otherwise provided herein, all signatures on this Letter must be guaranteed by a an Eligible Institution.

Signatures on this Letter need not be guaranteed by an Eligible Institution if (i) this Letter is signed by the registered Holder(s) of the Existing Notes (including any DTC participant whose name appears on a security position listing such participant as the Holder of such Existing Notes) tendered herewith and such

Holder(s) have not completed the box entitled “Special Issuance Instructions” or the box entitled “Special Delivery Instructions” on this Letter, or (ii) the Existing Notes tendered herewith are tendered for the account of an Eligible Institution.

4. Special Issuance and Delivery Instructions.

If the Exchange Notes or the Warrants are to be issued or sent, or if any Existing Notes not tendered or accepted for exchange are to be issued or sent, to someone other than the Holder or to an address other than that shown above, the appropriate box entitled “Special Issuance Instructions” or “Special Delivery Instructions” above should be completed. Holders tendering Existing Notes by book-entry transfer may request that Existing Notes not exchanged be credited to such account maintained at DTC as such Holder may designate hereon. If no such instructions are given, such Existing Notes not exchanged will be credited to the proper account maintained at DTC.

In the case of issuance in a different name, the employer identification or social security number of the person to whom the securities are to be issued must also be indicated.

5. Taxpayer Identification Number.

Federal income tax law generally requires that a tendering Holder whose Existing Notes are accepted for exchange must provide the Company (as payor) with such Holder’s correct Taxpayer Identification Number (“TIN”) on Substitute Form W-9 below, which in the case of a tendering Holder who is an individual, is his or her social security number. If the Company is not provided with the current TIN or an adequate basis for an exemption from backup withholding, such tendering Holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, the Exchange Agent may be required to withhold 30% of the amount of any reportable payments made after the exchange to such tendering Holder of the Exchange Notes and the Warrants. Backup withholding is not an additional U.S. federal income tax. Rather, the U.S. federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt Holders of Existing Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute IRS Form W-9 (the “W-9 Guidelines”) for additional instructions.

To prevent backup withholding, each tendering Holder of Existing Notes must provide its correct TIN by completing the Substitute Form W-9 set forth below, certifying, under penalties of perjury, that the TIN provided is correct, (or that such Holder is awaiting a TIN) and that (i) the Holder is exempt from backup withholding, or (ii) the Holder has not been notified by the Internal Revenue Service that such Holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the Holder that such Holder is no longer subject to backup withholding. If the tendering Holder of Existing Notes is a non-resident alien or foreign entity not subject to backup withholding, such Holder must give the Exchange Agent a completed Form W-8, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Existing Notes are in more than one name or are not in the name of the actual owner, such Holder should consult the W-9 Guidelines for information on which TIN to report. If such Holder does not have a TIN, such Holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9 and write “applied for” in lieu of its TIN. Note: Checking this box and writing “applied for” on the form means that such Holder has already applied for a TIN or that such Holder intends to apply for one in the near future. If the box in Part 2 of the Substitute Form W-9 is checked, the Exchange Agent will retain 30% of the reportable payments made to a Holder during the 60-day period following the date of the Substitute Form W-9. If the Holder furnishes the Exchange Agent with his or her TIN within 60 days of the date of the Substitute Form W-9, the Exchange Agent will remit such amounts retained during such 60-day period to such Holder and no further amounts will be retained or withheld from payments made to the Holder thereafter. If, however, such Holder does not provide its TIN to the Exchange Agent within such 60-day period, the Exchange Agent will remit

such previously withheld amounts to the Internal Revenue Service as backup withholding and will withhold 30% of all reportable payments to the Holder thereafter until such Holder furnishes its TIN to the Exchange Agent.

6. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Existing Notes to it or its order pursuant to the Exchange Offer. If, however, Exchange Notes, Warrants and/or substitute Existing Notes not exchanged are to be registered or issued in the name of any person other than the registered Holder of the Existing Notes tendered hereby, or if a transfer tax is imposed for any reason other than the transfer of Existing Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering Holder or withheld from the cash consideration due such holder pursuant to the Exchange Offer.

7. Waiver of Conditions.

Subject to the applicable law, the Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Offering Circular.

8. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders of Existing Notes, by execution of this Letter or the delivery of an Agent's Message, shall waive any right to receive notice of the acceptance of their Existing Notes for exchange.

9. Withdrawal Rights.

Tenders of Existing Notes may be withdrawn at any time prior to 12:00 midnight, Eastern Time, on the Expiration Date.

For such a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at the address set forth above prior to 12:00 midnight, Eastern Time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having tendered the Existing Notes to be withdrawn (the "Depositor"), (ii) identify the Existing Notes to be withdrawn by specifying the certificate number(s) and principal amount of such Existing Notes or, in the case of Existing Notes tendered by book-entry transfer, specify the number of the account at the Book-Entry Transfer Facility from which the Existing Notes were tendered and specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Existing Notes and otherwise complying with the procedures of such facility, (iii) contain a statement that such Holder is withdrawing his election to have such Existing Notes exchanged, (iv) be signed by the Holder in the same manner as the original signature on the Letter by which such Existing Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer to have the Trustee with respect to the Existing Notes register the transfer of such Existing Notes in the name of the person withdrawing the tender and (v) specify the name in which such Existing Notes are to be registered, if different from that of the Depositor. All questions as to the validity, form, eligibility and time of receipt of such notices will be determined by the Company in its sole and absolute discretion, whose determination shall be final and binding on all parties. Any Existing Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer and no Exchange Consideration will be issued with respect thereto unless the Existing Notes so withdrawn are validly retendered. Any Existing Notes that have been tendered for exchange but are not exchanged for any reason will be returned to the tendering Holder thereof, at our expense, in the case of physically tendered Existing Notes, or will be credited to the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures of the Book-Entry Transfer Facility, in the case of book-entry transfer, such Existing Notes will be credited to an account maintained with the Book-Entry Transfer Facility for the Existing Notes as soon as

practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Existing Notes may be retendered by following the procedures described above at any time on or prior to 12:00 midnight, Eastern Time, on the Expiration Date.

10. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering Existing Notes, as well as requests for additional copies of the Offering Circular and this Letter, and requests for Notices of Guaranteed Delivery and other related documents may be directed to the Exchange Agent, at the address or telephone number set forth on the cover of this Letter.

11. Irregularities.

All questions as to the form of documents and the validity, eligibility, time of receipt, acceptance and withdrawal of Existing Notes will be resolved by the Company, in its sole discretion, whose determination shall be final and binding. The Company reserves the absolute right to reject any or all Existing Notes not properly tendered or tenders of Existing Notes that, if accepted for exchange would, in the opinion of counsel to the Company, be unlawful. The Company reserves the absolute right to waive any defects or irregularities or conditions of tender for exchange as to particular Existing Notes. The Company's interpretation of the terms of, and conditions to, the Exchange Offer (including the instructions herein) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Existing Notes must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notice of any defects or irregularities with respect to tenders of Existing Notes, nor shall any of them incur any liability for failure to give any such notice. A tender of such Existing Notes will not be deemed to have been made until all defects and irregularities have been cured or waived. Any Existing Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned, at our expense, by the Exchange Agent to such holder, unless otherwise provided in this Letter, as soon as practicable following the expiration date.

12. Mutilated, Lost, Stolen or Destroyed Existing Notes.

Any Holder whose Existing Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address or telephone number set forth on the cover of this Letter for further instructions.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(See Instruction 5)

PAYOR'S NAME:

SUBSTITUTE **Form W-9**	**Part 1** — PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	TIN: Social Security Number or Employer Identification Number
	Part 2 — TIN Applied For ☐	
Department of the Treasury **Internal Revenue Service**		
Payor's Request for Taxpayer Identification Number ("TIN") and Certification	**CERTIFICATION:** UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT: (1) the number shown on this form is my correct TIN (or I am waiting for a number to be issued to me), (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and (3) any other information provided on this form is true and correct. SIGNATURE DATE	

You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 30% OF ANY PAYMENT MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE IRS FORM W-9 FOR ADDITIONAL INSTRUCTIONS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 30% of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature **Date**

EXHIBIT (a)(1)(c)

INTEVAC, INC.

Exchange Offer for Outstanding
6 1/2% Convertible Subordinated Notes due 2004

Pursuant to the Offering Circular dated May 8, 2002

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Intevac, Inc., a California corporation (the "Company"), is offering, upon and subject to the terms and conditions set forth in the Offering Circular, dated May 8, 2002 (the "Offering Circular"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), to exchange for each $5,000 principal amount of its 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of its common stock, no par value per share, at an exercise price equal to $7.50 per share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009.

We are requesting that you contact your clients for whom you hold Existing Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Existing Notes registered in your name or in the name of your nominee, or who hold Existing Notes registered in their own names, we are enclosing the following documents:

1. Offering Circular dated May 8, 2002;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery;

4. A form of letter that may be sent to your clients for whose account you hold existing Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute IRS Form W-9; and

6. Return envelopes addressed to State Street Bank and Trust Company of California, N.A., 2 Avenue de Lafayette, 5th Floor, Corporate Trust Operations, Boston, MA 02110, the Exchange Agent for the Exchange Offer.

Your prompt action is requested. The Exchange Offer will expire at 12:00 midnight, Eastern Time, on June 5, 2002, unless extended by the Company (the "Expiration Date"). Existing Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

To tender Existing Notes pursuant to the Exchange Offer, the Exchange Agent must, prior to the Expiration Date, receive at the address listed on the front of the Letter of Transmittal:

- with respect to Existing Notes held in certificated form, a properly completed and duly executed Letter of Transmittal and all other documents required by the Letter of Transmittal and the certificates for the Existing Notes being tendered, in proper form for transfer, and
- with respect to beneficial interests in Existing Notes held in global form, delivery of such Existing Notes pursuant to the procedures for book-entry transfer described in the Offering Circular under the caption "The Exchange Offer — Procedures for Tendering Existing Notes" as well as a confirmation of

such delivery including an agent's message, or in lieu of such agent's message, a properly completed and duly executed Letter of Transmittal.

If a registered holder of Existing Notes desires to tender its Existing Notes for exchange and (i) the Existing Notes are not immediately available, (ii) such holder cannot deliver the Existing Notes and all other documents required by the Letter of Transmittal to the Exchange Agent on or prior to the Expiration Date, or (iii) such holder is unable to deliver confirmation of the book-entry tender of their Existing Notes into the Exchange Agent's account at DTC and all other documents required by the Letter of Transmittal to the Exchange Agent on or prior to the Expiration Date, in each case, such holder must tender their Existing Notes, according to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Offering Circular.

The Company will not pay any fee or commission to any broker, dealer, nominee or other person for soliciting tenders of the Existing Notes pursuant to the Exchange Offer. The Company will, upon request, reimburse brokers, dealers, commercial banks, trust companies and other nominees for reasonable and necessary costs and expenses incurred by them in forwarding the Offering Circular and the related documents to the beneficial owners of Existing Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid all stock transfer taxes incident to the transfer of Existing Notes pursuant to the Exchange Offer from the holder thereof to the Company, except as set forth in the Instructions to the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to State Street Bank and Trust Company of California, N.A., the Exchange Agent for the Exchange Offer, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

INTEVAC, INC.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFERING CIRCULAR OR THE LETTER OF TRANSMITTAL.

Enclosures

EXHIBIT (a)(1)(d)

INTEVAC, INC.

Exchange Offer for Outstanding
6 1/2% Convertible Subordinated Notes due 2004

Pursuant to the Offering Circular dated May 8, 2002

To Our Clients:

Enclosed for your consideration is an Offering Circular, dated May 8, 2002 (the "Offering Circular"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Intevac, Inc., a California corporation (the "Company"), to exchange for each $5,000 principal amount of its 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of its common stock, no par value per share, at an exercise price equal to $7.50 share and with the expiration date of March 1, 2006, and
- $1,000 principal amount of its new 6 1/2% Convertible Subordinated Notes due 2009.

The Exchange Offer will be made upon the terms and subject to the conditions described in the Offering Circular and the Letter of Transmittal.

This material is being forwarded to you as the beneficial owner of the Existing Notes held by us for your account but not registered in your name. A tender of such Existing Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Existing Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Offering Circular and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Existing Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 12:00 midnight, Eastern Time, on June 5, 2002 (the "Expiration Date") unless extended by the Company. Any Existing Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for up to a maximum of $18 million aggregate principal amount of the Existing Notes.

2. The Exchange Offer is subject to the conditions set forth in the Offering Circular in the section captioned "The Exchange Offer — Conditions to the Completion of the Exchange Offer, including that at least $9 million principal amount of the Existing Notes are tendered in the Exchange Offer.

3. The Company expressly reserves the right to amend the Exchange Offer for any or no reason at any time prior to the Expiration Date.

4. Any transfer taxes incident to the transfer of Existing Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

5. The Exchange Offer expires at 12:00 midnight, Eastern Time, on June 5, 2002, unless extended by the Company.

If you wish to have us tender your Existing Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Existing Notes.

INSTRUCTIONS WITH RESPECT TO THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Intevac, Inc. with respect to its Existing Notes.

This will instruct you to tender the Existing Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Offering Circular and the Letter of Transmittal. Please tender the Existing Notes held by you for my account as indicated below:

DESCRIPTION OF EXISTING NOTES			
(1)	**(2)**	**(3)**	**(4)**
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	**Existing Note(s) Certificate Number(s) [1] (Attach signed list if necessary)**	**Aggregate Principal Amount of Existing Note(s)**	**Principal Amount Tendered [2]**
		Total	Total

1. Need not be completed by Holders tendering Existing Notes for exchange by book entry transfer.
2. Unless otherwise indicated in this column, a Holder will be deemed to have tendered ALL of the Existing Notes represented by certificate(s) listed in column 2. Existing Notes tendered hereby must be in denominations of principal amount of $5,000 and any integral multiple thereof.

SIGN HERE

Dated: _____ , 2002

Signature(s):

Print name(s) here:

Print Address(es):

Area Code and Telephone Number(s):

Tax Identification or Social Security Number(s):

None of the Existing Notes held by us for your account will be tendered unless we receive written instructions from you to do so. After receipt of instructions to tender, unless we receive specific contrary instructions prior to the Expiration Date, we will tender all the Existing Notes held by us for your account.

EXHIBIT (a)(1)(e)

INTEVAC, INC.

Notice of Guaranteed Delivery
of
6 1/2% Convertible Subordinated Notes due 2004

Pursuant to the Offering Circular dated May 8, 2002
(Not to be used for Signature Guarantees)

THE EXCHANGE OFFER EXPIRES AT 12:00 MIDNIGHT, EASTERN TIME, ON JUNE 5, 2002 UNLESS EXTENDED (THE "EXPIRATION DATE").

You must use this form or a substantially equivalent form if you wish to tender any of the 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") of Intevac, Inc., a California corporation (the "Company"), in accordance with the Exchange Offer made pursuant to the Offering Circular dated May 8, 2002 (the "Offering Circular") and the accompanying Letter of Transmittal (the "Letter of Transmittal"), and (i) your Existing Notes are not immediately available, (ii) you cannot deliver your Existing Notes and all other required documents to State Street Bank and Trust Company of California, N.A., as exchange agent (the "Exchange Agent"), prior to 12:00 midnight, Eastern Time, on the Expiration Date, or (iii) you are unable to deliver confirmation of the book-entry tender of your Existing Notes into the Exchange Agent's account at the Depository Trust Company ("DTC") and all other required documents to the Exchange Agent prior to 12:00 midnight, Eastern Time, on the Expiration Date. Such form may be delivered or transmitted by facsimile transmission, if applicable, mail or hand delivery to the Exchange Agent as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Existing Notes pursuant to the Exchange Offer, a Letter of Transmittal (or facsimile thereof) or an agent's message pursuant to the DTC's ATOP system, with any required signature guarantees and any other required documents must also be received by the Exchange Agent prior to 12:00 midnight, Eastern Time, on the Expiration Date. Capitalized terms used herein but not defined herein are defined as set forth in the Offering Circular or the Letter of Transmittal.

Delivery To:

State Street Bank and Trust Company of California, N.A.
Exchange Agent
2 Avenue de Lafayette
5th Floor
Corporate Trust Operations
Boston, MA 02110

For Confirmation by Telephone Call:

(617) 662-1548

By Facsimile Transmission (for Eligible Institutions only):

(617) 662-1451
Attention: Corporate Trust Operations

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Offering Circular and the accompanying Letter of Transmittal, the receipt of both of which is hereby acknowledged, the undersigned hereby tenders to the Company the principal amount of Existing Notes set forth below in the applicable box pursuant to the guaranteed delivery procedures described in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Offering Circular.

Principal Amount of Existing Notes Tendered:*	Certificate Numbers (if available):	For book-entry transfer to DTC, please provide account number.
$		Name of Tendering Institution
$		
$		
		Account Number ----------, at DTC

* Must be in denominations of $5,000 principal amount and any integral multiple thereof.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

PLEASE SIGN HERE

x _____ _____

x _____ _____

Signature(s) of Owners or Authorized Signatory **Date**

Area Code and Telephone Number:

Must be signed by the Holder(s) of the Existing Notes as their name(s) appear(s) on the face of the Existing Notes or on a security position listing, or by person(s) authorized to become registered Holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below:

Please print names(s) and address(es)

Names(s):

Capacity:

Address(es):

GUARANTEE
(Not to be Used for Signature Guarantee)

The undersigned, a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or a correspondent in the United States, and a participant in an authorized signature guarantee program, hereby guarantees that, within three trading days after the Expiration Date, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), together with certificates representing the Existing Notes covered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Existing Notes into the Exchange Agent's account at DTC, together with an Agent's Message, pursuant to the procedure for book-entry transfer set forth in the Offering Circular) and all other required documents will be deposited by the undersigned with the Exchange Agent.

The undersigned acknowledges that it must deliver the Letter of Transmittal and Existing Notes tendered hereby to the Exchange Agent within the time period set forth above and that failure to do so could result in financial loss to the undersigned.

Name of Firm: X

Authorized Signature

Address: Name:

Title:

Area Code and Telephone No.: Date:

Do not send Existing Notes with this form. Existing Notes should be sent to the Exchange Agent together with a properly completed and duly executed Letter of Transmittal.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution' under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

INSTRUCTIONS

1. **Delivery of this Notice of Guaranteed Delivery.** A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth on the cover hereof on or prior to the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and all other required documents to the Exchange Agent is at the election and risk of the Holder but, except as otherwise provided below, the delivery will be deemed made only when actually received by the Exchange Agent. If such delivery is by mail, it is recommended that the Holder use properly insured, registered mail with return receipt requested. For a full description of the guaranteed delivery procedures, see the section of the Offering Circular entitled "The Exchange Offer — Guaranteed Delivery Procedures." In all cases, sufficient time should be allowed to assure timely delivery. No Notice of Guaranteed Delivery should be sent to the Company.

2. **Signatures on this Notice of Guaranteed Delivery; Guarantee of Signatures.** If this Notice of Guaranteed Delivery is signed by the registered Holder(s) of the Existing Notes referred to herein, the signature must correspond with the name(s) as written on the face of the Existing Notes without alteration, enlargement or any change whatsoever.

If this Notice of Guaranteed Delivery is signed by a person other than the registered Holder(s) of any Existing Notes listed, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers signed as the name of the registered Holder(s) appear(s) on the face of the Existing Notes without alteration, enlargement or any change whatsoever or as appearing on a security position listing, as applicable.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by the Company, evidence satisfactory to the Company of their authority so to act must be submitted with this Notice of Guaranteed Delivery.

3. **Request for Assistance or Additional Copies.** Questions and requests for assistance or for additional copies of the Offering Circular and the Letter of Transmittal may be directed to the Exchange Agent at the address or telephone number set forth on the cover hereof.

EXHIBIT (a)(1)(f)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE IRS FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer. Social Security numbers (SSNs) have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers (EINs) have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

For this type of account:		Give name and SSN of:
1.	Individual	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4.	a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5.	Sole proprietorship	The owner(3)

For this type of account:		Give name and EIN of:
6.	Sole proprietorship	The owner(3)
7.	A valid trust, estate, or pension trust	Legal entity(4)
8.	Corporate	The corporation
9.	Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10.	Partnership	The partnership
11.	A broker or registered nominee	The broker or nominee
12.	Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.
(2) Circle the minor's name and furnish the minor's SSN.
(3) **You must show your individual name,** but you may also enter your business or "DBA" name. You may use either your SSN or EIN (if you have one).
(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title).

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Obtaining a Number

If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration Office. Get Form W-7, Application for IRS Taxpayer Identification Number, to apply for an individual taxpayer identification number or Form SS-4, Application for Employer Identification Number to apply for an EIN. You can get Forms W-7 and SS-4 from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS Web Site at www.irs.gov.

Payees Exempt From Backup Withholding

Payees specifically exempted from backup withholding on payments of interest and dividends and on broker transactions include the following:

- A corporation.
- An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).
- The United States or any of its agencies or instrumentalities.
- A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
- A foreign government, or any of its political subdivisions, agencies or instrumentalities.
- An international organization or any of its agencies or instrumentalities.
- A foreign central bank of issue.
- A dealer in securities or commodities required to register in the U.S., the District of Columbia, or a possession of the U.S.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A real estate investment trust.
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A common trust fund operated by a bank under section 584(a).
- A financial institution.

Further the following are similarly exempted from backup withholding on interest and dividend payments.

- A middleman known in the investment community as a nominee or custodian.
- A trust exempt from tax under section 664 or described in section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. that have at least one nonresident partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 401(k) distributions made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage or student loan paid interest paid to you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A, 6042, 6045, 6049, 6050A, and 6050N.

Privacy Act Notice —Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 30% of taxable interest, dividend, and certain other payments

to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Penalties for Failure to Furnish Taxpayer Identification Number. —If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil Penalty for False Information With Respect to Withholding. —If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) Criminal Penalty for False Information. —Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

intevac 3560 Bassett Street, Santa Clara CA 95054

INTEVAC ANNOUNCES EXCHANGE OFFER FOR $18 MILLION OF ITS 6.5% CONVERTIBLE SUBORDINATED NOTES DUE 2004

Santa Clara, California, May 8, 2002 - Intevac, Inc. (Nasdaq: IVAC), today announced that it is offering to exchange up to $18,000,000 of its 6.5% Convertible Subordinated Notes due 2004 for a combination of cash, warrants and new notes in an offering exempt from the registration requirements of the Securities Act of 1933.

The Exchange Offer

Under the exchange offer, for each $5,000 principal amount of its 6.5% Convertible Subordinated Notes due 2004 (the "Existing Notes"), Intevac is offering to exchange the following:

- $2,000 in cash,
- 250 warrants, each warrant to purchase one share of its common stock, no par value, at an exercise price equal to $7.50 per share, expiring on March 1, 2006, and
- $1,000 principal amount of its new 6.5% Convertible Subordinated Notes due 2009, convertible at $10.00 per share.

The exchange offer is conditioned on at least $9,000,000 principal amount of existing notes being tendered. Members of Intevac's management, who collectively own $2,520,000 of the existing notes, have agreed to tender all their existing notes in the exchange offer.

