

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

(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, 2000

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 0-31051

SMTC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

635 Hood Road, Markham, Ontario, Canada
(Address of Principal Executive Offices)

98-0197680

(IRS