Intevac will accept up to a maximum of $18,000,000 aggregate principal amount of existing notes under the exchange offer. If more than $18,000,000 aggregate principal amount of the existing notes are submitted under the exchange offer, then the notes will be exchanged *pro rata* , disregarding fractions, according to the number of existing notes tendered by each holder. The exchange offer is expected to expire at 12:00 midnight, Eastern Time, on June 5, 2002, unless extended or earlier terminated, and to close promptly after such expiration date.

A Schedule TO describing the exchange offer has been filed with the Securities and Exchange Commission. This press release shall not constitute an offer to sell or a solicitation of an offer to buy and is issued pursuant to Rule 135c under the Securities Act of 1933. The securities offered pursuant to the exchange offer have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

EXHIBIT (a)(5)(b)

Intevac 2002

AeA General Presentation

Kevin Fairbairn
President and CEO
May 14, 2002

Cautionary Disclaimer

During the course of this presentation, we will comment upon future events and make projections about the future financial performance of the Company, including statements related to the Company's expected sales, product shipments and acceptance, gross margins, operating expenses, profits, cash flow, and income tax expense. We will discuss our products, the markets they address and acceptance of those products by the market. We wish to caution you that these are forward looking statements that are based upon our current expectations, and that actual results could differ materially as a result of various risks and uncertainties, including, without limitation, the following: inability to develop and deliver new products and technologies as planned; inability to accurately forecast the demand for our products and services; the possibility that orders in backlog may be cancelled, delayed or rescheduled; and other risk factors discussed in documents filed by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company undertakes no obligation to update the forward-looking statements made during this presentation.

Introduction

2002

- Intevac Now Has Revolutionary New Intensified Imaging Products Addressing Major Markets

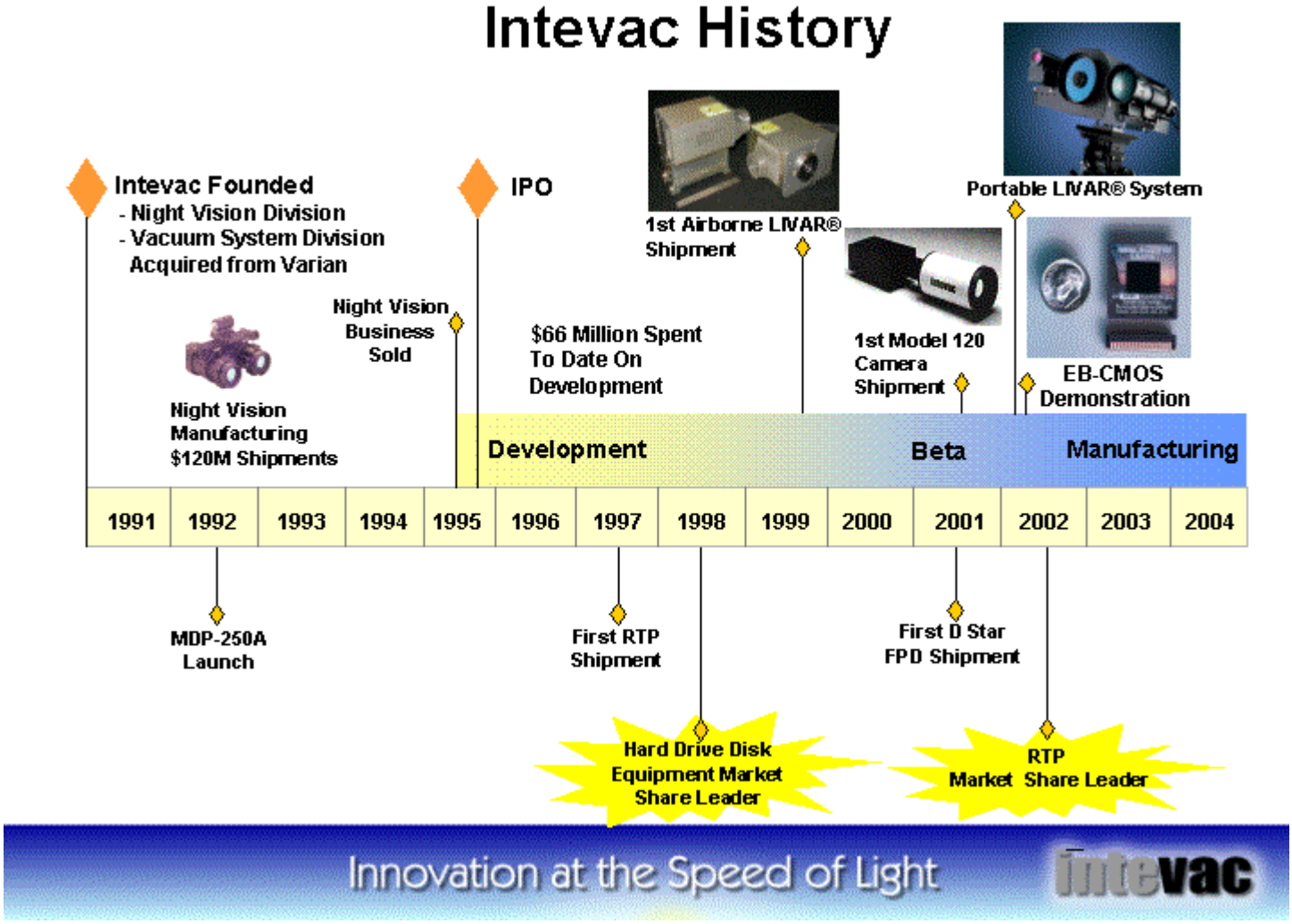
Historically

- Intevac Recognized As Leading Supplier of Coating Equipment for Hard Drive Media
  - >$120 million revenue 1997
  - Business depressed in recent years
  - Completed diversification into flat panel display equipment market

Future

- Company Growth Driven by Intensified Imaging Products

Intevac History



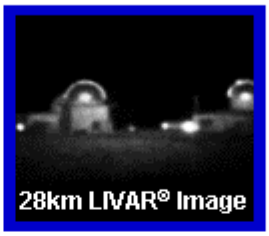
Intevac 2002

Emergence of Revolutionary Intensified Imaging Products

Extreme Long Range ID

Radar

- No Identification
- Detectable by enemy



LIVAR®

- Target I.D.
- Day/Night Operation
- Stealth

Long Range Night Vision

FLIR

(Forward Looking Infra Red)

- Limited Range
- Limited Resolution

LIVAR®

- Target I.D. at FLIR Detection Range
- I.D. Beyond Weapons Range
- Man-Portable

Commercial Low Light Camera

CCD Camera

- Day/Twilight Operation

EBAPS™

- Day/Night Operation
- High Resolution Video
- Low Power Consumption
- No Illumination

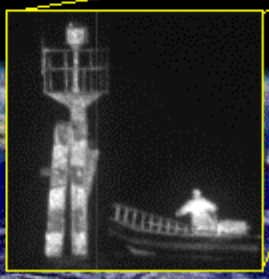
Innovation at the Speed of Light intevac

LIVAR® Product Applications

Target Tracking for Airborne Laser

Manned / Unmanned Airborne

Man-Portable
Land / Marine



Army Cost Effective
Targeting System

Innovation at the Speed of Light

intevac

Intensified Imaging Products

		Served Markets	Annual Market Size*
LIVAR®		Target Tracking for Airborne Laser Army Cost Effective Targeting System Manned/Unmanned Airborne Man-Portable, Land/Marine	$ 200 Million Post 2005
Extreme Low Light Video Cameras		Security Scientific Recreational Military Head Mounted	$ 400 Million
High Performance Photodiodes 10 Gb/s 40 Gb/s		Optical Communications >40 Customer Evaluations in Progress	$ 200 Million Post 2005

* *Company Estimate*

Innovation at the Speed of Light intevac

Summary

- Revolutionary Intensified Imaging Technology With Critical IP Protection
- Broad Range of Enabling Products Addressing Major Markets
  - LIVAR® Systems For High End Military Applications
  - Low Light Level Digital Cameras for High Volume Commercial Markets
  - Advanced Photodiode Devices for Optical Communications

Intevac 2002

AeA Breakout Session

Kevin Fairbairn
President and CEO
May 14, 2002

Cautionary Disclaimer

During the course of this presentation, we will comment upon future events and make projections about the future financial performance of the Company, including statements related to the Company's expected sales, product shipments and acceptance, gross margins, operating expenses, profits, cash flow, and income tax expense. We will discuss our products, the markets they address and acceptance of those products by the market. We wish to caution you that these are forward looking statements that are based upon our current expectations, and that actual results could differ materially as a result of various risks and uncertainties, including, without limitation, the following: inability to develop and deliver new products and technologies as planned; inability to accurately forecast the demand for our products and services; the possibility that orders in backlog may be cancelled, delayed or rescheduled; and other risk factors discussed in documents filed by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company undertakes no obligation to update the forward-looking statements made during this presentation.

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Future

- Company Growth Driven by Intensified Imaging Products

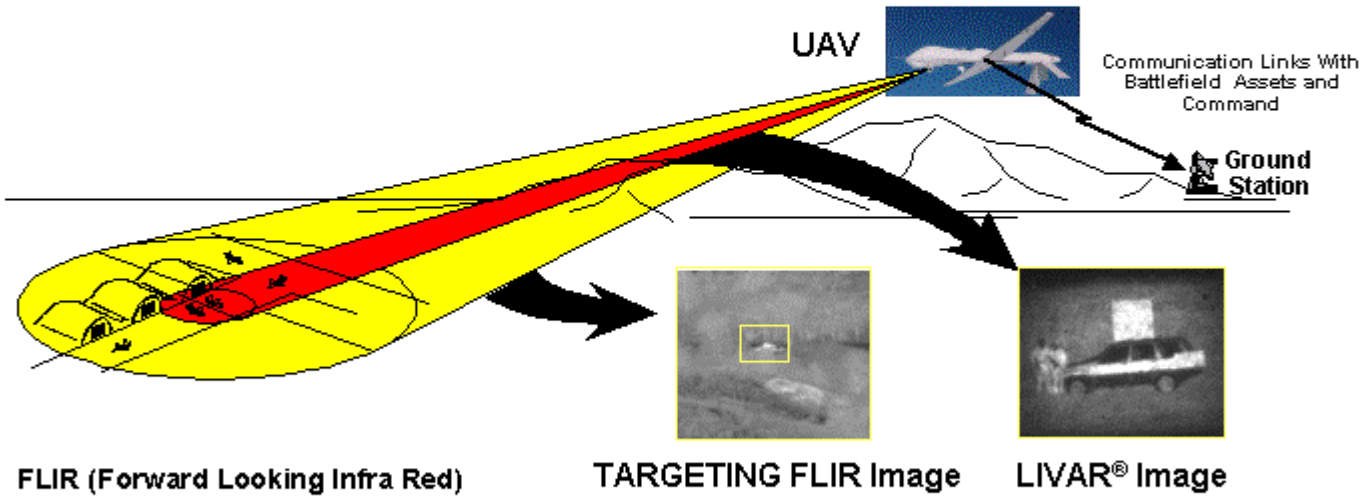
Intevac Strategy

- Focus on Rapid Development of Intensified Imaging
  - Large Available Markets
  - Highly Differentiated Products and Technology
- Equipment Business
  - Completed major new Flat Panel Display equipment development
  - Transition to FPD and Intensified Imaging Equipment
  - Generate Cash from Operations
- Improve Balance Sheet via Technology Sales and/or Restructuring

Laser Illuminated Viewing and Ranging
LIVAR®

LIVAR® . . . A sensor system for collecting a new class of stealthy long-standoff non-cooperative target ID imagery.

- Uses FLIR technology for surveillance and target queing
- Uses eyesafe pulsed laser for rangefinding and target illumination
- Range-gated to eliminate target clutter and improve all-weather performance
- Cost-effective retrofit to existing targeting systems

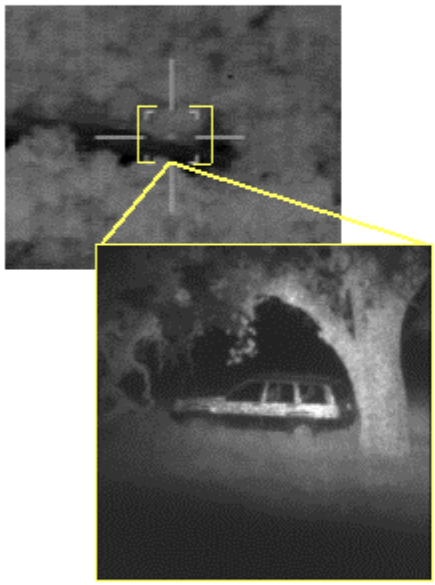


FLIR (Forward Looking Infra Red) TARGETING FLIR Image LIVAR® Image

Combat ID Imagery at FLIR Detection Ranges

LIVAR® Operational Concept

Acquire -w- FLIR



ID -w- LIVAR®

Targets are searched for and acquired with FLIR

Laser pulse is fired to determine Range-To-Target (RTT)

Processor calculates and automatically sets illuminator beam divergence and range gate using RTT data

Automatically provides second laser pulse which is received by the LIVAR® gated camera to create a high resolution, laser illuminated image of the target

Image transmitted for target confirmation

User ID's target and takes appropriate action

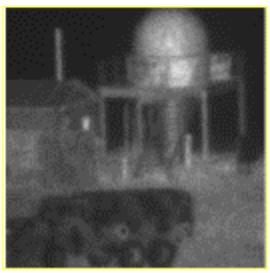
LIVAR® Technology Breakthrough

- High sensitivity in near IR (1000 X increase)
- High resolution (5x increase in target ID range)
- IR laser illuminator is eyesafe & covert
- Ability to see enemy at night, at long range, creates major advantage for the war fighter
- LIVAR® can be used in air, ground, maritime, and manportable systems

Range = 11km over water at Night

Range = 28 km at Night

Range = 10 km at Night



Man-Portable LIVAR® System

- Revolutionary Capability in Target ID >3km
- Traditional FLIR for Target Detection
- Uses LIVAR for Target ID
  - Provides target range
- $490M Worldwide Market Potential*

RANGE: 2km

*Company Estimate

Vehicle Mounted LIVAR® Systems

- LIVAR for Armor and Scout Vehicle Applications
  - Allows Target ID to > 7km range
  - Cost effective upgrade and for new systems
- $150M US Market Potential*

Scout Vehicle Application

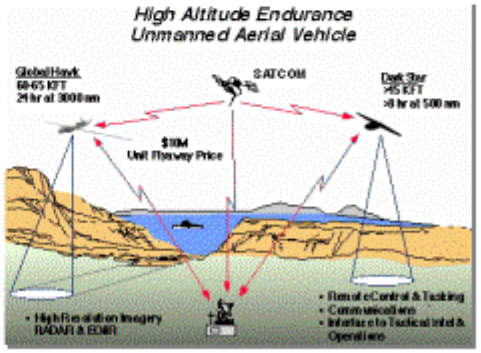
** Company Estimate*

Unmanned Aerial Vehicles (UAV)

- LIVAR Provides Day/Night, Long Range Target ID

Predator UAV

- Can Be Integrated on a Variety of UAV Platforms
  - Predator
  - Global Hawk
  - Tactical UAV



Airborne LIVAR® Systems

- Enables Positive Target ID at Long Range (> 20km)
  - Reduces friendly fire and civilian casualties
  - Increases standoff range for increased pilot safety
- Development Programs Now Underway
- Potential Market Includes all Airborne Platforms with Targeting Capability
  - $230M known market

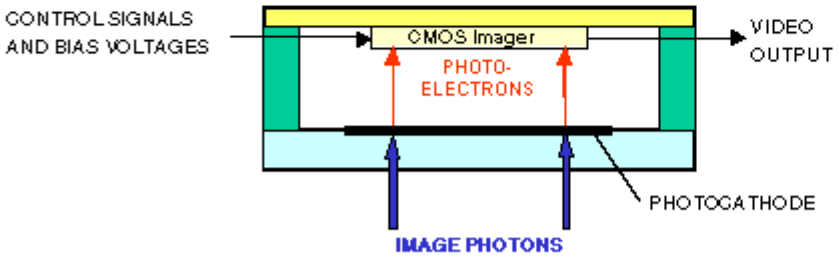
Target Tracking for Airborne Laser

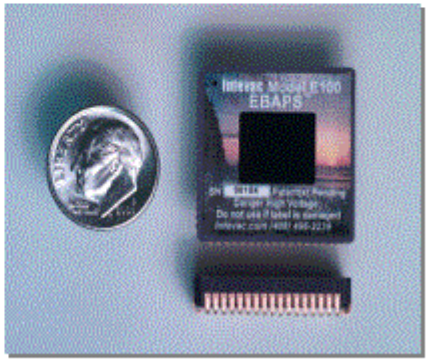
28km LIVAR® Image

Radar Blip

Low Light Level Digital Video Camera
Intensified Imaging Technology

- Logical Extension of LIVAR® Technology
- Electron Bombarded CMOS Imager
- Low cost, compact, lightweight design
- Intevac patented technology
- Camera electronics on-chip
- Dual day/night operation
- SXGA (1024 x 1280) resolution
- Low power < 600 mW @ 3 VDC





Intensified Light Imager

Innovation at the Speed of Light intevac

Low Light Level Surveillance Cameras

- Commercial Security and Nighttime Surveillance
- Military Unattended Ground Sensor
- Performance Comparable to Gen III Night Vision Technology at 1/3 the Cost
- Perform 100x better than best low light CCD
- Offered as Complete Camera or Reference Design Kit
  - Flexibility for OEM integration
- $400M Annual Market Potential*

Photos provided courtesy of Cohu, Inc., Electronics Div.

*Company Estimate

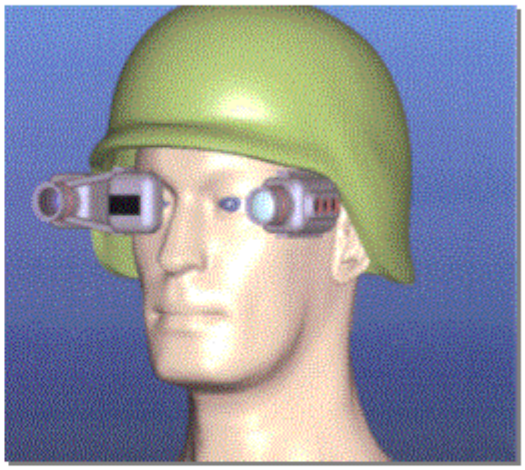
Machine Vision / Scientific Cameras

- Tailored for Microscopy Medical Imaging and Machine Vision Applications
- Standard CCTV Camera Packaging and Functionality
- Offered as Complete Camera or Reference Design Kit
- Enables New Markets

Photos provided courtesy of Coh r, Inc., Electronics Div.

Head-Mounted Cameras

- Low Light Level Camera Module Integrated into a Head-Mounted Imaging System
- Gen III Night Vision Performance Coupled with a High Resolution Miniature Display
- $200M Annual Potential Military Market Beginning 2007*
- $20M Annual Potential Recreational Night Vision Market Beginning 2004*



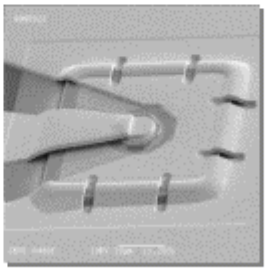
Military HMD (Conceptual)

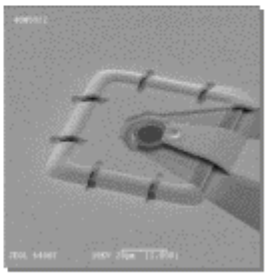
** Company Estimate*

Photodiode Business

10 and 40 Gb/s Photodiodes for Optical Communications

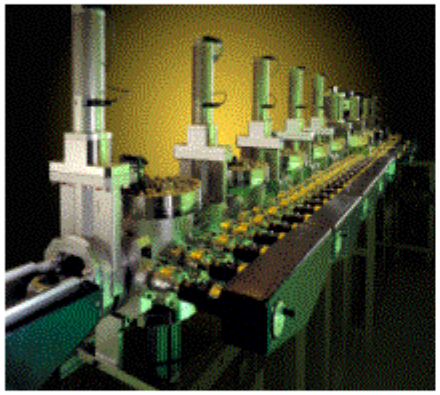
- Leverages LIVAR® Sensor Technology
  - Similar device structure
  - In GaAs/InP structure
  - Key intellectual property
- World-Class Growth Capability & Processing Knowledge Base
  - > 20 years experience in OMVPE growth & III-V processing
  - Share manufacturing cost with LIVAR® sensors
- Key Differentiators
  - High Speed - 40 Gb/s
  - High Dynamic Range
  - Low Dark Current
  - Low Cost (unpackaged)





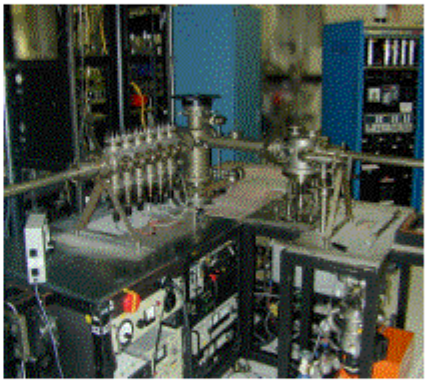
Low Cost Manufacturing

Intevac Low Light Level Camera Sensor



- New Low Cost Approach
- Continuous Flow
- Automated
- 60,000 Unit Annual Capacity

Gen III Night Vision Tube



- Traditional Manufacturing Approach
- Batch Mode
- Manual
- 1,500 Unit Annual Capacity

Intensified Imaging Product Family

Technology	Product/Application	Beta*	Production*
LIVAR	Model 120/Commercial Camera	2000	2001
	LIVAR 2200/Portable LIVAR Sys.	2002	2003
	Model 300/Airborne Missile Tracking	2001	2006
	Model 111/Airborne LIVAR Camera	2003	2003
	UAV (Unmanned Aerial Vehicle)	2003	2005
	CETS (Cost Effective Targeting Sys.)	2004	2006
EBAPS Low Light Camera	Model E100/Low Light Surveillance	2002	2003
	Model E200/ Low Light Surveillance	2003	2003
	Model E300/ Low Light Surveillance	2003	2003
	Model E400/Day-Night Camera	2003	2004
	Model E4000 Head Mounted Sys.	2004	2005
Photodiode	10 Gb/s	2001	2002
	40Gb/s	2001	2003

** Company Estimate*

Intensified Imaging Products

		Served Markets	Annual Market Size*
LIVAR®		Target Tracking for Airborne Laser Army Cost Effective Targeting System Manned/Unmanned Airborne Man-Portable, Land/Marine	$ 200 Million Post 2005
Extreme Low Light Video Cameras		Security Scientific Recreational Military Head Mounted	$ 400 Million
High Performance Photodiodes 10 Gb/s 40 Gb/s		Optical Communications >40 Customer Evaluations in Progress	$ 200 Million Post 2005

* *Company Estimate*

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Business Model

- **Military**
  - Leading Edge Application of Intensified Imaging Technology
  - Long Lead Time, Long Term High $ Contracts
  - ~15% Pretax
- **Commercial**
  - Leverages Military R&D
  - Quicker to Market
  - ~35% Pretax

Intevac Management

Kevin Fairbairn, CEO (February 2002)	▪ Former VP & GM, Applied Materials (16 years) ▪ Multiple successful new product developments, launches and market developments ▪ 27 years in high technology
Verle Aebi, President, Photonics Business	▪ Conceptualized and productized LIVAR and associated technologies ▪ Led higher performance GEN III Night Vision development ▪ 25 years photonic technology including 11years at Intevac
Charley Eddy CFO	▪ 11 years CFO, Intevac, led IPO ▪ CFO at 2 start-ups ▪ Plant Manager and Controller at Intel
Photonics Team	▪ Continuity from inception to productization ▪ 50% of team have 11 years Intevac experience ▪ Demonstrated success in manufacturing leading edge night vision tubes (60,000 units)

Summary

- Transitioning Focus To Intensified Imaging From Equipment
- Creating New Division to Exploit Commercial Market
- Revolutionary Intensified Imaging Technology With Critical IP Protection
- Broad Range Of Enabling Products
  - LIVAR® for high-end military applications
  - Low Light Level Digital Camera for high-volume commercial markets
- Experienced Management And Technology Team
- Low Cost Manufacturing Strategy

EXHIBIT (d)(2)

INTEVAC, INC.
and
STATE STREET BANK AND TRUST COMPANY OF CALIFORNIA, N.A.
as Trustee
6 1/2% Convertible Subordinated Notes due 2009
INDENTURE
Dated as of , 2002

TABLE OF CONTENTS

INDENTURE dated as of , 2002 between Intevac, Inc., a California corporation (the "Company") and State Street Bank and Trust Company of California, N.A., a national banking association under the laws of the United States of America, as Trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Noteholders of the Company's 6 1/2% Convertible Subordinated Notes due 2009 (the "Securities"):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 *Definitions.*

"*Affiliate*" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

"*Agent*" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"*Board of Directors*" means the Board of Directors of the Company or any authorized committee of the Board.

"*Board Resolution*" means a copy of a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification and delivery to the Trustee.

"*Business Day*" means any day that is not a Legal Holiday.

"*Capital Stock*" means any and all shares, interests, participations, rights or other equivalents (however designated) of equity interests in any entity, including, without limitation, corporate stock and partnership interests.

"*Change of Control*" means any event where: (i) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of shares representing more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in elections of directors of the Company ("Voting Stock"), (ii) the Company consolidates with or merges into any other corporation, or any other corporation merges into the Company, and, in the case of any such transaction, the outstanding Common Stock of the Company is reclassified into or exchanged for any other property or security, unless the shareholders of the Company immediately before such transaction own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the outstanding voting securities of the Corporate Entity resulting from such transaction in substantially the same proportion as their ownership of the Voting Stock immediately before such transaction, (iii) the Company conveys, transfers or leases all or substantially all of its assets to any person, unless such conveyance, transfer or lease is to a corporation and the shareholders of the Company immediately before such conveyance, transfer or lease own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the Corporate Entity to which such assets are so conveyed, transferred or leased in the same proportion as their ownership of the Voting Stock immediately before such transaction, or (iv) any time the Continuing Directors do not constitute a majority of the Board of Directors of the Company (or, if applicable, a successor corporation to the Company); provided, that a Change of Control shall not be deemed to have occurred if at least 90% of the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Change of Control consists of shares of common stock that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States.

"*Common Stock*" means the common stock of the Company as the same exists at the date of the execution of this Indenture or as such stock may be constituted from time to time.

"*Company*" means the party named as such above until a successor replaces it in accordance with Article VI and thereafter means the successor.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the date of this Indenture or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such board at the time of such nomination or election.

"*Corporate Entity*" shall be any corporation, limited liability company or other business entity.

"*Custodian*" means State Street Bank and Trust Company of California, N.A., as custodian with respect to the Global Securities, or any successor entity thereto.

"*Daily Market Price*" means the price of a share of Common Stock on the relevant date, determined (a) on the basis of the last reported sale price regular way of the Common Stock as reported on the NNM, or if the Common Stock is not then listed on the NNM, as reported on such national securities exchange upon which the Common Stock is listed, or (b) if there is no such reported sale on the day in question, on the basis of the average of the closing bid and asked quotations regular way as so reported, or (c) if the Common Stock is not listed on the NNM or on any national securities exchange, on the basis of the average of the high bid and low asked quotations regular way on the day in question in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System, or if not so quoted, as reported by National Quotation Bureau, Incorporated, or a similar organization.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both, would be an Event of Default.

"*Depository*" means The Depository Trust Company, its nominees and their respective successors.

"*Designated Senior Debt*" means any Senior Debt which, at the date of determination, has an aggregate principal amount outstanding of, or commitments to lend up to, at least $10.0 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Debt as "Designated Senior Debt" for purposes of this Indenture (provided, that such instrument may place limitations and conditions on the right of such Senior Debt to exercise the rights of Designated Senior Debt).

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Excess Payment*" means the excess of (A) the aggregate of the cash and fair market value of other consideration paid by the Company or any of its Subsidiaries with respect to the shares acquired in a tender offer or other negotiated transaction over (B) the Daily Market Price on the Trading Day immediately following the completion of such tender offer or other negotiated transaction multiplied by the number of acquired shares.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession in the United States, which are in effect from time to time.

"*Guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"*Indebtedness*" means, with respect to any person, all obligations, whether or not contingent, of such person (i)(a) for borrowed money (including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on the assets of such person which is (1) given to secure all or part of the purchase price of property subject thereto, whether given to the vendor of such property or to another, or

(2) existing on property at the time of acquisition thereof), (b) evidenced by a note, debenture, bond or other written instrument, (c) under a lease required to be capitalized on the balance sheet of the lessee under GAAP or under any lease or related document (including a purchase agreement) which provides that such person is contractually obligated to purchase or to cause a third party to purchase such leased property, (d) in respect of letters of credit, loan, bank guarantees or bankers' acceptances, (e) with respect to Indebtedness secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such person are subject, whether or not the obligation secured thereby shall have been assumed or guaranteed by or shall otherwise be such person's legal liability, (f) in respect of the balance of the deferred and unpaid purchase price of any property or assets, (g) under interest rate, currency or credit swap agreements, cap, floor and collar agreements, spot and forward-contracts and similar agreements and arrangements; (ii) with respect to any obligation of others of the type described in the preceding clause (i) or under clause (iii) below assumed by or guaranteed in any manner by such person or in effect guaranteed by such person through an agreement to purchase (including, without limitation, "take or pay" and similar arrangements), contingent or otherwise (and the obligations of such person under any such assumptions, guarantees or other such arrangements); and (iii) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing.

"*Indenture*" means this Indenture as amended from time to time.

"*Issuance Date*" means the date on which the Securities are first authenticated and issued.

"*Material Subsidiary*" means any Subsidiary of the Company which at the date of determination is a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act and the Exchange Act (as such Regulation is in effect on the date hereof).

"*Noteholder*" or "holder" means a person in whose name a Security is registered.

"*NNM*" means the Nasdaq Stock Market's National Market.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Circular*" means the Offering Circular relating to the Securities dated May 8, 2002.

"*Officers' Certificate*" means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer or a Vice-President of the Company. See Sections 12.04 and 12.05 hereof.

"*Opinion of Counsel*" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee. See Sections 12.04 and 12.05 hereof.

"*person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Permitted Holder*" means Forth City LLC, any Subsidiary or Affiliate thereof, the legal representative of any of the foregoing, or any entity of which any of the foregoing, individually or collectively beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting securities representing at least a majority of the total voting power of all classes of capital stock of such entity (exclusive of any matters as to which class voting rights exist).

"*principal*" of a debt security means the principal of the security plus the premium, if any, on the security.

"*Representative*" means the trustee, agent or representative (if any) for an issue of Senior Debt.

"*SEC*" means the Securities and Exchange Commission.

"*Securities*" means the Securities described in the preamble above that are issued, authenticated and delivered under this Indenture.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Senior Debt*" means the principal of, premium, if any, interest, on, and fees, costs and expenses in connection with, and other amounts due on Indebtedness of the Company, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed by the Company, unless, in the instrument creating or evidencing or pursuant to which Indebtedness is outstanding, it is expressly provided that such Indebtedness is not senior in right of payment to the Securities. Senior Debt includes, with respect to the obligations described above, interest accruing, pursuant to the terms of such Senior Debt, on or after the filing of any petition in bankruptcy or for reorganization relating to the Company, whether or not post-filing interest is allowed in such proceeding, at the rate specified in the instrument governing the relevant obligation. Notwithstanding anything to the contrary in the foregoing, Senior Debt shall not include: (a) Indebtedness of the Company to a Subsidiary of the Company; (b) the Securities; (c) the Company's 6 1/2% Convertible Subordinated Notes due 2004; (d) Indebtedness of or amount owned by the Company for compensation to employees, or for goods, services or material purchased in the ordinary course of business; or (e) any liability for federal, state, local or other taxes owed or owing by the Company. For the purposes of this definition of Senior Debt under this Indenture, it is the intent of the parties hereto that the Securities issued under this Indenture be "Senior Debt" (as defined under that certain Indenture, dated February 15, 1997, between the Company and State Street Bank and Trust Company of California, N.A. (the "2004 Indenture")) for purposes of the 6 1/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") issued under the 2004 Indenture, and in furtherance thereof, the parties hereto agree that nothing contained in this Indenture or in the definition of Senior Debt under this Indenture is meant to or shall be construed to expressly provide that the Securities issued under this Indenture are not superior to the Existing Notes.

"*Subsidiary*" means any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any person or one or more of the other Subsidiaries of that person or a combination thereof.

"*TIA*" means the Trust Indenture Act of 1939, and rules and regulations thereunder as so amended as in effect on the date of execution of this Indenture; provided, however, in the event that Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"*Trading Day*" shall mean (A) if the applicable security is quoted on the NNM, a day on which trades may be made thereon, (B) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (C) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York or the State of California are authorized or obligated by law or executive order to close.

"*Trustee*" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"*Trust Officer*" means any officer or assistant officer of the Trustee assigned by the Trustee to administer this Indenture.

SECTION 1.02 *Other Definitions.*

Term	Defined in Section
"Agent Members"	2.01
"Automatic Conversion"	15.15
"Automatic Conversion Notice"	15.15
"Bankruptcy Custodian"	8.01
"Bankruptcy Law"	8.01
"Change of Control Offer"	4.08
"Change of Control Payment"	4.08
"Change of Control Payment Date"	3.08
"Commencement Date"	3.08
"Conversion Agent"	2.03
"Conversion Date"	5.02
"Conversion Price"	5.01
"Current Market Price"	5.06(e)
"Event of Default"	8.01
"Global Security"	2.01
"Legal Holiday"	12.07
"Offer Amount"	3.08
"Officer"	12.10
"Paying Agent"	2.03
"Payment Blockage Notice"	6.02
"Payment Blockage Period"	6.02
"Payment Default"	8.01
"Purchase Agreement"	2.01
"Purchase Date"	5.06
"Registrar"	2.03
"Restricted Securities"	2.01
"Tender Period"	3.08

SECTION 1.03 *Incorporation by Reference of Trust Indenture Act.* Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"*indenture securities*" means the Securities;

"*indenture security holder*" means a Noteholder;

"*indenture to be qualified*" means this Indenture;

"*indenture trustee*" or "*institutional trustee*" means the Trustee; and

"*obligor*" on the Securities means the Company or any other obligor on the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.04 *Rules of Construction.* Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP consistently applied;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and words in the plural include the singular; and

(e) provisions apply to successive events and transactions.

ARTICLE II

THE SECURITIES

SECTION 2.01 *Form and Dating.* The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A which is hereby incorporated in and expressly made a part of this Indenture.

The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). The Company shall furnish any such legend not contained in Exhibit A to the Trustee in writing. The Securities shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Exhibit A are part of the terms of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

(a) *Global Securities.* The Securities shall be issued in the form of one or more global Securities in definitive, fully registered form without interest coupons with the global securities legend set forth in Exhibit A hereto (a "Global Security"). The Global Securities shall be deposited on behalf of the purchasers of the Securities represented thereby with the Trustee as Custodian for the Depositary, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided in this Article II.

(b) *Book-Entry Provisions.* This Section 2.01(b) shall apply only to a Global Security deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(b) and the written order of the Company, authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of Cede & Co. or other nominee of such Depositary and (ii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as Custodian for the Depositary pursuant to a FAST Balance Certificate Agreement between the Depositary and the Trustee.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as the Custodian of the Depositary or under such Global Security, and the Depositary or its nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

SECTION 2.02 *Execution and Authentication.* Two Officers shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of an authorized officer of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Upon a written order of the Company signed by two Officers, the Trustee shall authenticate the Securities for original issue up to an aggregate principal amount of $. The aggregate principal amount of Securities outstanding at any time shall not exceed such aggregate amount of $ except as provided in Section 2.07.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate.

SECTION 2.03 *Registrar, Paying Agent and Conversion Agent.* The Company shall maintain in the Borough of Manhattan, City of New York, State of New York (i) an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), (ii) an office or agency where Securities may be presented for payment ("Paying Agent") and (iii) an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint the Registrar, the Paying Agent and the Conversion Agent. The Company may appoint one or more co-registrars, one or more additional paying agents and one or more additional conversion agents in such other locations as it shall determine; provided that no such designation shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, State of New York, for such purposes. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional conversion agent. The Company may change any Paying Agent, Registrar, co-registrar or Conversion Agent without prior notice to any Noteholder. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such. The Company or any of its Affiliates may act as Paying Agent, Registrar, co-registrar or Conversion Agent. The Company initially appoints the Trustee as Paying Agent, Registrar, Conversion Agent and Custodian and the Trustee hereby accepts such appointments and each of the corporate trust office of the Trustee in Los Angeles, California and the office or agency of the Trustee in the Borough of Manhattan, The City of New York, State of New York (which shall initially be State Street Bank and Trust Company, N.A., an Affiliate of the Trustee located at 61 Broadway, Concourse Level, Corporate Trust Window, New York, New York 10006), shall be considered as one such office or agency of the Company for the aforesaid purposes.

SECTION 2.04 *Paying Agent to Hold Money in Trust.* The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Noteholders or the Trustee all money held by the Paying Agent for the payment of principal or interest, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any money disbursed by it. Upon payment over to the Trustee, the Paying Agent (if other than the Company or an Affiliate of the Company) shall have no further liability for the money. If the Company or an Affiliate of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Noteholders all money held by it as Paying Agent.

SECTION 2.05 *Noteholder.* The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders. If the Trustee is not the

Registrar, the Company shall furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Noteholders.

SECTION 2.06 *Transfer and Exchange.* When Securities are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Company shall issue and the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.10, 3.06, 3.08, 5.02 or 11.05 hereof).

The Company shall not be required (i) to register the transfer of or exchange Securities during a period beginning at the opening of business 15 days before the day of any selection of Securities for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, or (ii) to exchange or register the transfer of any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part or (iii) to register the transfer of or exchange Securities submitted for repurchase (and not withdrawn) under Section 4.08 hereof.

The Trustee shall have no responsibility for any actions taken or not taken by the Depositary.

SECTION 2.07 *Replacement Securities.* If the holder of a Security claims that the Security has been lost, destroyed or wrongfully taken or if such Security is mutilated and is surrendered to the Trustee, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's and the Company's requirements are met. If required by the Trustee or the Company, an indemnity bond must be sufficient in the judgment of both to protect the Company, the Trustee, any Agent or any authenticating agent from any loss which any of them may suffer if a Security is replaced. The Company may charge for its expenses in replacing a Security.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be redeemed or purchased by the Company pursuant to Article III hereof or converted into shares of Common Stock pursuant to Article V hereof, the Company in its discretion may, instead of issuing a new Security, pay, redeem, purchase or convert such Security, as the case may be.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08 *Outstanding Securities.* The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Security is replaced, paid, redeemed, or purchased or converted pursuant to Section 2.07 hereof, it ceases to be outstanding unless, in the case of a replaced Security, the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If Securities are considered paid under Section 4.01 hereof, they cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.09 *Treasury Securities.* In determining whether the Noteholders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or an Affiliate of the Company shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which a Trust Officer knows are so owned shall be so disregarded.

SECTION 2.10 *Temporary Securities: Exchange of Global Security for Certificated Securities.*

(a) Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities.

(b) Global Security or Securities deposited with the Depositary or with the Trustee as Custodian for the Depositary pursuant to Section 2.01 shall be transferred to the beneficial owners thereof in the form of certificated securities only if such transfer complies with Section 2.06 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor Depositary is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing.

(c) Any Global Security that is transferable to the beneficial owners thereof in the form of certificated Securities pursuant to this Section 2.10 shall be surrendered by the Depositary to the Trustee to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount at maturity of Securities of authorized denominations in the form of certificated Securities. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct.

(d) Prior to any transfer pursuant to Section 2.10(b), the registered holder of a Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Securities.

(e) In the event of the occurrence of either of the events specified in Section 2.10(b), the Company will promptly make available to the Trustee a reasonable supply of certificated Securities in definitive form without interest coupons.

SECTION 2.11 *Cancellation.* The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, redemption, purchase, conversion, exchange or payment. The Trustee shall promptly cancel all Securities surrendered for registration of transfer, redemption, purchase, conversion, exchange, payment, replacement or cancellation and shall destroy all canceled Securities unless the Company otherwise directs. The Company may not issue new Securities to replace Securities that it has paid or that have been delivered to the Trustee for cancellation or that any holder has converted.

SECTION 2.12 *Defaulted Interest.* If the Company fails to make a payment of interest, it shall pay such defaulted interest plus any interest payable on the defaulted interest, in any lawful manner. It may pay such defaulted interest, plus any such interest payable on them, to the persons who are Noteholders on a subsequent special record date. The Company shall fix any such record date and payment date. At least 15 days before any such record date, the Company shall mail to Noteholders a notice that states the record date, payment date, and amount of such interest to be paid.

ARTICLE III

REDEMPTION

SECTION 3.01 *Notices to Trustee.* If the Company elects to redeem Securities pursuant to Section 3.07 hereof, it shall notify the Trustee of the redemption date and the principal amount of Securities to be redeemed. The Company shall give each notice provided for in this Section 3.01 to the Trustee at least 20 days before the redemption date (unless a shorter notice period shall be satisfactory to the Trustee).

SECTION 3.02 *Selection of Securities to be Redeemed.* If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed by a method that complies with the requirements of the principal national securities exchange, if any, on which the Securities are listed, or, if the Securities are not so listed, on a pro rata basis. The Trustee shall make the selection not more than 60 days and not less than 15 days before the redemption date from Securities outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them it selects shall be in amounts of $1,000 or integral multiples of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be called for redemption.

If any Security selected for partial redemption is converted in part after such selection, the converted portion of such Security shall be deemed (so far as may be) to be the portion to be selected for redemption. The Securities (or portions thereof) so selected shall be deemed duly selected for redemption for all purposes hereof, notwithstanding that any such Security is converted in whole or in part before the mailing of the notice of redemption. Upon any redemption of less than all the Securities, the Company and the Trustee may treat as outstanding any Securities surrendered for conversion during the period 15 days next preceding the mailing of a notice of redemption and need not treat as outstanding any Security authenticated and delivered during such period in exchange for the unconverted portion of any Security converted in part during such period.

SECTION 3.03 *Notice of Redemption.* At least 15 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption to each holder whose Securities are to be redeemed at such holder's registered address.

The notice shall identify the Securities to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date, upon cancellation of such Security, a new Security or Securities in principal amount equal to the unredeemed portion will be issued in the name of the holder thereof;

(d) the name and address of the Paying Agent;

(e) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price plus accrued interest;

(f) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, by law or otherwise, interest on Securities called for redemption ceases to accrue on and after the redemption date; and

(g) the paragraph of the Securities pursuant to which the Securities called for redemption are being redeemed.

Such notice shall also state the current Conversion Price and the date on which the right to convert such Securities or portions thereof into Common Stock of the Company will expire.

At the Company's request, the Trustee shall give notice of redemption in the Company's name and at its expense.

SECTION 3.04 *Effect of Notice of Redemption.* Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date at the price set forth in the Security.

SECTION 3.05 *Deposit of Redemption Price.* On or before the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest, up to but not including the redemption date on all Securities to be redeemed on that date (subject to the right of holders of record on the relevant record date to receive interest, due on an interest payment date)

unless theretofore converted into Common Stock pursuant to the provisions hereof. The Trustee or the Paying Agent shall return to the Company any money not required for that purpose.

SECTION 3.06 *Securities Redeemed in Part.* Upon surrender of a Security that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the holder at the expense of the Company a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 3.07 *Optional Redemption.* The Company may redeem all or any portion of the Securities, upon the terms and at the redemption prices set forth in each of the Securities. Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through 3.06 hereof.

SECTION 3.08 *Change of Control Offer.*

(a) In the event that, pursuant to Section 4.08 hereof, the Company shall commence a Change of Control Offer, the Company shall follow the procedures in this Section 3.08.

(b) The Change of Control Offer shall remain open for a period specified by the Company which shall be no less than 30 calendar days and no more than 40 calendar days following its commencement on the date of the mailing of notice in accordance with Section 4.08(b) hereof (the "Commencement Date"), except to the extent that a longer period is required by applicable law (the "Tender Period"). Upon the expiration of the Tender Period (the "Change of Control Payment Date"), the Company shall purchase the principal amount of Securities required to be purchased pursuant to Section 4.08 hereof (the "Offer Amount").

(c) If the Change of Control Payment Date is on or after an interest payment record date and on or before the related interest payment date, any accrued interest, to the related interest payment date will be paid to the person in whose name a Security is registered at the close of business on such record date, and no additional interest, will be payable to Noteholders who tender Securities pursuant to the Change of Control Offer.

(d) The Company shall provide the Trustee with written notice of the Change of Control Offer at least 10 Business Days before the Commencement Date.

(e) On or before the Commencement Date, the Company or the Trustee (at the request and expense of the Company) shall send, by first class mail, a notice to each of the Noteholders, which shall govern the terms of the Change of Control Offer and shall state:

(i) that the Change of Control Offer is being made pursuant to this Section 3.08 and Section 4.08 hereof and that all Securities tendered will be accepted for payment;

(ii) the purchase price (as determined in accordance with Section 4.08 hereof), the length of time the Change of Control Offer will remain open and the Change of Control Payment Date;

(iii) that any Security or portion thereof not tendered or accepted for payment will continue to accrue interest;

(iv) that, unless the Company defaults in the payment of the Change of Control Payment, any Security or portion thereof accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest, after the Change of Control Payment Date;

(v) that Noteholders electing to have a Security or portion thereof purchased pursuant to any Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Noteholder To Elect Purchase" on the reverse of the Security completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(vi) that Noteholders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, or such longer period as may be required by law, a letter or a telegram, telex, facsimile transmission (receipt of which is confirmed and promptly followed by a letter) setting forth the name of the Noteholder, the principal amount of the Security or portion thereof the Noteholder delivered for

purchase and a statement that such Noteholder is withdrawing his election to have the Security or portion thereof purchased; and

(vii) that Noteholders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof.

In addition, the notice shall contain all instructions and materials that the Company shall reasonably deem necessary to enable such Noteholders to tender Securities pursuant to the Change of Control Offer.

(f) On or prior to the Change of Control Payment Date, the Company shall irrevocably deposit with the Trustee or a Paying Agent in immediately available funds an amount equal to the Offer Amount to be held for payment in accordance with the terms of this Section 3.08. On the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment the Securities or portions thereof tendered pursuant to the Change of Control Offer, (ii) deliver or cause to be delivered to the Trustee Securities so accepted and (iii) deliver to the Trustee an Officers' Certificate stating such Securities or portions thereof have been accepted for payment by the Company in accordance with the terms of this Section 3.08. The Paying Agent shall promptly (but in any case not later than five calendar days after the Change of Control Payment Date) mail or deliver to each tendering Noteholder an amount equal to the purchase price of the Securities tendered by such Noteholder, and the Trustee shall promptly authenticate and mail or deliver to such Noteholders a new Security equal in principal amount to any unpurchased portion of the Security surrendered, if any; provided, that each new Security shall be in a principal amount of $1,000 or an integral multiple thereof. Any Securities not so accepted shall be promptly mailed or delivered by or on behalf of the Company to the holder thereof. The Company will publicly announce the results of the Change of Control Offer on, or as soon as practicable after, the Change of Control Payment Date.

(g) The Change of Control Offer shall be made by the Company in compliance with all applicable provisions of the Exchange Act, and all applicable tender offer rules promulgated thereunder, and shall include all instructions and materials that the Company shall reasonably deem necessary to enable such Noteholders to tender their Securities.

SECTION 3.09 *Conversion Arrangement on Underwritten Call for Redemption.* In connection with any redemption of Securities, the Company may arrange for the purchase and conversion of any Securities by an arrangement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Trustee in trust for the holders, on or before the date fixed for redemption, an amount not less than the applicable redemption price, together with interest accrued to (but excluding) the date fixed for redemption, of such Securities. Notwithstanding anything to the contrary contained in this Article 3, the obligation of the Company to pay the redemption price of such Securities, together with interest accrued to (but excluding) the date fixed for redemption, shall be deemed to be satisfied and discharged to the extent such amount is so paid by the purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the date fixed for redemption, any Securities not duly surrendered for conversion by the holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such holders and (notwithstanding anything to the contrary contained in Article 5) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the date fixed for redemption (and the right to convert any such Securities shall be deemed to have been extended through such time), subject to payment of the above amount as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Securities. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers to which the Trustee has not consented in writing, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising

out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

ARTICLE IV

COVENANTS

SECTION 4.01 *Payment of Securities.* The Company shall pay the principal of, premium, if any, and interest on the dates and in the manner provided in the Securities. Principal, premium, if any, and interest, shall be considered paid on the date due if the Paying Agent (other than the Company or an Affiliate of the Company) holds on that date money designated for and sufficient to pay all principal, premium, if any, and interest, then due and such Paying Agent is not prohibited from paying such money to the Noteholders on that date pursuant to the terms of this Indenture. To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the rate borne by the Securities, compounded semiannually.

SECTION 4.02 *SEC Reports.* Whether or not required by the rules and Regulations of the SEC, so long as any Securities are outstanding, the Company will file with the SEC and the Trustee, and if requested by any holders of Securities, the Trustee shall furnish to the holders of Securities all quarterly and annual financial information required to be contained in a filing with the SEC on Forms 10-Q and 10-K, including a "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and, with respect to annual information only, a report thereon by the Company's certified independent accountants.

SECTION 4.03 *Compliance Certificate.* The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under, and complied with the covenants and conditions contained in, this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of such Officer's knowledge the Company has kept, observed, performed and fulfilled each and every covenant, and complied with the covenants and conditions contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge) and that to the best of such Officer's knowledge no event has occurred and remains in existence by reason of which payments on account of the principal or of interest are prohibited.

One of the Officers signing such Officers' Certificate shall be either the Company's principal executive officer, principal financial officer or principal accounting officer.

The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon becoming aware of:

(a) any Default, Event of Default or default in the performance of any covenant, agreement or condition contained in this Indenture; or

(b) any event of default under any other mortgage, indenture or instrument as that term is used in Section 8.01(f), an Officers' Certificate specifying such Default, Event of Default or default.

SECTION 4.04 *Stay, Extension and Usury Law.* The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.05 *Corporate Existence.* Except as provided in Article VII hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Subsidiary of the Company in accordance with the respective organizational documents of each Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Subsidiary, if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Noteholders.

SECTION 4.06 *Maintenance of Properties.* The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the holders.

SECTION 4.07 *Payment of Taxes and Other Claims.* The Company will pay or discharge, or cause to be paid or discharged, before the same may become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, (ii) all claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the property of the Company or any Subsidiary, and (iii) all stamps and other duties, if any, which may be imposed by the United States or any political subdivision thereof or therein in connection with the issuance, transfer, exchange or conversion of any Securities or with respect to this Indenture; provided, however, that, in the case of clauses (i) and (ii), the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (A) if the failure to do so will not, in the aggregate, have a material adverse impact on the Company, or (B) if the amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 4.08 *Change of Control.* Upon the occurrence of a Change of Control, each holder of Securities shall have the right, in accordance with this Section 4.08 and Section 3.08 hereof, to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such holder's Securities pursuant to the terms of Section 3.08 (the "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the Change of Control Payment Date (the "Change of Control Payment").

(a) Within 30 days following Change of Control, the Company shall mail to each holder the notice provided by Section 3.08(e).

SECTION 4.09 *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE V

CONVERSION

SECTION 5.01 *Conversion Privilege.* A holder of a Security may convert the principal amount thereof (or any portion thereof that is an integral multiple of $1,000) into fully paid and nonassessable shares of Common Stock of the Company at any time prior to the close of business (New York time) on the maturity date of the Security at the Conversion Price then in effect, except that, with respect to any Security called for redemption, such conversion right shall terminate at the close of business (New York time) on the Business Day immediately preceding the redemption date (unless the Company shall default in making the redemption

payment when it becomes due, in which case the conversion price shall terminate on the date such default is cured). A Security in respect of which a holder has delivered an "Option of Noteholder to Elect Purchase" form set forth on Exhibit A hereto exercising the option of such holder to require the Company to purchase such Security may be converted only if the notice of exercise is withdrawn as provided in accordance with Section 3.08 hereof. The number of shares of Common Stock issuable upon conversion of a Security is determined by dividing the principal amount of the Security converted by the conversion price in effect on the Conversion Date (the "Conversion Price").

The initial Conversion Price is stated in paragraph 10 of the Securities and is subject to adjustment as provided in this Article V.

Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of it. A holder of Securities is not entitled to any rights of a holder of Common Stock until such holder of Securities has converted such Securities into Common Stock, and only to the extent that such Securities are deemed to have been converted into Common Stock under this Article 5.

SECTION 5.02 *Conversion Procedure.* To convert a Security, a holder must satisfy the requirements in paragraph 10 of the Securities. The date on which the holder satisfies all of those requirements is the conversion date (the "Conversion Date"). As soon as practicable after the Conversion Date, the Company shall deliver to the holder through the Conversion Agent a certificate for the number of whole shares of Common Stock issuable upon the conversion and a check for any fractional share determined pursuant to Section 5.03. The person in whose name the certificate is registered shall become the shareholder of record on the Conversion Date and, as of such date, such person's rights as a Noteholder with respect to the converted Security shall cease; *provided, however,* that no surrender of a Security on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the person entitled to receive the shares of Common Stock upon such conversion as the shareholder of record of such shares of Common Stock on such date, but such surrender shall be effective to constitute the person entitled to receive such shares of Common Stock as the shareholder of record thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; *provided further, however,* that such conversion shall be at the Conversion Price in effect on the date that such Security shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed.

No payment or adjustment will be made for accrued and unpaid interest on a converted Security or for dividends or distributions on shares of Common Stock issued upon conversion of a Security, but if any holder surrenders a Security for conversion after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, notwithstanding such conversion, the interest payable on such interest payment date shall be paid to the holder of such Security on such record date. In such event, unless such Security has been called for redemption on or prior to such interest payment date, such Security, when surrendered for conversion, must be accompanied by payment in funds acceptable to the Company of an amount equal to the interest payable on such interest payment date on the portion so converted.

If a holder converts more than one Security at the same time, the number of whole shares of Common Stock issuable upon the conversion shall be based on the total principal amount of Securities converted.

Upon surrender of a Security that is converted in part, the Trustee shall authenticate for the holder a new Security equal in principal amount to the unconverted portion of the Security surrendered.

SECTION 5.03 *Fractional Shares.* The Company will not issue fractional shares of Common Stock upon conversion of a Security. In lieu thereof, the Company will pay an amount in cash based upon the Daily Market Price of the Common Stock on the Trading Day prior to the date of conversion.

SECTION 5.04 *Taxes on Conversion.* The issuance of certificates for shares of Common Stock upon the conversion of any Security shall be made without charge to the converting Noteholder for such certificates or for any tax in respect of the issuance of such certificates, and such certificates shall be issued in the respective names of, or in such names as may be directed by, the holder or holders of the converted Security; *provided, however,* that in the event that certificates for shares of Common Stock are to be issued in a name

other than the name of the holder of the Security converted, such Security, when surrendered for conversion, shall be accompanied by an instrument of transfer, in form satisfactory to the Company, duly executed by the registered holder thereof or his duly authorized attorney; and *provided further, however,* that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the holder of the converted Security, and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not applicable.

SECTION 5.05 *Company to Provide Stock.* The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon conversion of Securities as herein provided, a sufficient number of shares of Common Stock to permit the conversion of all outstanding Securities for shares of Common Stock.

All shares of Common Stock which may be issued upon conversion of the Securities shall be duly authorized, validly issued, fully paid and nonassessable when so issued.

SECTION 5.06 *Adjustment of Conversion Price.* The Conversion Price shall be subject to adjustment from time to time as follows:

(a) In case the Company shall (1) pay a dividend in shares of Common Stock to holders of Common Stock, (2) make a distribution in shares of Common Stock to holders of Common Stock, (3) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock or (4) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, the Conversion Price in effect immediately prior to such action shall be adjusted so that the holder of any Security thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock which he would have owned immediately following such action had such Securities been converted immediately prior thereto. Any adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) In case the Company shall issue rights or warrants to substantially all holders of Common Stock entitling them (for a period commencing no earlier than the record date for the determination of holders of Common Stock entitled to receive such rights or warrants and expiring not more than 45 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share less than the Current Market Price (as determined pursuant to subsection (f) below) of the Common Stock on such record date, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on such record date, plus the number of shares of Common Stock which the aggregate offering price of the offered shares of Common Stock (or the aggregate conversion price of the convertible securities so offered) would purchase at such Current Market Price, and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered (or into which the convertible securities so offered are convertible). Such adjustments shall become effective immediately after such record date.

(c) In case the Company shall distribute to all holders of Common Stock shares of any class of Capital Stock of the Company (other than Common Stock referred to in subsection (a) above), evidences of indebtedness or other assets (other than cash dividends out of current or retained earnings), or shall distribute to substantially all holders of Common Stock rights or warrants to subscribe for securities (other than those Securities referred to in subsection (b) above), then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the Current Market Price (determined as provided in subsection (f) below) of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and

described in a Board Resolution) of the portion of the assets so distributed or of such subscription rights or warrants applicable to one share of Common Stock, and of which the denominator shall be such Current Market Price of the Common Stock. Such adjustment shall become effective immediately after the record date for the determination of the holders of Common Stock entitled to receive such distribution. Notwithstanding the foregoing, in case the Company shall issue rights or warrants to subscribe for additional shares of the Company's capital stock (other than those referred to in subsection (b) above) ("Rights") to substantially all holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Section 5.06, make proper provision so that each holder of a Security who converts such Security (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares of Common Stock into which the principal amount of the Security so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights. In the event the Company implements a shareholder rights plan, such rights plan must provide that upon conversion of the Securities the holders will receive, in addition to the Common Stock issuable upon such conversion, such rights (whether or not such rights have separated from the Common Stock at the time of such conversion).

(d) In case the Company shall, by dividend or otherwise, at any time distribute to all holders of its Common Stock cash (including any distributions of cash out of current or retained earnings of the Company but excluding any cash that is distributed as part of a distribution requiring a Conversion Price adjustment pursuant to paragraph (c) of this Section) in an aggregate amount that, together with the sum of (x) the aggregate amount of any other distributions to all holders of its Common Stock made in cash plus (y) all Excess Payments, in each case made within the 12 months preceding the date fixed for determining the shareholders entitled to such distribution (the "Distribution Record Date") and in respect of which no Conversion Price adjustment pursuant to paragraphs (c) or (e) of this Section or this paragraph (d) has been made, exceeds 15% of the product of the Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Distribution Record Date multiplied by the number of shares of Common Stock outstanding on the Distribution Record Date (excluding shares held in the treasury of the Company), the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying such Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this paragraph (d) by a fraction of which the numerator shall be the Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Distribution Record Date less the amount of such cash and other consideration (including any Excess Payments) so distributed applicable to one share of Common Stock (equal to the aggregate amount of such cash and other consideration (including any Excess Payments) divided by the number of shares of Common Stock outstanding on the Distribution Record Date) and the denominator shall be such Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Distribution Record Date, such reduction to become effective immediately prior to the opening of business on the day following the Distribution Record Date.

(e) In case a tender offer or other negotiated transaction made by the Company or any Subsidiary of the Company for all or any portion of the Common Stock shall be consummated, if an Excess Payment is made in respect of such tender offer or other negotiated transaction and the amount of such Excess Payment, together with the sum of (x) the aggregate amount of all Excess Payments plus (y) the aggregate amount of all distributions to all holders of the Common Stock made in cash (including any distributions of cash out of current or retained earnings of the Company), in each case made within the

12 months preceding the date of payment of such current negotiated transaction consideration or expiration of such current tender offer, as the case may be (the "Purchase Date"), and as to which no adjustment pursuant to paragraph (c) or paragraph (d) of this Section or this paragraph (e) has been made, exceeds 15% of the product of the Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Purchase Date multiplied by the number of shares of Common Stock outstanding (including any tendered shares but excluding any shares held in the treasury of the Company or any Subsidiary of the Company) on the Purchase Date, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying such Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this paragraph (e) by a fraction of which the numerator shall be the Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Purchase Date less the amount of such Excess Payments and such cash distributions, if any, applicable to one share of Common Stock (equal to the aggregate amount of such Excess Payments and such cash distributions divided by the number of shares of Common Stock outstanding on the Purchase Date) and the denominator shall be such Current Market Price per share (determined as provided in paragraph (f) of this Section) of the Common Stock on the Purchase Date, such reduction to become effective immediately prior to the opening of business on the day following the Purchase Date.

(f) The "Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the Daily Market Prices for the shorter of (i) 30 consecutive Business Days ending on the last full Trading Day on the exchange or market referred to in determining such Daily Market Prices prior to the time of determination or (ii) the period commencing on the date next succeeding the first public announcement of the issuance of such rights or such warrants or such other distribution or such negotiated transaction through such last full Trading Day on the exchange or market referred to in determining such Daily Market Prices prior to the time of determination.

(g) In any case in which this Section 5.06 shall require that an adjustment be made immediately following a record date for an event, the Company may elect to defer, until such event, issuing to the holder of any Security converted after such record date the shares of Common Stock and other Capital Stock of the Company issuable upon such conversion over and above the shares of Common Stock and other Capital Stock of the Company issuable upon such conversion only on the basis of the Conversion Price prior to adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence of the right to receive such shares.

SECTION 5.07 *No Adjustment.* No adjustment in the Conversion Price shall be required until cumulative adjustments amount to 1% or more of the Conversion Price as last adjusted; provided, however, that any adjustments which by reason of this Section 5.07 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article V shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value or no par value of the Common Stock.

SECTION 5.08 *Other Adjustments.* In the event that, as a result of an adjustment made pursuant to Section 5.06 above, the holder of any Security thereafter surrendered for conversion shall become entitled to receive any shares of Capital Stock of the Company other than shares of its Common Stock, thereafter the Conversion Price of such other shares so receivable upon conversion of any Securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in this Article V.

(a) In the event that shares of Common Stock are not delivered after the expiration of any of the rights or warrants referred to in Section 5.06(b) and Section 5.06(c) hereof, the Conversion Price shall be readjusted to the Conversion Price which would otherwise be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered.

SECTION 5.09 *Adjustments for Tax Purposes.* The Company may, at its option, make such reductions in the Conversion Price, in addition to those required by Section 5.06 above, as it determines to be advisable in order that any stock dividend, subdivision of shares, distribution of rights to purchase stock or securities or distribution of securities convertible into or exchangeable for stock made by the Company to its shareholders will not be taxable to the recipients thereof

SECTION 5.10 *Adjustments by the Company.* The Company from time to time may, to the extent permitted by law, reduce the Conversion Price by any amount for any period of at least 20 days, in which case the Company shall give at least 15 days' notice of such reduction in accordance with Section 5.11, if the Board of Directors has made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive.

SECTION 5.11 *Notice of Adjustment.* Whenever the Conversion Price is adjusted, the Company shall promptly mail to Noteholders at the addresses appearing on the Registrar's books a notice of the adjustment and file with the Trustee an Officers' Certificate briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence of the correctness of such adjustment.

SECTION 5.12 *Notice of Certain Transactions.* In the event that:

(1) the Company takes any action which would require an adjustment in the Conversion Price;

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 5.13; or

(3) there is a dissolution or liquidation of the Company; a holder of a Security may wish to convert such Security into shares of Common Stock prior to the record date for or the effective date of the transaction so that he may receive the rights, warrants, securities or assets which a holder of shares of Common Stock on that date may receive. Therefore, the Company shall mail a notice to Noteholders at the addresses appearing on the Registrar's books and deliver to the Trustee an Officers' Certificate, in each case stating the proposed record or effective date, as the case may be. The Company shall mail the notice and deliver such Officers' Certificate at least 15 days before such date; however, failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 5.12.

SECTION 5.13 *Effect of Reclassifications, Consolidations, Mergers or Sales on Conversion Privilege.* If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of Common Stock issuable upon conversion of Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination) in, outstanding shares of Common Stock or (iii) any sale or conveyance of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing Corporate Entity, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Trustee a supplemental indenture in form satisfactory to the Trustee providing that the holder of each Security then outstanding shall have the right to convert such Security into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon conversion of such Security immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such supplemental indenture shall provide for adjustments of the Conversion Price which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Price provided for in this Article V. The foregoing, however, shall not in any way affect the right a holder of a Security may otherwise have, pursuant to clause (ii) of the last sentence of subsection (c) of Section 5.06, to receive Rights upon conversion of a Security. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of stock or other securities and property of

a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the holders of the Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provision of this Section 5.13 shall similarly apply to successive consolidations, mergers, sales or conveyances.

In the event the Company shall execute a supplemental indenture pursuant to this Section 5.13, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor, the kind or amount of shares of stock or securities or property (including cash) receivable by holders of the Securities upon the conversion of their Securities after any such reclassification, change, consolidation, merger, sale or conveyance and any adjustment to be made with respect thereto.

SECTION 5.14 *Trustee's Disclaimer.* The Trustee has no duty to determine when an adjustment under this Article V should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the correctness of any such adjustment, and shall be protected in relying upon the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 5.11, 5.12 or 5.13. Unless and until the Trustee receives any such Officers' Certificate, the Trustee may assume without inquiry that none of the events described in Sections 5.11, 5.12 and 5.13 has occurred. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article V.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 5.13, but may accept as conclusive evidence of the correctness thereof, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 5.13.

SECTION 5.15 *Automatic Conversion.* The Company may elect to automatically convert ("Automatic Conversion") the Securities on or prior to maturity if the Daily Market Price of the Common Stock has exceeded 150% of the Conversion Price for at least 20 Trading Days out of the 30 consecutive Trading Days ending within five Trading Days prior to the date of (the "Notice Date") the notice of automatic conversion (the "Automatic Conversion Notice").

In order to effect an Automatic Conversion, the Company shall give to the holder of each Security to be so converted an Automatic Conversion Notice. Such Automatic Conversion Notice shall state:

(i) the date on which the Securities identified in the Automatic Conversion Notice will be converted (the "Automatic Conversion Date");

(ii) the CUSIP number or numbers of such Securities;

(iii) the place or places where such Securities in certificated form are to be surrendered for exchange of the shares of Common Stock to be issued upon conversion thereof; and

(iv) the lowest Daily Market Price of the Common Stock for at least 20 Trading Days out of the 30 consecutive Trading Days ending within five Trading Days prior to the giving of the Automatic Conversion Notice; and

If the Company elects to effect an Automatic Conversion Notice in respect of fewer than all the Securities, the Automatic Conversion Notice relating to such Automatic Conversion shall reference this Section 5.15 and shall identify the Securities to be converted. In case any Security is to be converted in part only, the Automatic Conversion Notice relating thereto shall state the portion of the principal amount thereof to be converted and shall state that on and after the date fixed for conversion, upon surrender of such Security, a new Securities in principal amount equal to the portion thereof not converted will be issued. In the case where the Company elects to effect an Automatic Conversion in respect of any portion of the Securities evidenced by the Global Security, the beneficial interests in the Global Security to be subject to such Automatic Conversion shall be selected by the Depositary in accordance with the applicable standing procedures of the Depositary's book-entry conversion program, and in connection with such Automatic

Conversion the Depositary shall arrange in accordance with such procedures for appropriate endorsements and transfer documents, if required by the Company or the Trustee or conversion agent, and payment of any transfer taxes if required pursuant hereunder.

The Company or, at the request and expense of the Company, the Trustee, upon ten Business Days' notice prior to the date of the requested mailing (or upon such shorter notice period as may be reasonably acceptable to the Trustee) shall give to each holder of Securities to be converted in an Automatic Conversion, at its last address as the same shall appear on the Registrar, an Automatic Conversion Notice in respect thereof. The date of Automatic Conversion of the Securities shall be not less than 7 days nor more than 15 days from the Notice Date. Such Automatic Conversion Notice shall be irrevocable and shall be mailed by first class mail and, if mailed in the manner herein provided, shall be conclusively presumed to have been given, whether or not the holder receives it. In any case, failure to give such notice or any defect in the notice to the holder of any Security designated for Automatic Conversion in whole or in part shall not affect the validity of the proceedings for the Automatic Conversion of any such Security. The Company shall also deliver a copy of each Automatic Conversion Notice given by it to the Trustee.

ARTICLE VI

SUBORDINATION

SECTION 6.01 *Agreement to Subordinate.* The Company, for itself and its successors, and each Noteholder, by his acceptance of Securities, agree that the payment of the principal of, premium, if any, or interest or any other amounts due on the Securities is subordinated in right of payment, to the extent and in the manner stated in this Article VI, to the prior payment in full of all existing and future Senior Debt.

SECTION 6.02 *No Payment on Securities if Senior Debt in Default.* Anything in this Indenture to the contrary notwithstanding, no payment on account of principal of, premium, if any, or interest, or any other amounts due on the Securities (including, without limitation, any Change of Control Payments), and no redemption, purchase, or other acquisition of the Securities (including, without limitation, pursuant to a Change of Control Offer), shall be made by or on behalf of the Company (i) unless full payment of amounts then due for principal and interest and of all other amounts then due on all Senior Debt has been made or duly provided for pursuant to the terms of the instrument governing such Senior Debt, (ii) if, at the time of such payment, redemption, purchase or other acquisition, or immediately after giving effect thereto, there shall exist under any Senior Debt, or any agreement pursuant to which any Senior Debt is issued, any default, which default shall not have been cured or waived and which default shall have resulted in the full amount of such Senior Debt being declared due and payable or (iii) if, at the time of such payment, redemption, purchase or other acquisition, the Trustee shall have received written notice from the holders of Designated Senior Debt or a Representative of such holders (a "Payment Blockage Notice") that there exists under such Designated Senior Debt, or any agreement pursuant to which such Designated Senior Debt is issued, any default, which default shall not have been cured or waived, permitting the holders thereof to declare any amounts of such Designated Senior Debt due and payable, but only for the period (the "Payment Blockage Period") commencing on the date of receipt of the Payment Blockage Notice and ending (unless earlier terminated by notice given to the Trustee by the Representative of the holders of such Designated Senior Debt) on the earlier of (a) the date on which such event of default shall have been cured or waived or (b) 180 days from the receipt of the Payment Blockage Notice. Notwithstanding the provisions described in the immediately preceding sentence (other than in clauses (i) and (ii)), unless the holders of such Designated Senior Debt or the Representative of such holders shall have accelerated the maturity of such Designated Senior Debt, the Company may resume payments on the Securities after the end of such Payment Blockage Period. Not more than one Payment Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Senior Debt during such period.

In the event that, notwithstanding the provisions of this Section 6.02, payments are made by or on behalf of the Company in contravention of the provisions of this Section 6.02, such payments shall be held by the Trustee, any Paying Agent or the holders, as applicable, in trust for the benefit of, and shall be paid over to and delivered to the holders of Senior Debt or the Representative under the indenture or other agreement (if any) pursuant to which any instruments evidencing any Senior Debt may have been issued for application to the

payment of all Senior Debt ratably according to the aggregate amounts remaining unpaid to the extent necessary to pay all Senior Debt in full in accordance with the terms of such Senior Debt, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

The Company shall give prompt written notice to the Trustee and any Paying Agent of any default or event of default under any Senior Debt or under any agreement pursuant to which any Senior Debt may have been issued. The Trustee and the Paying Agent may assume that all payments have been made with respect to all Senior Debt unless the Trustee or the Paying Agent, as the case may be, has received written notice that payment has not been made and three (3) Business Days have expired.

SECTION 6.03 *Distribution on Acceleration of Securities; Dissolution and Reorganization: Subrogation of Securities.*

(a) If the Securities are declared due and payable because of the occurrence of an Event of Default, the Company shall give prompt written notice to the holders of all Senior Debt or to the trustee(s) for such Senior Debt of such acceleration. The Company may not pay the principal of or interest or any other amounts due on the Securities until five Business Days after such holders or trustee(s) of Senior Debt receive such notice and, thereafter, the Company may pay the principal of or interest or any other amounts due on the Securities only if the provisions of this Article VI permit such payment.

(b) Upon (i) any acceleration of the principal amount due on the Securities because of an Event of Default or (ii) any direct or indirect distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other dissolution, winding up, liquidation or reorganization of the Company):

(1) the holders of all Senior Debt shall first be entitled to receive payment in full of the principal thereof, the interest thereon and any other amounts due thereon before the holders are entitled to receive payment on account of the principal of or interest or any other amounts due on the Securities;

(2) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article with respect to the Securities, to the payment in full without diminution or modification by such plan of all Senior Debt), to which the holders or the Trustee would be entitled except for the provisions of this Article, shall be paid by the liquidating trustee or agent or other person making such a payment or distribution, directly to the holders of Senior Debt (or Representative acting on their behalf), ratably according to the aggregate amounts remaining unpaid on account of the principal of or interest on and other amounts due on the Senior Debt held or represented by each, to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and

(3) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article with respect to the Securities, to the payment in full without diminution or modification by such plan of Senior Debt), shall be received by the Trustee or the holders before all Senior Debt is paid in full, such payment or distribution shall be held in trust for the benefit of, and be paid over to upon request by a holder of the Senior Debt, the holders of the Senior Debt remaining unpaid (or their Representative acting on their behalf), ratably as aforesaid, for application to the payment of such Senior Debt until all such Senior Debt shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

Subject to the payment in full of all Senior Debt, the holders shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of the Company

applicable to the Senior Debt until the principal of and interest shall be paid in full and, for purposes of such subrogation, no such payments or distributions to the holders of Senior Debt of cash, property or securities which otherwise would have been payable or distributable to holders shall, as among the Company, its creditors other than the holders of Senior Debt, and the holders, be deemed to be a payment by the Company to or on account of the Senior Debt, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the holders, on the one hand, and the holders of Senior Debt, on the other hand.

Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (i) impair, as between the Company and its creditors other than the holders of Senior Debt, the obligation of the Company, which is absolute and unconditional, to pay to the holders the principal of, and interest as and when the same shall become due and payable in accordance with the terms of the Securities, (ii) affect the relative rights of the holders and creditors of the Company other than holders of Senior Debt or, as between the Company and the Trustee, the obligations of the Company to the Trustee, or (iii) prevent the Trustee or the holders from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Debt in respect of cash, property and securities of the Company received upon the exercise of any such remedy.

Upon distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 9.01 hereof, and the holders shall be entitled to rely upon a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article. The Trustee, however, shall not be deemed to owe any fiduciary duty to the holders of Senior Debt. Nothing contained in this Article or elsewhere in this Indenture, or in any of the Securities, shall prevent the good faith application by the Trustee of any moneys which were deposited with it hereunder, prior to its receipt of written notice of facts which would prohibit such application, for the purpose of the payment of or on account of the principal of, or interest unless, prior to the date on which such application is made by the Trustee, the Trustee shall be charged with actual notice under Section 6.03(d) hereof of the facts which would prohibit the making of such application.

(c) The provisions of this Article shall not be applicable to any cash, properties or securities received by the Trustee or by any holder when received as a holder of Senior Debt and nothing in Section 9.11 hereof or elsewhere in this Indenture shall deprive the Trustee or such holder of any of its rights as such holder of Senior Debt.

(d) The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment of money to or by the Trustee in respect of the Securities pursuant to the provisions of this Article. The Trustee, subject to the provisions of Section 9.01 hereof, shall be entitled to assume that no such fact exists unless the Company or any holder of Senior Debt or any Representative therefor has given written notice thereof to the Trustee. Notwithstanding the provisions of this Article or any other provisions of this Indenture, the Trustee shall not be charged with knowledge of the existence of any fact which would prohibit the making of any payment of moneys to or by the Trustee in respect of the Securities pursuant to the provisions in this Article, unless, and until three Business Days after, the Trustee shall have received written notice thereof from the Company or any holder or holders of Senior Debt or from any Representative therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 9.01 hereof, shall be entitled in all respects conclusively to assume that no such facts exist; provided that if on a date not less than three Business Days immediately preceding the date upon which, by the terms hereof, any such moneys may become payable for any purpose (including, without limitation, the principal of or interest), the Trustee shall not have received with respect to such moneys the notice provided for in this Section 6.03(d), then anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

The Trustee shall be entitled to conclusively rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Debt (or a Representative on behalf of such holder) to establish that such notice has been given by a holder of Senior Debt (or a Representative on behalf of any such holder or holders). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article, and, if such evidence is not furnished, the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment; nor shall the Trustee be charged with knowledge or the curing or waiving of any default of the character specified in Section 6.02 hereof or that any event or any condition preventing any payment in respect of the Securities shall have ceased to exist, unless and until the Trustee shall have received written notice to such effect.

(e) The provisions of this Section 6.03 applicable to the Trustee shall (unless the context requires otherwise) also apply to any Paying Agent for the Company.

SECTION 6.04 *Reliance by Holders of Senior Debt on Subordination Provisions.* Each holder of any Security by his acceptance thereof acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration for each holder of any Senior Debt, whether such Senior Debt was created or acquired before or after the issuance of the Securities, to acquire and continue to hold, or to continue to hold, such Senior Debt, and such holder of Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt. Notice of any default in the payment of any Senior Debt, except as expressly stated in this Article, and notice of acceptance of the provisions hereof are hereby expressly waived. Except as otherwise expressly provided herein, no waiver, forbearance or release by any holder of Senior Debt under such Senior Debt or under this Article shall constitute a release of any of the obligations or liabilities of the Trustee or holders of the Securities provided in this Article.

SECTION 6.05 *No Waiver of Subordination Provisions.* Except as otherwise expressly provided herein, no right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of, or notice to, the Trustee or the holders of the Securities, without incurring responsibility to the holders of the Securities and without impairing or releasing the subordination provided in this Article VI or the obligations hereunder of the holders of the Securities to the holders of Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment of, or renew or alter, Senior Debt, or otherwise amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise dispose of any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any person liable in any manner for the collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company or any other person.

SECTION 6.06 *Trustee's Relation to Senior Debt.* The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article in respect of any Senior Debt at any time held by it, to the same extent as any holder of Senior Debt, and nothing in Section 9.11 hereof or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Debt, the Trustee undertakes to perform or to observe only such of its covenants and obligations, as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee.

The Trustee shall not owe any fiduciary duty to the holders of Senior Debt but shall have only such obligations to such holders as are expressly set forth in this Article.

Each holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes, including, in the event of any dissolution, winding up or liquidation or reorganization under any applicable bankruptcy law of the Company (whether in bankruptcy, insolvency or receivership proceedings or otherwise), the timely filing of a claim for the unpaid balance of such holder's Securities in the form required in such proceedings and the causing of such claim to be approved. If the Trustee does not file a claim or proof of debt in the form required in such proceedings prior to 30 days before the expiration of the time to file such claims or proofs, then any holder or holders of Senior Debt or their Representative or Representatives shall have the right to demand, sue for, collect, receive and receipt for the payments and distributions in respect of the Securities which are required to be paid or delivered to the holders of Senior Debt as provided in this Article and to file and prove all claims therefor and to take all such other action in the name of the holders or otherwise, as such holders of Senior Debt or Representative thereof may determine to be necessary or appropriate for the enforcement of the provisions of this Article.

SECTION 6.07 *Other Provisions Subject Hereto.* Except as expressly stated in this Article, notwithstanding anything contained in this Indenture to the contrary, all the provisions of this Indenture and the Securities are subject to the provisions of this Article. However, nothing in this Article shall apply to or adversely affect the claims of, or payment to, the Trustee pursuant to Section 9.07. Notwithstanding the foregoing, the failure to make a payment on account of principal of or interest by reason of any provision of this Article VI shall not be construed as preventing the occurrence of an Event of Default under Section 8.01.

SECTION 6.08 *Certain Conversions and Repurchases Deemed Payment.* For the purposes of this Article only, (i) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article V shall not be deemed to constitute a payment or distribution on account of the principal of or premium or interest or on account of the purchase or other acquisition of Securities, and (ii) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 5.03), property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute payment on account of the principal of such Security. For the purposes of this Section, the term "junior securities" means (a) shares of any stock of any class of the Company and securities into which the Securities are convertible pursuant to Article V and (b) securities of the Company which are subordinated in right of payment to all Senior Debt which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Debt and the holders of the Securities, the right, which is absolute and unconditional, of the holder of any Security to convert such Security in accordance with Article V.

ARTICLE VII

SUCCESSORS

SECTION 7.01 *Merger, Consolidation or Sale of Assets.* The Company may not consolidate or merge with or into any person (whether or not the Company is the surviving entity), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets unless:

(a) the Company is the surviving Corporate Entity or the Corporate Entity formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a Corporate Entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(b) the Corporate Entity formed by or surviving any such consolidation or merger (if other than the Company) or the Corporate Entity to which such sale, assignment, transfer, lease, conveyance or other

disposition will have been made assumes all the Obligations of the Company, pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Securities and the Indenture;

(c) immediately after such transaction no Default or Event of Default exists; and

(d) the Company or such person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such transaction and the supplemental indenture comply with the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

SECTION 7.02 *Successor Corporate Entity Substituted.* Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 7.01 hereof, the successor Corporate Entity formed by such consolidation or into or with which the Company is merged or the person to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Corporate Entity has been named as the Company herein; provided, however, that the predecessor Company in the case of a sale, assignment, transfer, lease, conveyance or other disposition shall not be released from the obligation to pay the principal of and interest.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.01 *Events of Default.* An "Event of Default" occurs if:

(a) the Company defaults in the payment of interest when the same becomes due and payable, and the Default continues for a period of 30 days after the date due and payable;

(b) the Company defaults in the payment of the principal of any Security when the same becomes due and payable at maturity, upon redemption or otherwise;

(c) the Company defaults in the payment of the Change of Control Payment when the same becomes due and payable, whether or not such payment may be prohibited by Article VI;

(d) the Company fails to provide timely notice of any Change of Control in accordance with Section 4.08;

(e) the Company fails to observe or perform any other covenant or agreement contained in this Indenture or the Securities required by it to be performed and the Default continues for a period of 60 days after the receipt of written notice from the Trustee to the Company or from the holders of 25% in aggregate principal amount of the then outstanding Securities to the Company and the Trustee stating that such notice is a "Notice of Default";

(f) there is a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Subsidiary of the Company (or the payment of which is guaranteed by the Company or any Subsidiary of the Company), whether such Indebtedness or guarantee now exists or is created after the Issuance Date, which default (i) is caused by a failure to pay when due principal of or interest on such Indebtedness within the grace period provided for in such Indebtedness (which failure continues beyond any applicable grace period) (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity (without such acceleration being rescinded or annulled) and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there is a Payment Default or the maturity of which has been so accelerated, aggregates $10 million or more;

(g) a final non-appealable judgment or final non-appealable judgments (other than any judgment as to which a reputable insurance company has accepted full liability) for the payment of money are entered

by a court or courts of competent jurisdiction against the Company or any Subsidiary of the Company and remain undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such judgments exceeds $10 million;

(h) the Company or any Material Subsidiary pursuant to or within the meaning of any Bankruptcy Law: (i) commences a voluntary case, (ii) consents to the entry of an order for relief against it in an involuntary case in which it is the debtor, (iii) consents to the appointment of a Bankruptcy Custodian of it or for all or substantially all of its property, (iv) makes a general assignment for the benefit of its creditors, or (v) makes the admission in writing that it generally is unable to pay its debts as the same become due; or

(i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (i) is for relief against the Company or any Material Subsidiary in an involuntary case, (ii) appoints a Bankruptcy Custodian of the Company or any Material Subsidiary or for all or substantially all of its property, and the order or decree remains unstayed and in effect for 60 days or (iii) orders the liquidation of the Company or any Material Subsidiary, and the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Bankruptcy Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 8.02 *Acceleration.* If an Event of Default (other than an Event of Default specified in clauses (h) and (i) of Section 8.01 hereof with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Noteholders of at least 25% in principal amount of the then-outstanding Securities by notice to the Company and the Trustee, may declare all the Securities to be due and payable. Upon such declaration, the principal of, premium, if any, and accrued and unpaid interest shall be due and payable immediately. If an Event of Default specified in clause (h) or (i) of Section 8.01 hereof occurs with respect to the Company, such an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholder. The Noteholders of a majority in aggregate principal amount of the then-outstanding Securities by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree, if all amounts payable to the Trustee pursuant to Section 9.07 hereof have been paid and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration.

SECTION 8.03 *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal or interest or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Noteholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 8.04 *Waiver of Past Defaults.* The Noteholders of a majority in aggregate principal amount of the then-outstanding Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences except a continuing Default or Event of Default in the payment of the Change of Control Payment or the principal of, or interest. When a Default or Event of Default is waived, it is cured and ceases; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 8.05 *Control by Majority.* The Noteholders of a majority in principal amount of the then-outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of other Noteholders, or would involve the Trustee in personal liability.

SECTION 8.06 *Limitation on Suits.* A Noteholder may pursue a remedy with respect to this Indenture or the Securities only if:

(a) the Noteholder gives to the Trustee notice of a continuing Event of Default;

(b) the Noteholders of at least 25% in principal amount of the then-outstanding Securities make a request to the Trustee to pursue the remedy;

(c) such Noteholder or Noteholders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(e) during such 60-day period the Noteholders of a majority in principal amount of the then-outstanding Securities do not give the Trustee a direction inconsistent with the request.

A Noteholder may not use this Indenture to prejudice the rights of another Noteholder or to obtain a preference or priority over another Noteholder.

SECTION 8.07 *Rights of Noteholders to Receive Payment.* Notwithstanding any other provision of this Indenture, the right of any Noteholder of a Security to receive payment of principal and interest on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Noteholder made pursuant to this Section.

SECTION 8.08 *Collection Suit by Trustee.* If an Event of Default specified in Section 8.01 (a), (b) or (c) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest and such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 8.09 *Trustee May File Proofs of Claim.* The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Noteholders allowed in any judicial proceedings relative to the Company, its creditors or its property. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Noteholder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such proceeding.

SECTION 8.10 *Priorities.* If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 9.07 hereof;

Second: to the holders of Senior Debt to the extent required by Article VI;

Third: to the Noteholders, for amounts due and unpaid on the Securities for principal and interest, ratably, according to the amounts due and payable on the Securities for principal and interest, respectively; and

Fourth: to the Company.

Except as otherwise provided in Section 2.12 hereof, the Trustee may fix a record date and payment date for any payment to Noteholders made pursuant to this Section.

SECTION 8.11 *Undertaking for Costs.* In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the

party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to Section 8.07 hereof, or a suit by Noteholders of more than 10% in principal amount of the then-outstanding Securities.

ARTICLE IX

TRUSTEE

SECTION 9.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default: (i) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others and (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and, if required by the terms hereof, conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this paragraph does not limit the effect of paragraph (b) of this Section 9.01; (ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts and (iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.05 hereof.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 9.01. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 9.02 *Rights of Trustee.*

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it (unless other evidence be herein specifically prescribed) may require an Officers' Certificate or an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and nominees and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee shall not be charged with knowledge of any Event of Default under subsection (d), (e), (f), (g), (h) or (i) of Section 8.01 unless either (1) a Trust Officer assigned to its Corporate Trust

Department shall have actual knowledge thereof, or (2) the Trustee shall have received notice thereof in accordance with Section 12.02 hereof from the Company or any holder.

SECTION 9.03 *Individual Rights of Trustee.* The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 9.10 and 9.11 hereof.

SECTION 9.04 *Trustee's Disclaimer.* The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Company in the Indenture or any statement in the Securities other than its authentication.

SECTION 9.05 *Notice of Defaults.* If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Noteholders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Security, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Noteholders.

SECTION 9.06 *Reports by Trustee to Noteholders.* Within 60 days after the reporting date stated in Section 12.10, the Trustee shall mail to Noteholders a brief report dated as of such reporting date that complies with TIA § 313(a) if and to the extent required by such § 313(a). The Trustee also shall comply with TIA § 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA § 313(c).

A copy of each report at the time of its mailing to Noteholders shall be filed with the SEC and each stock exchange on which the Securities are listed. The Company shall notify the Trustee when the Securities are listed on any stock exchange or automated quotation system.

SECTION 9.07 *Compensation and Indemnity.* The Company shall pay to the Trustee from time to time reasonable compensation for its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it. Such disbursements and expenses may include the reasonable disbursements, compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee and its officers, directors, employees and agents against any loss or liability incurred by it except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees, disbursements and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence, bad faith or willful misconduct.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except money or property held in trust to pay principal and interest.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 8.01(h) or (i) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The provisions of this Section 9.07 shall survive the termination of this Indenture, as provided by Section 10.01 hereof.

SECTION 9.08 *Replacement of Trustee.* A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign by so notifying the Company. The Noteholders of a majority in principal amount of the then-outstanding Securities may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 9.10 hereof, unless the Trustee's duty to resign is stayed as provided in TIA § 310(b);

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Bankruptcy Custodian or public officer takes charge of the Trustee or its property, or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Noteholders of a majority in principal amount of the then-outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Noteholders of at least 10% in principal amount of the then-outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 9.10 hereof, unless the Trustee's duty to resign is stayed as provided in TIA § 310(b), any Noteholder who has been a bona fide holder of a Security for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, the Company shall promptly pay all amounts due and payable to the retiring Trustee, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Noteholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 9.07 hereof. Notwithstanding the resignation or replacement of the Trustee pursuant to this Section 9.08, the Company's obligations under Section 9.07 hereof shall continue for the benefit of the retiring Trustee with respect to expenses and liabilities incurred by it prior to such resignation or replacement.

SECTION 9.09 *Successor Trustee by Merger, Etc.* If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business (including the administration of the Indenture) to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 9.10 *Eligibility; Disqualification.* This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1) and (5). The Trustee (or if the Trustee is a member of a bank holding system, its bank holding company) shall always have a combined capital and surplus as stated in Section 12.10 hereof. The Trustee is subject to TIA § 310(b).

SECTION 9.11 *Preferential Collection of Claims Against Company.* The Trustee is subject to TIA § 311(a), excluding any credit or relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

SECTION 9.12 *Sections Applicable to Registrar, Paying Agent and Conversion Agent.* The term "Trustee" as used in Sections 6.3, 9.1, 9.2, 9.3, 9.4 and 9.7 hereof shall (unless the context requires otherwise) be construed as extending to and including the Trustee acting in its capacity, if any, as Registrar, Paying Agent and Conversion Agent.

ARTICLE X

DISCHARGE OF INDENTURE

SECTION 10.01 *Termination of Company's Obligation.* This Indenture shall cease to be of further effect (except that the Company's obligations under Sections 9.07 and 10.02 hereof shall survive) when all outstanding Securities theretofore authenticated and issued have been delivered to the Trustee for cancellation and the Company has paid all sums payable hereunder.

Thereupon, the Trustee upon request of the Company, shall acknowledge in writing the discharge of the Company's obligations under this Indenture, except for those surviving obligations specified above.

SECTION 10.02 *Repayment to Company.* The Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due; *provided, however,* that the Company shall have first caused notice of such payment to the Company to be mailed to each Noteholder entitled thereto no less than 30 days prior to such payment. After payment to the Company, the Trustee and the Paying Agent shall have no further liability with respect to such money and Noteholders entitled to the money must look to the Company for payment as general creditors unless any applicable abandoned property law designates another person.

ARTICLE XI

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 11.01 *Without Consent of Noteholders.* The Company and the Trustee may amend or supplement this Indenture or the Securities without the consent of any Noteholder:

(a) to cure any ambiguity, defect or inconsistency;

(b) to comply with Sections 5.13 and 7.01 hereof;

(c) to provide for uncertificated Securities in addition to certificated Securities;

(d) to make any change that does not adversely affect the legal rights hereunder of any Noteholder;

(e) to qualify this Indenture under the TIA or to comply with the requirements of the SEC in order to maintain the qualification of the Indenture under the TIA; or

(f) to make any change that provides any additional rights or benefits to the holders of Securities.

An amendment under this Section may not make any change that adversely affects the rights under Article VI of any holder of Senior Debt then outstanding unless the holders of such Senior Debt (or any group or Representative thereof authorized to give a consent) consent to such change.

SECTION 11.02 *With Consent of Noteholders.* Subject to Section 8.07 hereof, the Company and the Trustee may amend or supplement this Indenture or the Securities with the written consent (including consents obtained in connection with any tender or exchange offer for Securities) of the Noteholders of at least a majority in principal amount of the then-outstanding Securities. Subject to Sections 8.04 and 8.07 hereof, the Noteholders of a majority in principal amount of the Securities then outstanding may also by their written consent (including consents obtained in connection with any tender offer or exchange offer for Securities) waive any existing Default as provided in Section 8.04 or waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities. However, without the consent of each Noteholder affected, an amendment, supplement or waiver under this Section may not (with respect to any Securities held by a nonconsenting Noteholder):

(a) reduce the amount of Securities whose Noteholders must consent to an amendment, supplement or waiver;

(b) reduce the rate of or change the time for payment of interest on any Security;

(c) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions with respect thereto;

(d) make any Security payable in money other than that stated in the Security;

(e) make any change in Section 8.04, 8.07 or 11.02 hereof (this sentence);

(f) waive a default in the payment of principal of, premium, if any, or interest (other than as provided in Section 8.04);

(g) waive a redemption payment payable on any Security;

(h) make any change that impairs the right of Noteholders to convert Securities into Common Stock of the Company; or

(i) modify the conversion or subordination provisions set forth in Article V and Article VI, respectively, in a manner adverse to the holders of the Securities.

To secure a consent of the Noteholders under this Section 11.02, it shall not be necessary for the Noteholders to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section may not make any change that adversely affects the rights under Article VI of any holder of Senior Debt then outstanding unless the holders of such Senior Debt (or any group or Representative thereof authorized to give a consent) consent to such change.

Neither the Company nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of Securities or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Securities unless such consideration is offered to be paid or agreed to be paid to all holders of the Securities that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to Noteholders a notice briefly describing the amendment or waiver.

SECTION 11.03 *Compliance with Trust Indenture Act.* Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 11.04 *Revocation and Effect of Consents.* Until an amendment, supplement or waiver becomes effective, a consent to it by a Noteholder of a Security is a continuing consent by the Noteholder and every subsequent Noteholder of a Security or portion of a Security that evidences the same debt as the consenting Noteholder's Security, even if notation of the consent is not made on any Security. However, any such Noteholder or subsequent Noteholder may revoke the consent as to such Noteholder's Security or portion of a Security if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Noteholders of the requisite principal amount of Securities have consented to the amendment, supplement or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Noteholders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those persons who were Noteholders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be Noteholders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Noteholders of the principal amount of Securities required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective it shall bind every Noteholder, unless it is of the type described in any of clauses (a) through (i) of Section 11.02 hereof. In such case, the amendment or waiver shall bind each Noteholder who has consented to it and every subsequent Noteholder that evidences the same debt as the consenting Noteholder's Security.

SECTION 11.05 *Notation on or Exchange of Securities.* The Trustee may place an appropriate notation about an amendment or waiver on any Security thereafter authenticated. The Company in exchange for all Securities may issue and the Trustee shall authenticate new Securities that reflect the amendment or waiver.

SECTION 11.06 *Trustee Protected.* The Trustee shall sign all supplemental indentures, except that the Trustee may, but need not, sign any supplemental indenture that adversely affects its rights. As a condition to executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive (in addition to those documents required by Section 12.04), and (subject to Section 315 of the TIA) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01 *Trust Indenture Act Controls.* If any provision of this Indenture limits, qualifies or conflicts with another provision which is deemed to be incorporated in this Indenture by the TIA, the incorporated provision shall control.

SECTION 12.02 *Notices.* Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail or overnight delivery to the other's address stated in Section 12.10 hereof. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Noteholder shall be mailed by first-class mail or overnight delivery to his address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Noteholders, it shall mail a copy to the Trustee and each Agent at the same time.

All other notices or communications shall be in writing.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice as required by the Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 12.03 *Communication by Noteholders with Other Noteholders.* Noteholders may communicate pursuant to TIA § 312(b) with other Noteholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

SECTION 12.04 *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.05 *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 4.03) shall include:

(a) a statement that the person signing such certificate or rendering such opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, such person has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 12.06 *Rules by Trustee and Agents.* The Trustee may make reasonable rules for action by, or a meeting of, the Noteholders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.07 *Legal Holidays.* A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the State of New York or the State of California are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If any other operative date for purposes of this Indenture shall occur on a Legal Holiday then for all purposes the next succeeding day that is not a Legal Holiday shall be such operative date.

SECTION 12.08 *No Recourse Against Others.* A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Noteholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

SECTION 12.09 *Counterparts.* This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 12.10 *Variable Provisions.* "Officer" means the Chairman of the Board, the President, any Vice-President (whether or not designated by a number or a word or words added before or after the title "Vice President"), the Chief Financial Officer, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

The first certificate pursuant to Section 4.03 hereof shall be for the fiscal year ending on December 31, 1997.

The reporting date for Section 9.06 hereof is March 15 of each year. The first reporting date is March 15, 1998.

The Trustee (or if the Trustee is a member of a bank holding company system, its bank holding company) shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition.

The Company's address for purposes of the Indenture is:

Chief Financial Officer
Intevac, Inc.
3550 Bassett Street
Santa Clara, California 95054
Telephone Number: (408) 986-9888
Telefax Number: (408) 988-8145

The Trustee's address is:

State Street Bank and Trust Company of California, N. A.
633 West 5th Street, 12th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Administration
(Intevac, Inc. 6 1/2% Convertible Subordinated Notes due 2009)
Telephone Number: (213) 362-7334
Telefax Number: (213) 362-7357

The Company or the Trustee may change its address for purposes of this Indenture by written notice to the other.

SECTION 12.11 *GOVERNING LAW*. THIS INDENTURE AND THE SECURITIES ISSUED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 12.12 *No Adverse Interpretation of Other Agreements.* This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or an Affiliate. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.13 *Successors.* All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.14 *Severability.* In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.15 *Table of Contents, Headings, Etc.* The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

INTEVAC, INC.,
As Company,

By:

Name:
Title:

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A.,
As Trustee,

By:

Name:
Title:

EXHIBIT A

FORM OF CONVERTIBLE SUBORDINATED NOTE

[FORM OF FACE OF NOTE]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

No. Cusip No.

INTEVAC, INC.

6 1/2% CONVERTIBLE SUBORDINATED NOTE DUE 2009

Intevac, Inc., a California corporation (the "Company") for value received promises to pay to _____ or registered assigns, the principal sum [indicated on Schedule A hereof]* [of _____ Dollars]** on March 1, 2009 at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, State of New York, and to pay interest on said principal sum at the rate of 6 1/2% per annum, as more specifically described on the reverse hereof.

Interest Payment Dates:	March 1 and September 1, commencing September 1, 2002.
Record Dates:	February 15 and August 15.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

* Applicable to Global Securities only.

** Applicable to certificated Securities only.

IN WITNESS WHEREOF, Intevac, Inc. has caused this Note to be signed manually or by facsimile by its duly authorized Officers.

Dated:

INTEVAC, INC.

By:

By:

[SEAL]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 6 1/2% Convertible Subordinated Notes due 2009 described in the within-mentioned Indenture.

State Street Bank and Trust Company of California, N.A., as Trustee

By:

Authorized Officer

INTEVAC, INC.

6 1/2% Convertible Subordinated Note Due 2009

1. *Interest.* INTEVAC, INC., a California corporation (the "Company"), is the issuer of the 6 1/2% Convertible Subordinated Notes due 2009 (the "Notes"), of which this Note is a part. The Company promises to pay interest on the Notes in cash semiannually on each March 1 and September 1, commencing on September 1, 2002, to holders of record on the immediately preceding February 15 and August 15.

Interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, from , 2002 until payment of said principal sum has been made or duly provided for. Interest will be computed on the basis of a 360-day year of twelve 30-day months. To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the rate borne by the Notes, compounded annually.

2. *Method of Payment.* The Company will pay interest on the Notes (except defaulted interest) to the persons who are registered holders of the Notes at the close of business on the record date for the next interest payment date even though Notes are canceled after the record date and on or before the interest payment date. The Noteholder hereof must surrender Notes to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by check payable in such money. It may mail a check for interest to a holders' registered address; provided that a holder of Notes with an aggregate principal amount in excess of $2,000,000 will be paid by wire transfer in immediately available funds at the election of the holder.

3. *Paying Agent and Registrar.* The Trustee will act initially as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar, co-registrar or Conversion Agent without prior notice. The Company or any of its Affiliates may act in any such capacity.

4. *Indenture.* The Company issued the Notes under an indenture, dated as of , 2002 (the "Indenture"), between the Company and State Street Bank and Trust Company of California, N.A., as Trustee. The terms of the Notes include those stated in the Indenture and those incorporated into the Indenture from the Trust Indenture Act of 1939, and rules and regulations thereunder. The Notes are subject to, and qualified by, all such terms, certain of which are summarized hereon, and Noteholders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured obligations of the Company limited to an aggregate principal amount at maturity of $. The Indenture does not limit the ability of the Company or any of its Subsidiaries to incur indebtedness or to grant security interests or liens in respect of their assets.

5. *Optional Redemption.* The Notes are subject to redemption at the option of the Company, in whole or from time to time in part (in any integral multiple of $1,000), on any date on or after March 1, 2004 at 100% of the principal amount, but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date). On or after the redemption date, interest will cease to accrue on the Notes, or portion thereof, called for redemption.

6. *Notice of Redemption.* Notice of redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed at his address of record. The Notes in denominations larger than $1,000 may be redeemed in part but only in integral multiples of $1,000. In the event of a redemption of less than all of the Notes, the Notes will be chosen for redemption by the Trustee in accordance with the Indenture. Unless the Company defaults in making such redemption payment, or the Paying Agent is prohibited from making such payment pursuant to the Indenture, by law or otherwise, interest cease to accrue on the Notes or portions of them called for redemption on and after the redemption date.

If this Note is redeemed subsequent to a record date with respect to any interest payment date specified above and on or prior to such interest payment date, then any accrued interest will be paid to the person in whose name this Note is registered at the close of business on such record date.

7. *Mandatory Redemption.* The Company will not be required to make mandatory redemption payments with respect to the Notes. There are no sinking fund payments with respect to the Notes.

8. *Repurchase at Option of Holder*. If there is a Change of Control, the Company shall be required to offer to purchase on the Change of Control Payment Date all outstanding Notes at a purchase price equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest to the Change of Control Payment Date. Holders of Notes that are subject to an offer to purchase will be mailed a Change of Control Offer from the Company prior to any related Change of Control Payment Date and may elect to have such Notes or portions thereof in authorized denominations purchased by completing the form entitled "Option of Noteholder To Elect Purchase" appearing below. Noteholders have the right to withdraw their election by delivering a written notice of withdrawal to the Company or the Paying Agent in accordance with the terms of the Indenture.

9. *Subordination.* The payment of the principal of, interest on or any other amounts due on the Notes is subordinated in right of payment to all existing and future Senior Debt of the Company, as described in the Indenture. Each Noteholder, by accepting a Note, agrees to such subordination and authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee as its attorney-in-fact for such purpose.

10. *Conversion.* The holder of any Note has the right, exercisable at any time prior to the close of business on the Note's maturity, to convert the principal amount thereof (or any portion thereof that is an integral multiple of $1,000) into shares of Common Stock at the initial Conversion Price of $10.00 per share, subject to adjustment under certain circumstances, except that if a Note is called for redemption, the conversion right will terminate at the close of business (New York time) on the Business Day immediately preceding the date fixed for redemption.

To convert a Note, a holder must (1) complete and sign a notice of election to convert substantially in the form set forth below, (2) surrender the Note to a Conversion Agent, (3) furnish appropriate endorsements or transfer documents if required by the Registrar or Conversion Agent and (4) pay any transfer or similar tax, if required. Upon conversion, no adjustment or payment will be made for interest or dividends, but if any Noteholder surrenders a Note for conversion after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, notwithstanding such conversion, the interest payable on such interest payment date will be paid to the registered holder of such Note on such record date. In such event, such Note, when surrendered for conversion, must be accompanied by payment in funds acceptable to the Company of an amount equal to the interest payable on such interest payment date on the portion so converted, unless such Security has been called for redemption on or prior to such interest payment date. The number of shares of Common Stock issuable upon conversion of a Note is determined by dividing the principal amount of the Note converted by the Conversion Price in effect on the Conversion Date. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest.

A Note in respect of which a holder has delivered an "Option of Noteholder to Elect Purchase" form appearing below exercising the option of such holder to require the Company to purchase such Note may be converted only if the notice of exercise is withdrawn as provided above and in accordance with the terms of the Indenture. The above description of conversion of the Notes is qualified by reference to, and is subject in its entirety by, the more complete description thereof contained in the Indenture.

11. *Automatic Conversion.* The Company may elect to automatically convert the Notes on or prior to maturity if the Daily Market Price of the Common Stock has exceeded 150% of the Conversion Price for at least 20 Trading Days out of the 30 consecutive Trading Days ending within five Trading Days prior to the Automatic Conversion Notice.

12. *Denominations Transfer, Exchange.* The Notes are in registered form, without coupons, in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered, and Notes may be exchanged, as provided in the Indenture. The Registrar may require a Noteholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to exchange or register the transfer of (i) any Note for a period of 15 days next preceding any selection of Notes to be redeemed, (ii) any Note or portion thereof selected for redemption or (iii) any Note or portion thereof surrendered for repurchase (and not withdrawn) in connection with a Change of Control.

13. *Persons Deemed Owners.* Except as provided in paragraph 2 of this Note, the registered Noteholder of a Note may be treated as its owner for all purposes.

14. *Unclaimed Money.* If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its request. After that, Noteholders of Notes entitled to the money must look to the Company for payment, unless an abandoned property law designates another person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

15. *Defaults and Remedies.* The Notes shall have the Events of Default as set forth in Section 8.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee by notice to the Company or the Noteholders of at least 25% in aggregate principal amount of the then-outstanding Notes by notice to the Company and the Trustee may declare all the Notes to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, Notes shall become due and payable immediately without further action or notice. Upon acceleration as described in either of the preceding sentences, the subordination provisions of the Indenture preclude any payment being made to Noteholders for at least 5 Business Days after holders of Senior Debt receive notice of such acceleration except as otherwise provided in the Indenture.

The Noteholders of a majority in principal amount of the Notes then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. Noteholders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Noteholders of a majority in principal amount of the then-outstanding Notes issued under the Indenture may direct the Trustee in its exercise of any trust or power. The Company must furnish compliance certificates to the Trustee annually. The above description of Events of Default and remedies is qualified by reference to, and subject in its entirety by, the more complete description thereof contained in the Indenture.

16. *Amendments, Supplements and Waivers.* Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Noteholders of at least a majority in principal amount of the then-outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes), and any existing default may be waived with the consent of the Noteholders of a majority in principal amount of the then-outstanding Notes, including consents obtained in connection with a tender offer or exchange offer for Notes. Without the consent of any Noteholder, the Indenture or the Notes may be amended, among other things, to cure any ambiguity, defect or inconsistency, to provide for assumption of the Company's obligations to Noteholders in the case of a merger, consolidation or sale or transfer of all or substantially all of the Company's properties or assets pursuant to Article VII of the Indenture, to make any change that would provide any additional rights or benefits to Noteholders or that does not adversely affect the legal rights under the Indenture of any Noteholder, to qualify the Indenture under the TIA, or to comply with the requirements of the SEC in order to maintain the qualification of the Indenture under the TIA.

17. *Trustee Dealings with the Company.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Notes and may otherwise deal with the Company or an Affiliate with the same rights it would have, as if it were not Trustee, subject to certain limitations provided for in the Indenture and in the TIA. Any Agent may do the same with like rights.

18. *No Recourse Against Others.* A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Noteholder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

19. *Governing Law.* THE INDENTURE AND THE SECURITIES ISSUED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

20. *Authentication.* The Notes shall not be valid until authenticated by the manual signature of an authorized officer of the Trustee or an authenticating agent.

21. *Abbreviations.* Customary abbreviations may be used in the name of a Noteholder or an assignee, such as: TEN COM (for tenants in common), TENANT (for tenants by the entireties), JT TEN (for joint tenants with right of survivorship and not as tenants in common), CUST (for Custodian), and U/G/M/A (for Uniform Gifts to Minors Act).

22. *Definitions.* Capitalized terms not defined in this Note have the meaning given to them in the Indenture.

The Company will furnish to any Noteholder of the Notes upon written request and without charge a copy of the Indenture and the Registration Agreement. Request may be made to:

Investor Relations
Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054
Telephone Number: (408) 986-9888

ASSIGNMENT AND CERTIFICATE OF TRANSFER FORM

To assign this Note, fill in the form below:

(I)or (we) assign and transfer this Note to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Your Signature:

(Sign exactly as your name appears on the other side of this Note)

Date: _____

Signature Guarantee:***

*** Signature must be guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Signature Guarantee:*

Signature

Signature

* Signature must be guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE A

The initial principal amount at maturity of this Global Security shall be $. The following increases or decreases in the principal amount of this Global Security have been made:

Date Made	Amount of Increase in Principal Amount of this Global Security Including Upon Exercise of Overallotment Option	Amount of Decrease in Principal Amount of this Global Security	Principal Amount of this Global Security Following Such Decrease or Increase	Signature of Authorized Officer of Trustee or Custodian

OPTION OF NOTEHOLDER TO ELECT PURCHASE

If you want to elect to have this Note or a portion thereof repurchased by the Company pursuant to Section 3.08 or 4.08 of the Indenture, check the box: ☐

If the purchase is in part, indicate the portion ($1,000 or any integral multiple thereof) to be purchased:

Your Signature:

(Sign exactly as your name appears on the other side of this Note)

Date:

Signature Guarantee:*

* Signature must be guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

ELECTION TO CONVERT

To: Intevac, Inc.

The undersigned owner of this Note hereby irrevocably exercises the option to convert this Note, or the portion below designated, into Common Stock of Intevac, Inc. in accordance with the terms of the Indenture referred to in this Note, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

The undersigned agrees to be bound by the terms of the Registration Agreement relating to the Common Stock issuable upon conversion of the Notes.

Date: _____

In whole _____ or Portion of Note to be converted ($1,000 or any integral multiple thereof): $ _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Please print or typewrite name and address, including zip code, and Social Security or other identifying number

Signature Guarantee:* _____

_____

* Signature must be guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

EXHIBIT (d)(3)

Intevac, Inc.

and

State Street Bank and Trust Company of California, N.A.,
as Warrant Agent

WARRANT AGREEMENT

Dated as of _____ __, 2002

TABLE OF CONTENTS

This Warrant Agreement (this "Agreement") dated as of , 2002, between Intevac, Inc., a California corporation (together with any successor thereto, the "Company"), and State Street Bank and Trust Company of California, N.A., not in its individual capacity but solely as warrant agent (together with any successor warrant agent, the "Warrant Agent").

WHEREAS, the Company has made an offer to exchange (the "Exchange Offer") for each $5,000 principal amount of its 61/2% Convertible Subordinated Notes due 2004 (the "Existing Notes") an aggregate of (i) $2,000 in cash, (ii) 250 warrants (each, a "Warrant," and, collectively, the "Warrants"), each Warrant to purchase 1 share of Common Stock (as defined in Section 1 hereof), subject to adjustment as set forth in Sections 11 and 12 of this Agreement, and (iii) $1,000 principal amount of its 61/2% Convertible Subordinated Notes due 2009 (the "Exchange Notes") to be issued under an Indenture dated as of the date hereof between the Company and State Street Bank and Trust Company of California, N.A., as trustee (in such capacity, the "Trustee").

WHEREAS, the Exchange Offer is subject to the terms and conditions contained in the Company's Offering Circular dated May 8, 2002, and related Letter of Transmittal.

WHEREAS, the Company has accepted $ principal of tendered Existing Notes in the Exchange Offer and has agreed to issue to the registered holders of such Existing Notes an aggregate of (i) $ in cash, (ii) Warrants, and (iii) $ principal amount of Exchange Notes.

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company to assist the Company in connection with the issuance, exchange, cancellation, replacement and exercise of the Warrants, and this Agreement sets forth, among other things, the terms and conditions on which the Warrants may be issued, exchanged, cancelled, replaced and exercised.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

SECTION 1. Definitions . The terms defined in this Section 1 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Agreement shall have the respective meanings specified in this Section 1. The words "herein," "hereof," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. The terms defined in this Section include the plural as well as the singular.

"Affiliate" of any specified person shall mean any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), "control," as used with respect to any specified person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

"Board of Directors" shall mean the Board of Directors of the Company or a committee of such Board duly authorized to act for it hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or a duly authorized committee thereof (to the extent permitted by applicable law), and to be in full force and effect on the date of such certification, and delivered to the Warrant Agent.

"Business Day" means any day that is not a Legal Holiday.

"Cashless Exercise" has the meaning specified in Section 10(c).

"close of business" means 5 p.m., New York City time.

"Closing Price" with respect to any securities on any day shall mean the closing sale price regular way on such day on the Nasdaq National Market or New York Stock Exchange, as applicable, or, if such security is not listed or admitted to trading on such market or exchange, on the principal national security exchange or quotation system on which such security is quoted or listed or admitted to trading, or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose, or a price determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution.

"Common Stock" shall mean the common stock of the Company as the same exists at the date of the execution of this Agreement or as such stock may be constituted from time to time.

"Company" has the meaning specified in the preamble hereto.

"Corporate Office," or other similar term, shall mean the office of the Warrant Agent maintained for the purpose of exchanging, transferring or exercising the Warrants, which office is, at the date as of which this Agreement is dated, located at 633 West 5th Street, 12th Floor, Los Angeles, California 90071, Attention: Corporate Trust Administration (Intevac, Inc. Warrant Agreement).

"Current Market Value" means the average of the daily Closing Prices per share of Common Stock for the 30 consecutive Trading Days immediately prior to the date in question; provided that if there is no Closing Price on a particular Trading Day during such 30-Trading Day period, such average will be computed excluding such Trading Day.

"Custodian" means State Street Bank and Trust Company of California, N.A., with respect to the Warrants in global form, or any successor entity thereto.

"Definitive Warrant" shall mean a Warrant Certificate (other than a Global Warrant) in definitive, registered form.

"Depositary" means, with respect to the Warrants issuable or issued in whole or in part in global form, The Depository Trust Company until a successor shall have been appointed and become such pursuant to the applicable provisions of this Agreement, and thereafter, "Depositary" shall mean or include such successor.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exchange Notes" has the meaning specified in the preamble hereto.

"Exchange Offer" has the meaning specified in the preamble hereto.

"Exercise Date" has the meaning specified in Section 10(d).

"Exercise Form" has the meaning specified in Section 10(a).

"Exercise Price" has the meaning specified in Section 10(b).

"Existing Notes" has the meaning specified in the preamble hereto.

"Expiration Date" has the meaning specified in Section 9.

"Global Warrant" has the meaning specified in Section 3.

"Legal Holiday" is a Saturday, a Sunday or a day on which the banking institutions in the State of New York or the State of California are not required to be open.

"Net Number" has the meaning specified in Section 10(c).

"Officers' Certificate", when used with respect to the Company, shall mean a certificate signed by one of the President, the Chief Executive Officer, Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word added before or after the title "Vice President"), that is delivered to the Warrant Agent.

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, which is delivered to the Warrant Agent.

"Person" or "person" shall mean an individual, a corporation, a limited liability company, an association, a partnership, an individual, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any combination of cash,

securities or other property or in which the Common Stock (or other applicable security) is exchanged or exercised for any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trading Day" shall mean (x) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon or (y) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange, as applicable, is open for business or (z) if the applicable security is not so admitted for trading or quoted or listed, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Trustee" has the meaning specified in the preamble hereto.

"Warrant" has the meaning specified in the preamble hereto.

"Warrant Agent" has the meaning specified in the preamble hereto.

"Warrantholder" or "holder" as applied to any Warrant, or other similar terms (but excluding the term "beneficial holder"), shall mean any person in whose name at the time a particular Warrant is registered on the Warrant Register.

"Warrant Certificates" has the meaning specified in Section 3.

"Warrant Number" has the meaning specified in Section 10(b).

"Warrant Register" has the meaning specified in Section 5(a).

SECTION 2. Appointment of Warrant Agent . The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth hereinafter in this Agreement, and the Warrant Agent hereby accepts such appointment.

SECTION 3. Form of Warrant Certificates . Certificates representing the Warrants (the "Warrant Certificates") shall be in registered form only and substantially in the form attached hereto as Exhibit A. The Warrant Certificates may have such letters, numbers or other marks of

identification and such notations, legends and endorsements as the officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Warrants may be listed or designated for issuance, or to conform to usage.

The definitive Warrant Certificates shall be typed, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officer of the Company executing such Warrant Certificates, as evidenced by such officer's execution of such Warrant Certificates.

So long as the Warrants are eligible for book-entry settlement with the Depositary, unless otherwise required by law, all Warrants issued hereunder shall be represented by a Warrant Certificate in global form (the "Global Warrant") registered in the name of the Depositary or the nominee of the Depositary.

The terms and provisions contained in the forms of the Warrant Certificates attached hereto as Exhibit A shall constitute, and are hereby expressly made, a part of this Agreement. The Global Warrant shall represent such number of the outstanding Warrants as shall be specified therein and shall provide that the aggregate number of outstanding Warrants represented thereby may from time to time be reduced or increased, as appropriate, on the records of the Warrant Agent, as Custodian for the Depositary, or hereinafter provided.

SECTION 4. Execution of Warrant Certificates . Warrant Certificates evidencing Warrants to purchase initially an aggregate of up to shares of Common Stock shall be executed on or prior to the date hereof by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall thereupon countersign and deliver such Warrant Certificates upon the order and at the direction of the Company to the purchasers thereof on the date of issuance. The Warrant Agent hereby is authorized to countersign and deliver Warrant Certificates as required hereby in accordance with the provisions of this Agreement.

Each Warrant Certificate, whenever issued, shall be dated the date of countersignature thereof by the Warrant Agent pursuant to Section 5 either upon initial issuance or upon exchange, substitution or transfer, shall be signed manually by, or bear the facsimile signature of, the Chairman of the Board or the Chief Executive Officer or the President or Executive or Senior Vice President or any Vice President (whether or not designated by a number or number of words added before or after the title "Vice President") of the Company, and shall be attested by the manual or facsimile signature of the Chief Financial Officer or Treasurer or Assistant Treasurer or Secretary or an Assistant Secretary of the Company.

In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer before the Warrant Certificates so signed shall have been countersigned by the Warrant Agent and issued and delivered pursuant to Section 5, such Warrant Certificates nevertheless may be countersigned and issued and delivered with the same force and effect as

though such person had not ceased to be such officer of the Company. Any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate, although at the date of the execution of this Warrant Agreement any such person was not such an officer.

SECTION 5. Registration, Countersignature and Issuance of Temporary Warrant Certificates .

(a) Registration. The Warrant Certificates shall be issued in registered form only. Warrant Certificates distributed as provided for herein shall be registered in the names of the record holders of the Warrant Certificates to whom they are to be distributed. The Company shall cause to be kept at the office of the Warrant Agent a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Warrant Certificates and transfers or exchanges of Warrant Certificates as herein provided (the "Warrant Register"). Such Warrant Register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. The Warrant Agent is hereby appointed "Warrant Registrar" for the purpose of registering Warrant Certificates and transfers of Warrant Certificates as herein provided. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefit under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

The Company and the Warrant Agent may deem and treat the registered holder of a Warrant Certificate as the absolute owner thereof (notwithstanding any notation of ownership or other writing thereon made by anyone) for the purpose of any exercise thereof and any distribution to the holder thereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

(b) Countersignature and Delivery. The Warrant Certificates shall be countersigned by the Warrant Agent by manual signature and dated the date of countersignature by the Warrant Agent and shall not be valid for any purpose unless so countersigned and dated. The Warrant Certificates shall be numbered and shall be registered.

Upon the receipt by the Warrant Agent of a written order of the Company, which order shall be signed manually by, or bear the facsimile signature of, the Chairman of the Board or the Chief Executive Officer or the President or Executive or Senior Vice President or any Vice President (whether or not designated by a number or number of words added before or after the title "Vice President") and attested by the manual or facsimile signature of the Chief Financial Officer or Treasurer or Assistant Treasurer or Secretary or Assistant Secretary of the Company, and shall specify the number of Warrants to be countersigned, whether the Warrants are to be Global Warrants or Definitive Warrants, the date of such Warrants and such other information as is necessary or as the Warrant Agent may reasonably request. Without any further action by the Company, the Warrant Agent is authorized, upon receipt from the Company at any time and from time to time of the Warrant Certificates, duly executed as provided in Section 4 hereof, to countersign the Warrant

Certificates and deliver them. Such countersignature shall be by a duly authorized signatory of the Warrant Agent (although it shall not be necessary for the same signatory to sign all Warrant Certificates).

In case any authorized signatory of the Warrant Agent who shall have countersigned any of the Warrant Certificates shall cease to be such authorized signatory before the Warrant Certificate shall have been issued and delivered, such Warrant Certificate nevertheless may be issued and delivered as though the person who countersigned such Warrant Certificate had not ceased to be such authorized signatory of the Warrant Agent. Any Warrant Certificate may be countersigned on behalf of the Warrant Agent by such persons as, at the actual time of countersignature of such Warrant Certificates, shall be the duly authorized signatories of the Warrant Agent, although at the time of the execution and delivery of this Agreement any such person is not such an authorized signatory.

(c) Temporary Warrant Certificates. Pending the preparation of definitive Warrant Certificates, the Company may execute, and the Warrant Agent shall, upon written request of the Company, countersign and deliver, temporary Warrant Certificates, which may be printed, lithographed, typewritten or otherwise produced, and which shall be substantially of the tenor of the definitive Warrant Certificates in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Warrant Certificates may determine, as evidenced by their execution of such Warrant Certificates.

If temporary Warrant Certificates are issued, the Company will cause definitive Warrant Certificates to be prepared without unreasonable delay. After the preparation of definitive Warrant Certificates, the temporary Warrant Certificates shall be exchangeable for definitive Warrant Certificates upon surrender of the temporary Warrant Certificates at any office or agency maintained by the Company for that purpose pursuant to Section 8 hereof. Subject to the provisions of Section 6(e) hereof, such exchange shall be without charge to the holder. Upon surrender for cancellation of any one or more temporary Warrant Certificates, the Company shall execute, and the Warrant Agent shall countersign and deliver in exchange therefor, one or more definitive Warrant Certificates representing in the aggregate a like number of Warrants. Until so exchanged, the holder of a temporary Warrant Certificate shall in all respects be entitled to the same benefits under this Agreement as a holder of a definitive Warrant Certificate.

SECTION 6. Transferability .

(a) Transfer and Exchange. A Holder may transfer its Warrants only by complying with the terms of this Agreement. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, final acceptance and registration of the transfer by the Warrant Agent in the Warrant Register. Furthermore, any holder of the Global Warrant shall, by acceptance of such Global Warrant, agree that transfers of beneficial interests in such Global Warrant may be effected only through a book-entry system maintained by the holder of such Global Warrant (or its agent), and that ownership of a beneficial interest in the Warrants represented thereby shall be required to be reflected in a book entry.

(b) Registration of Transfers and Exchanges. The Warrant Agent shall from time to time register in the Warrant Register the transfer or exchange of any outstanding Warrant Certificates, upon surrender thereof to the Warrant Agent at its Corporate Office accompanied by a written instrument of transfer in the form of the assignment appearing at the end of the form of the Warrant Certificate attached as Exhibit A hereto, duly executed by the registered holder or holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney. Upon any such registration of transfer or exchange, one or more new Warrant Certificates of like tenor and in authorized denominations and representing in the aggregate a like number of Warrants shall be issued to the transferee or the exchanging holder, as the case may be. Warrant Certificates surrendered for exchange, transfer, exercise or conversion shall be cancelled by the Warrant Agent. Warrant Certificates cancelled as provided in this Section 6 shall then be disposed of by the Warrant Agent in a manner reasonable satisfactory to the Company.

Neither the Company nor the Warrant Agent shall be required to exchange or register a transfer of any of the Warrants surrendered for exercise or, if a portion of any Warrant is surrendered for exercise, such portion thereof surrendered for exercise.

The Warrant Agent is hereby authorized to countersign, in accordance with the provisions of Section 5 and this Section 6, the new Warrant Certificates required pursuant to the provisions of this Section, and for the purpose of any distribution of Warrant Certificates contemplated herein.

(c) Book-Entry Provisions for the Global Warrant. The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depositary with respect to the Global Warrants. Initially, the Global Warrants shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with the Warrant Agent as custodian for Cede & Co. Members of, or participants in, DTC ("Agent Members") shall have no rights under this Agreement with respect to the Global Warrant held on their behalf by DTC or the Warrant Agent as its custodian, and DTC may be treated by the Company, the Warrant Agent and any agent of the Company or the Warrant Agent as the absolute owner of such Global Warrant for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Warrant Agent or any agent of the Company or the Warrant Agent from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and its Agent Members, the operation of customary practices governing the exercise of the right of a beneficial owner of any Warrants.

Notwithstanding any other provisions of this Agreement (other than the provisions set forth in this Section 6(c)), transfers of the Global Warrant shall be limited to transfers of the Global Warrant in whole, but not in part, to the Depositary, its successors or their respective nominees. The transfer and exchange of beneficial interests in the Global Warrant shall be effected through the Depositary (but not the Warrant Agent or the Custodian) in accordance with this Agreement and the rules and procedures of the Depositary.

If at any time the Depositary for the Global Warrant notifies the Company that it is unwilling or unable to continue as Depositary for the Global Warrant, the Company may appoint a successor Depositary with respect to the Global Warrant. If a successor Depositary for the Global Warrant is

not appointed by the Company within 90 days after the Company receives such notice, the Company will execute, and the Warrant Agent, upon receipt of an Officers' Certificate requesting the Warrant Agent to countersign and deliver Definitive Warrants, will countersign and deliver Definitive Warrants, representing an aggregate number of Warrants equal to the number of Warrants represented by the Global Warrant, in exchange for the Global Warrant, and upon delivery of the Global Warrant to the Warrant Agent the Global Warrant shall be canceled.

Definitive Warrants issued in exchange for all or a part of a Global Warrant pursuant to the third paragraph of this Section 6(c) shall be registered in such names and for such authorized numbers of Warrants as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Warrant Agent. Upon execution by the Company and countersigning by the Warrant Agent, the Warrant Agent shall deliver such Definitive Warrants to the persons in whose names such Definitive Warrants are so registered.

Any transfer of a portion of the beneficial interests in the Global Warrant that cannot be effected through book-entry settlement at the Depositary must be effected by the delivery to the transferee (or its nominee) of a Definitive Warrant registered in the name of the transferee (or its nominee) on the books maintained by the Warrant Agent in accordance with the transfer restrictions set forth herein. With respect to any such transfer, the Warrant Agent or the Custodian, at the direction of the Warrant Agent, will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate number of Warrants represented by the Global Warrant to be reduced by the number of Warrants represented by the beneficial interest in the Global Warrant being transferred and, following such reduction, the Company will execute and the Warrant Agent will countersign and deliver to the transferee (or such transferee's nominee, as the case may be), a Definitive Warrant for the appropriate aggregate number of Warrants in the name of such transferee (or its nominee).

At such time as all interests in a Global Warrant have been canceled or repurchased, the Global Warrant shall be, upon receipt thereof, canceled by the Warrant Agent in accordance with standing procedures and instructions existing between the Depositary and the Custodian. At any time prior to such cancellation, if any interest in the Global Warrant is exercised for Common Stock in accordance with the provisions of this Agreement and the procedures of the Depository, the number of Warrants represented by the Global Warrant shall, in accordance with the standing procedures and instructions existing between the Depositary and the Custodian, be appropriately reduced and an endorsement shall be made on the Global Warrant, by the Warrant Agent or the Custodian, at the direction of the Warrant Agent, to reflect such reduction or increase.

The Global Warrant may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Agreement as may be required by the Custodian, by the Depositary or to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Warrants may be listed or traded or designated for issuance or to conform with any usage with respect thereto.

The registered holder of the Global Warrant may grant proxies and otherwise authorize any Person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Agreement or the Warrants.

(d) Duties of the Warrant Agent with Respect to Transfers. The Warrant Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Warrant Certificate (including any transfers between or among Agent Members or beneficial owners of interests in the Global Warrant) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(e) Transfer Fees and Taxes. No service charge shall be charged to the Warrantholder for any exchange or registration of transfer of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any tax, assessments or other governmental charges that may be imposed in connection with the issue and delivery of Warrant Certificates in any name other than that of such Warrantholder.

(f) Surrender of Warrant Certificates. All Warrants surrendered for the purpose of exercise, repurchase, exchange or registration of transfer, shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly canceled by the Warrant Agent and shall not be reissued by the Company, and, except as expressly permitted by any of the provisions of this Agreement, no Warrants shall be issued in lieu thereof. Upon written instructions of the Company, the Warrant Agent shall dispose of canceled Warrants in accordance with its customary procedures.

SECTION 7. Lost, Stolen, Destroyed, Defaced or Mutilated Warrant Certificates . Upon receipt by the Company and the Warrant Agent (or any agent of the Company or the Warrant Agent, if requested by the Company) of evidence satisfactory to them of the loss, theft, destruction, defacement, or mutilation of any Warrant Certificate and of indemnity satisfactory to them and, in the case of mutilation or defacement, upon surrender of such Warrant Certificate to the Warrant Agent for cancellation, then, in the absence of notice to the Company or the Warrant Agent that such Warrant Certificate has been acquired by a bona fide purchaser or holder in due course, the Company shall execute, and an authorized signatory of the Warrant Agent shall manually countersign and deliver, in exchange for or in lieu of the lost, stolen, destroyed, defaced or mutilated Warrant Certificate, a new Warrant Certificate representing a like number of Warrants, bearing a number or other distinguishing symbol not contemporaneously outstanding. Every substitute Warrant Certificate executed and delivered pursuant to this Section in lieu of any lost, stolen or destroyed Warrant Certificate shall constitute an additional contractual obligation of the Company, whether or not the lost, stolen or destroyed Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of (but shall be subject to all the limitations of rights set forth in) this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder. The provisions of this Section are exclusive with respect to the

replacement of lost, stolen, destroyed, defaced or mutilated Warrant Certificates and shall preclude (to the extent lawful) any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement of lost, stolen, destroyed, defaced or mutilated Warrant Certificates.

The Warrant Agent is hereby authorized to countersign in accordance with the provisions of this Agreement and deliver the new Warrant Certificates required pursuant to the provisions of this Section.

SECTION 8. Offices for Exercise, Etc . So long as any of the Warrants remain outstanding, the Company will designate and maintain an office or agency within the continental United States where the Warrant Certificates may be presented for exercise, registration of transfer and exchange (including the exchange of temporary Warrant Certificates for definitive Warrant Certificates pursuant to Section 5(c) hereof), and where notices and demands to or upon the Company in respect of the Warrants or of this Agreement may be served. The Company may from time to time change or rescind such designation, as it may deem desirable or expedient. In addition to such office or offices or agency or agencies, the Company may from time to time designate and maintain one or more additional offices or agencies where Warrant Certificates may be presented for exercise or for registration of transfer or for exchange, and the Company may from time to time change or rescind such designation, as it may deem desirable or expedient. The Company will give to the Warrant Agent written notice of the location of any such office or agency and of any change of location thereof. The Company hereby designates the Warrant Agent's Corporate Office as the initial agency maintained for each such purpose. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notice may be served at the Corporate Office and the Company appoints the Warrant Agent as its agent to receive all such presentations, surrenders, notices and demands.

SECTION 9. Duration of Warrants . The Warrants shall expire at the close of business on March 1, 2006 (such date, the "Expiration Date"). Each Warrant may be exercised on any Business Day on or prior to the close of business on the Expiration Date.

Any Warrant not exercised before the close of business on the Expiration Date shall become void, and all rights of the holder under the Warrant Certificate evidencing such Warrant and under this Agreement shall cease.

SECTION 10. Exercise, Exercise Price, Settlement and Delivery .

(a) Exercise. Subject to the terms and conditions hereof, a holder electing to exercise one or more Warrant or Warrants will be required to surrender, the Warrant Certificate evidencing such Warrants to the Warrant Agent at the Corporate Office with the exercise form appended to the Warrant Certificate (the "Exercise Form") duly completed and signed by the registered holder or holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and in the case of a transfer, such signature shall be guaranteed by an eligible guarantor institution.

(b) Warrant Shares; Exercise Price. Each Warrant shall initially be exercisable by a holder for one (1) share of Common Stock, subject to adjustment as provided in Sections 11 and 12 of this Agreement (the "Warrant Number"). Each of the Warrants may be exercised by the holder thereof, in whole or in part, at any time on any Business Day on or after the opening of business on the date hereof and prior to the close of business on the Expiration Date, initially at a price per share of Common Stock of $7.50, subject to adjustment as provided in Sections 12 and 13 of this Agreement, (the "Exercise Price").

(c) Warrant Exercise. Holders may exercise the Warrants only on a net share settlement basis. Holders may not exercise the Warrants for cash. The holder upon exercise of the Warrant will receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula:

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

For purposes of the foregoing formula:

X = the Net Number of shares of Common Stock to be issued to the holder.
Y = the number of shares of Common Stock subject to this Warrant for which the Warrant is being exercised.
A = the Current Market Value of one share of Common Stock on the date this Warrant is being exercised.
B = the Exercise Price in effect at the time of such exercise.

For purposes of this Agreement, an exercise of a Warrant in accordance with the provisions of this Section 10(c) herein is called a "Cashless Exercise". If more than one Warrant shall be presented for exercise in full at the same time by the same holder, the number of full shares of Common Stock issuable upon the exercise thereof shall be computed on the basis of the aggregate number of shares of Common Stock purchasable on exercise of all Warrants so presented. In accordance with Section 10(f) hereof, if any holder exercises less than all of the Warrants evidenced by a Warrant Certificate, a new Warrant Certificate will be issued to such holder for the remaining number of Warrants. All provisions of this Agreement shall be applicable with respect to an exercise of a Warrant Certificate pursuant to a Cashless Exercise for less than the full number of Warrants represented thereby. Except as may be provided in Section 11 hereof, no payment or adjustment shall be made on account of any dividends on the shares of Common Stock issued upon exercise of a Warrant.

The Company agrees to provide an Officers' Certificate setting forth the applicable Current Market Value upon the request of the Warrant Agent or otherwise whenever, by the terms of this Agreement, the Warrant Agent is required to take any action which requires a determination of the Current Market Value, and the Warrant Agent may rely upon such Officers' Certificate without

inquiry. In no event shall the Warrant Agent be required to determine or verify, as of any date, the Current Market Value or, pursuant to Section 15, the fair value of a Warrant or of a share of Common Stock. If the Warrant Agent is required by the terms of this Agreement to make a calculation or distribution, or to take any other action, that requires the determination of the Current Market Value or any such fair value, the Warrant Agent may decline to take such action until it has received an Officers' Certificate setting forth the Current Market Value or fair value that is to be applied on the applicable date.

(d) Exercise Date. The "Exercise Date" for a Warrant shall be the date when all of the items referred to in the first sentence of paragraph (a) of this Section 10 are received by the Warrant Agent at or prior to 11:00 a.m., New York City time, on a date that is a Business Day and the exercise of the Warrants will be effective as of such Exercise Date. If any items referred to in the first sentence of such paragraph (a) are received after 11:00 a.m., New York City time, on a date that is a Business Day, the exercise of the Warrants to which such item relates will be effective on the next succeeding Business Day. Notwithstanding the foregoing, in the case of an exercise of Warrants on the Expiration Date, if all of the items referred to in the first sentence of paragraph (a) are received by the Warrant Agent at or prior to the close of business on such Expiration Date, the exercise of the Warrants to which such items relate will be effective on the Expiration Date.

(e) Warrant Agent Report of Exercises. Upon the exercise of a Warrant in accordance with the terms hereof, the Warrant Agent shall as soon as practicable advise the Company in writing of (i) the number of Warrants exercised in accordance with the terms and conditions of this Agreement and the Warrant Certificates, (ii) the instructions of each exercising holder of the Warrant Certificates with respect to delivery of the shares of Common Stock to which such holder is entitled upon such exercise, and (iii) such other information as the Company shall reasonably request.

(f) Issuance and Delivery of Common Stock. Subject to Section 6 hereof, as soon as practicable after the exercise of any Warrant or Warrants in accordance with the terms hereof, the Company shall either (1) credit such aggregate number of shares of Common Stock to which the holder is entitled to the holder's or its nominee's balance account maintained on the books of the Company or its transfer agent or (2) issue or cause to be issued to or upon the written order of the registered holder of the Warrant Certificate evidencing such exercised Warrant or Warrants a certificate evidencing the shares of Common Stock to which such holder is entitled, in fully registered form, registered in such name or names as may be directed by such holder pursuant to the Exercise Form, as appended to the Warrant Certificate. Such certificate evidencing the shares of Common Stock shall be deemed to have been issued and any persons who are designated to be named therein shall be deemed to have become the holder of record of such shares of Common Stock as of the close of business on the Exercise Date. After such exercise of any Warrant or Warrants, the Company shall also issue or cause to be issued to or upon the written order of the registered holder of such Warrant Certificate, a new Warrant Certificate, countersigned by the Warrant Agent pursuant to written instruction, evidencing the number of Warrants, if any, remaining unexercised unless such Warrants shall have expired.

SECTION 11. Adjustment of Exercise Price and Number of Shares Purchasable . The Exercise Price and the number of shares of Common Stock issuable upon the exercise of each Warrant in accordance with the provisions of this Agreement are subject to adjustment from time to time upon the occurrence of the events enumerated in this Section 11.

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Exercise Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this Section 11(a) is declared but not so paid or made, the Exercise Price shall again be adjusted to the Exercise Price which would then be in effect if such dividend or distribution had not been declared.

(b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the date upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the date upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(c) The Company may make such reductions in the Exercise Price, in addition to those required by Sections 11(a) and (b) as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may reduce the Exercise Price by any amount for any period of time if the period is at least twenty (20) days, the reduction is irrevocable during the period and the Board of Directors shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive and described in a Board Resolution. Whenever the Exercise Price is reduced pursuant to the preceding sentence, the Company shall mail to the holder of each Warrant at his last address appearing on the Warrant Register a notice of the reduction at least 15 days prior to the date the reduced Exercise Price takes effect, and such notice shall state the reduced Exercise Price and the period during which it will be in effect.

(d) The adjustments required by Sections 11(a) and (b) shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that no adjustment in the Exercise Price or the Warrant Number shall be required to be made under this Section 11 unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 11(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock.

(e) Whenever the Exercise Price is adjusted as provided in this Section 11, the Company shall promptly file with the Warrant Agent an Officers' Certificate setting forth the Exercise Price and Warrant Number after giving effect to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until the Warrant Agent shall receive such Officers' Certificate, the Warrant Agent may assume without further inquiry that neither the Exercise Price nor the Warrant Number has been changed and that the most recent Exercise Price and Warrant Number of which it is aware remain in full force and effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Exercise Price setting forth the adjusted Exercise Price and adjusted Warrant Number and the date on which each adjustment becomes effective and shall cause the Warrant Agent to mail such notice of such adjustment of the Exercise Price and Warrant Number to the holder of each Warrant at his last address appearing on the Warrant Register, within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not effect the legality or validity of any such adjustment.

(f) In any case in which this Section 11 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the holder of any Warrant exercised after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the Common Stock issuable upon exercise before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 15.

(g) For purposes of this Section 11, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(h) Upon each adjustment of the Exercise Price pursuant to this Section 11, each Warrant shall thereupon evidence the right to purchase that number of shares of Common Stock (calculated to the nearest hundredth of a share) obtained by multiplying the number of shares of Common Stock purchasable immediately prior to such adjustment upon exercise of the Warrant by the Exercise Price in effect immediately prior to such adjustment and dividing the product so obtained by the Exercise Price in effect immediately after such adjustment. The adjustment pursuant

to this Section 11(h) to the number of shares of Common Stock purchasable upon exercise of a Warrant shall be made each time an adjustment of the Exercise Price is made pursuant to this Section 11.

(i) The form of Warrant Certificate need not be changed because of any adjustment made pursuant to this Section 11, and Warrant Certificates issued after such adjustment may state the same Exercise Price and the same number of shares of Common Stock as are stated in the Warrant Certificates initially issued pursuant to this Agreement. The Company, however, may at any time in its sole discretion make any change in the form of Warrant Certificate that it may deem appropriate to give effect to such adjustments and that does not affect the substance of the Warrant Certificate, and any Warrant Certificate thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant Certificate or otherwise, may be in the form as so changed.

SECTION 12. Effect of Reclassifications, Consolidations, Mergers or Sales on Conversion Privilege . If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination) in, outstanding shares of Common Stock or (iii) any sale or conveyance of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Warrant Agent a supplemental agreement in form satisfactory to the Warrant Agent providing that the holder of each Warrant then outstanding shall have the right to exercise such Warrant into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon exercise of such Warrant immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such supplemental agreement shall provide for adjustments of the Exercise Price which shall be as nearly equivalent as may be practicable to the adjustments of the Exercise Price provided for in Section 11. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such supplemental agreement shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the holders of the Warrants as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 12 shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

In the event the Company shall execute a supplemental indenture pursuant to this Section 12, the Company shall promptly file with the Warrant Agent an Officers' Certificate briefly stating the

reasons therefor, the kind or amount of shares of stock or securities or property (including cash) receivable by holders of the Warrants upon the exercise of their Warrants after any such reclassification, change, consolidation, merger, sale or conveyance and any adjustment to be made with respect thereto.

If this Section 12 applies to any event or occurrence, Section 11 shall not apply.

SECTION 13. Taxes on Shares Issued . The issue of stock certificates upon exercise of Warrants shall be made without charge to the exercising Warrantholder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the holder of any Warrant exercised, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 14. Reservation of Shares; Shares to Be Fully Paid; Listing of Common Stock . The Company shall reserve, free from preemptive rights, and keep available out of its authorized but unissued shares or shares held in treasury or a combination thereof of Common Stock, sufficient shares of Common Stock for issuance upon exercise of the Warrants from time to time as such Warrants are presented for exercise.

Before taking any action that would cause an adjustment reducing the Exercise Price below the then par value, if any, of the shares of Common Stock issuable upon exercise of the Warrants, the Company will take all corporate action that may be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Exercise Price.

The Company covenants that all shares of Common Stock issued upon exercise of Warrants will be duly and validly issued and fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company further covenants that if at any time the Common Stock shall be listed on the New York Stock Exchange, Nasdaq National Market or any other national securities exchange or automated quotation system the Company will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon exercise of the Warrants.

SECTION 15. Fractional Warrants and Fractional Shares .

(a) Notwithstanding anything in this Agreement to the contrary, the Company shall not be required to issue fractions of Warrants or to distribute Warrant Certificates which evidence fractional Warrants. In lieu of such fractional Warrants there shall be paid to the registered holders of the Warrant Certificates with regard to which such fractional Warrants would otherwise be issuable, an amount in cash equal to the same fraction of the fair value of a full Warrant. For

purposes of this Section 15(a), the fair value of a Warrant shall be the Closing Price of the Warrant on the Trading Day immediately prior to the date on which such fractional Warrant would have been otherwise issuable, as set forth in an Officers' Certificate delivered to the Warrant Agent pursuant to Section 10(c) and on which the Warrant Agent may rely without further inquiry.

(b) Notwithstanding anything in this Agreement to the contrary, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Warrants or to distribute certificates which evidence such fractional shares. In lieu of such fractional shares, there shall be paid to the registered holder of the Warrant Certificate at the time such Warrant Certificate is exercised, as herein provided, an amount in cash equal to the same fraction of the fair value of a share of Common Stock. For purposes of this Section 15(b), the fair value of a share of Common Stock shall be the Closing Price of a share of Common Stock on the Trading Day immediately prior to the date of such exercise, as set forth in an Officers' Certificate delivered to the Warrant Agent pursuant to Section 10(c) and on which the Warrant Agent may rely without further inquiry.

SECTION 16. Notice to Warrant Agent and Warrantholders Prior to Certain Actions. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock in Common Stock; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification or change of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or conveyance of all or substantially all of the property or business of the Company as an entity; or

(d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

the Company shall cause an Officers' Certificate to be filed with the Warrant Agent and notice to be mailed to each holder of Warrants at such holder's address appearing on the Warrant Register as promptly as possible but in any event at least fifteen days prior to the applicable date hereinafter specified, stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock

for securities or other property deliverable upon such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up; provided, however, that the Warrant Agent shall not be charged with knowledge of any such action unless and until it shall have received such Officers' Certificate.

SECTION 17. Merger, Consolidation or Change of Name of Warrant Agent . Any corporation into which the Warrant Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Warrant Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate business of the Warrant Agent (including the administration of this Agreement), shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 19. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, and in case at that time any of the Warrant Certificates shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent; and in case at that time any of the Warrant Certificates shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrant Certificates either in the name of the predecessor warrant agent or in the name of the successor warrant agent; and in all such cases such Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent whose name has changed may adopt the countersignature under its prior name, and in case at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name, and in all such cases such Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Agreement.

SECTION 18. Warrant Agent . The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Warrants, by their acceptance thereof, shall be bound:

(a) The statements contained herein and in the Warrant Certificates shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken or to be taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrant Certificates except as herein otherwise provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrant Certificates to be complied with by the Company.

(c) The Warrant Agent may consult at any time with counsel of its own selection (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant Certificate in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

(d) The Warrant Agent may conclusively rely upon and shall incur no liability or responsibility to the Company or to any holder of any Warrant Certificate for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument (whether in its original or facsimile form) believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(e) The Company agrees to pay to the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the execution of this Agreement, to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent in connection with the execution and administration of its duties under this Agreement and to fully indemnify the Warrant Agent and save it harmless against any and all liabilities, claims, damages, losses and expenses including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution and administration of its duties under this Agreement except as determined by a court of competent jurisdiction to have been caused by its gross negligence or willful misconduct. In no event shall the Warrant Agent be liable for punitive, consequential or incidental damages.

(f) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more registered holders of Warrant Certificates shall furnish the Warrant Agent with reasonable security and indemnity satisfactory to it for any costs and expenses which may be incurred. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrant Certificates or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrants, as their respective rights or interests may appear.

(g) The Warrant Agent, and any stockholder, director, officer or employee thereof, may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(h) The Warrant Agent shall act hereunder solely as agent for the Company, and its duties shall be determined solely by the provisions hereof and no duties shall be inferred or implied against the Warrant Agent. The Warrant Agent shall not be liable for anything which it may

do or refrain from doing in connection with this Agreement except for its own gross negligence or willful misconduct.

SECTION 19. Change of Warrant Agent. The Warrant Agent may resign upon 30 days' notice to the Company. If the Warrant Agent resigns or shall become incapable of acting as Warrant Agent, the Company shall appoint a successor. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by the registered holder of a Warrant Certificate, then the resigning or incapacitated Warrant Agent or the registered holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a successor to the resigning or incapacitated Warrant Agent. Pending appointment of a successor to the Warrant Agent, either by the Company or by such a court, the duties of the Warrant Agent shall be carried out by the Company. Any successor warrant agent whether appointed by the Company or by such a court, shall be a bank or trust company, in good standing, incorporated under the laws of the State of New York, or the State of California or of the United States of America, and must have at the time of its appointment as Warrant Agent (together with its corporate parent) a combined capital and surplus of at least fifty million dollars. After appointment the successor warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor warrant agent any property at the time held by it hereunder and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to give any notice provided for in this Section 19, however, or any defect therein, shall not affect the legality or validity of the removal of the Warrant Agent or the appointment of a successor warrant agent as the case may be.

SECTION 20. Rights of Holders . Except as expressly contemplated herein, holders of unexercised Warrants are not entitled (i) to receive dividends or other distributions, (ii) to receive notice of or vote at any meeting of the stockholders, (iii) to consent to any action of the stockholders, (iv) to exercise any preemptive right or to receive notice of any other proceedings of the Company or (v) to exercise any other rights whatsoever as stockholders of the Company.

SECTION 21. Notices to Company and Warrant Agent . Any notice or demand authorized by this Agreement to be given or made by the Warrant Agent or by the registered holder of any Warrant Certificate to or on the Company shall be sufficiently given or made if sent by mail, first class or registered, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

Intevac, Inc.
3560 Bassett Street
Santa Clara, CA 95054
Attention: Chief Financial Officer
Telephone: (408) 986-9888
Facsimile: (408) 727-5739

In case the Company shall fail to maintain such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations may be made and notices and demands may be served at the principal office of the Warrant Agent.

Any notice pursuant to this Agreement to be given by the Company or by the registered holder of any Warrant Certificate to the Warrant Agent shall be sufficiently given if sent by first-class mail, postage pre-paid, addressed (until another address is filed in writing by the Warrant Agent with the Company) to the Warrant Agent as follows:

State Street Bank and Trust Company of California, N.A.
633 West 5th Street, 12th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Administration
(Intevac, Inc. Warrant Agreement)
Telephone: (213) 362-7334
Facsimile: (213) 362-7357

Any notice to the Warrant Agent shall be effective only upon receipt.

SECTION 22. Supplements and Amendments . The Company and the Warrant Agent may from time to time supplement or amend this Agreement without the approval of any holders of Warrant Certificates in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not adversely affect the interests of the holders of Warrant Certificates; provided, however, that the written consent of the holders of Warrant Certificates representing a majority of the Warrants then outstanding (but not including any Warrants then held by the Company or its Affiliates) is required to amend or supplement the Warrant Agreement in any manner that would have a material adverse effect on the interests of the Warrantholders and provided further, that the consent of each holder of the Warrants affected is required for any amendment that would increase the Exercise Price or decrease the Warrant Number, except, in either case, pursuant to the adjustments provided for in Section 11.

It shall not be necessary for the consent of the Warrantholders under this Section 22 to approve the particular form of any proposed supplemental warrant agreement, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 23. Successors . All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 24. Termination . This Agreement shall terminate at the close of business on , 2006. Notwithstanding the foregoing, this Agreement will terminate on any earlier

date if all Warrants have been exercised. The provisions of Section 18 shall survive such termination.

SECTION 25. Governing Law . THIS AGREEMENT AND EACH WARRANT CERTIFICATE ISSUED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 26. Benefits of this Agreement . Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered holders of the Warrant Certificates any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered holders of the Warrant Certificates.

SECTION 27. Counterparts . This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

INTEVAC, INC.

By: _____

Name: _____

Title: _____

Attest:

By: _____

Name: _____

Title: _____

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO WARRANT AGREEMENT]

EXHIBIT A

FORM OF WARRANT

INTEVAC, INC.

No. _____ CUSIP No. _____

THE FOLLOWING PARAGRAPH SHALL APPEAR ON THE FACE OF EACH GLOBAL WARRANT:

Unless and until it is exchanged in whole or in part for Warrants in definitive form, this Warrant may not be transferred except as a whole by the depository to a nominee of the depository or by a nominee of the depository to the depository or another nominee of the depository or by the depository or any such nominee to a successor depository of a nominee of such successor depository. The Depository Trust Company ("DTC") (55 Water Street, New York, New York) shall act as the depository until a successor shall be appointed by the Company and the Warrant Agent. Unless this certificate is presented by an authorized representative of DTC to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL so long as the registered owner hereof, Cede & Co., has an interest herein.

WARRANT

REPRESENTING _____ WARRANTS TO PURCHASE COMMON STOCK

This certifies that , or its registered assigns, is the registered owner of Warrants, each expiring March 1, 2006, and each of which entitles the registered owner thereof (the "Warrantholder") to purchase at any time prior to the expiration hereof from INTEVAC, INC., a California corporation (the "Company"), one share of Common Stock (the "Common Stock"), no par value per share, of the Company at an exercise price of $7.50 per share of Common Stock (the "Exercise Price"), which number of shares and Exercise Price are subject to adjustment as provided in the Warrant Agreement hereinafter referred to.

The Warrants evidenced by this Warrant Certificate are issued under and in accordance with the Warrant Agreement, dated as of , 2002 (the "Warrant Agreement"), between the Company and State Street Bank and Trust Company of California, N.A., as warrant agent (the "Warrant Agent," which term includes any successor Warrant Agent under the Warrant Agreement), and are subject to the terms and provisions contained therein, to all of which terms and provisions the holder of this Warrant Certificate consents by acceptance hereof and which Warrant Agreement hereby is incorporated by reference in and made a part hereof.

Reference hereby is made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Company and the Warrantholders. The summary of the terms of the Warrant Agreement contained in this Warrant is qualified in its entirety by express reference to such agreements. All capitalized terms used but not defined herein shall have the meanings assigned to them in the Warrant Agreement.

As provided in the Warrant Agreement, and subject to the terms and conditions set forth therein, the Warrants shall be exercisable at any time during the period commencing on the date of the Warrant Agreement and ending at 5:00 p.m., New York City time, on March 1, 2006 (the "Expiration Date").

Any Warrant not exercised before the close of business on the Expiration Date shall become void, and all rights of the holder under the Warrant Certificate evidencing such Warrant and under the Warrant Agreement shall cease.

The Exercise Price and the number of shares of Common Stock issuable upon exercise of each Warrant are subject to adjustment as provided in the Warrant Agreement. If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of Common Stock issuable upon exercise of Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination) in, outstanding shares of Common Stock or

(iii) any sale or conveyance of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Warrant Agent a supplemental agreement in form satisfactory to the Warrant Agent providing that the holder of each Warrant then outstanding shall have the right to exercise such Warrant for the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon exercise of such Warrant immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such supplemental agreement shall provide for adjustments of the Exercise Price which shall be as nearly equivalent as may be practicable to the adjustments of the Exercise Price provided for in Section 11 of the Warrant Agreement. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such supplemental agreement shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the holders of the Warrants as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of Section 12 of the Warrant Agreement shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

In the event the Company shall execute a supplemental indenture pursuant to Section 12 of the Warrant Agreement, the Company shall promptly file with the Warrant Agent an Officers' Certificate briefly stating the reasons therefor, the kind or amount of shares of stock or securities or property (including cash) receivable by holders of the Warrants upon the exercise of their Warrants after any such reclassification, change, consolidation, merger, sale or conveyance and any adjustment to be made with respect thereto.

The Company shall not be required to issue fractions of shares of Common Sock upon exercise of the Warrants or to distribute certificates which evidence such fractional shares. If more than one Warrant shall be presented for exercise in full at the same time by the same holder, the number of full shares of Common Stock issuable upon the exercise thereof shall be computed on the basis of the aggregate number of shares of Common Stock purchasable on exercise of all Warrants so presented. In lieu of any fractional shares, there shall be paid to the registered holder of this Warrant Certificate at the time such Warrant Certificate is exercised an amount in cash equal to the same fraction of the fair value of a share of Common Stock. For purposes of this calculation, the fair value of a share of Common Stock shall be the Closing Price of a share of Common Stock on the Trading Day immediately prior to the date of such exercise.

The Company covenants that it will at all times through 5:00 p.m., New York City time, on the Expiration Date (or, if the Expiration Date shall not be a Business Day, then on the next-succeeding Business Day) reserve, free from preemptive rights, and keep available out of its authorized but unissued shares or shares held in treasury or a combination thereof of Common Stock, solely for the purpose of issue upon exercise of Warrants as herein provided, sufficient shares of

Common Stock for issuance upon exercise of the Warrants from time to time as such Warrants are presented for exercise. The Company covenants that all shares of Common Stock issued upon exercise of Warrants shall be duly and validly issued and fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof.

The initial issuance of certificates of Common Stock upon the exercise of Warrants shall be made without charge to the exercising Warrantholders for any tax in respect of the issuance of such stock certificates, and such stock certificates shall be issued in the respective names of, or in such names as may be directed by, the registered holders of the Warrants exercised, subject to the restrictions on transfer set forth herein and in the Warrant Agreement; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such stock certificate, any Warrant Certificates or other securities in a name other than that of the registered holder of the Warrant Certificate surrendered upon exercise of the Warrant, and the Company shall not be required to issue or deliver such certificates or other securities unless and until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Subject to the restrictions on transfer set forth herein and in the Warrant Agreement, this Warrant and all rights hereunder are transferable by the registered Warrantholder hereof, in whole or in part, on the Warrant Register, upon surrender of this Warrant Certificate duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent duly executed, with signatures guaranteed as specified in the attached "Form of Assignment," by the registered Warrantholder hereof or his attorney duly authorized in writing and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. Upon any partial transfer, the Company will issue and the Warrant Agent will countersign and deliver to such Warrantholder a new Warrant Certificate or Warrant Certificates with respect to any portion not so transferred. Each taker and holder of this Warrant, by taking and holding the same, consents and agrees that prior to the registration of transfer as provided in the Warrant Agreement, the Company and the Warrant Agent may treat the person in whose name the Warrants are registered as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby, any notice to the contrary notwithstanding.

This Warrant Certificate may be exchanged at the Corporate Office for Warrant Certificates representing the same aggregate number of Warrants, each new Warrant Certificate to represent such number of Warrants as the holder hereof shall designate at the time of such exchange.

Prior to the exercise of the Warrants represented hereby, the holder of this Warrant shall not be entitled, as such, to any rights of a stockholder of the Company, including, without limitation, the right to receive dividends or other distributions, to receive notice of or vote at any meeting of the stockholders, to consent to any action of the stockholders, to exercise any preemptive right or to receive notice of any other proceedings of the Company or to exercise any other rights whatsoever as stockholders of the Company except as provided in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the office of the Warrant Agent and may be obtained by writing to the Warrant Agent at the following address:

State Street Bank and Trust Company of California, N.A.
633 West 5th Street, 12th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Administration
(Intevac, Inc. Warrant Agreement)

THE WARRANT AGREEMENT AND THIS WARRANT SHALL BE DEEMED TO BE A CONTRACT GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

This Warrant shall not be valid for any purpose until it shall have been countersigned by the Warrant Agent.

INTEVAC, INC.

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

Countersigned:

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A.
as Warrant Agent

By: _____
Authorized Signatory

Dated:

EXERCISE FORM
(To be executed only upon exercise of Warrant)

The undersigned registered holder of a Warrant Certificate representing Warrants irrevocably elects to exercise of the Warrants represented by the Warrant Certificate for the purchase of one share at a exercise price of $7.50 per share (which number of shares of Common Stock and exercise price are subject to adjustment as set forth in the Warrant Agreement) of Common Stock, no par value per share, of Intevac, Inc., for each Warrant so exercised, and makes a "Cashless Exercise" of such Warrants as provided in Section 10(c) of the Warrant Agreement, all at the exercise price and on the terms and conditions specified in the Warrant and the Warrant Agreement therein referred to, and surrenders all of its right, title and interest in the number of Warrants exercised herein to Intevac, Inc., and directs that the shares of Common Stock or other securities or property deliverable upon the exercise of such Warrants, and any Warrant Certificate or interests in the Warrant representing unexercised Warrants, be registered or placed in the name and at the address specified below and delivered thereto.

Dated:

(Signature of Warrantholder)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed By:

This form must be delivered to the Warrant Agent at the Corporate Office, which initially shall be 633 West 5th Street, 12th Floor, Los Angeles, CA 90071, Attention: Corporate Trust Administration (Intevac, Inc. Warrant Agreement).

1. COMMON STOCK AND/OR CASH FOR FRACTIONAL SHARES TO BE ISSUED OR PAID THROUGH DTC TO:

ACCOUNT NUMBER: _____

ACCOUNT NAME: _____

FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED the undersigned registered holder of the within Warrant Certificate hereby sells, assigns and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by the within Warrant Certificate not being assigned hereby) all of the right of the undersigned under the within Warrant Certificate, with respect to the number of Warrants set forth below:

Name of Assignees	Address	Number of Warrants	Social Security Number or Other Identifying Number

and does hereby irrevocably constitute and appoint , the undersigned's attorney, to make such transfer on the books of Intevac, Inc. maintained for the purpose, with full power of substitution in the premises.

Dated:

(Signature of Warrantholder)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed By: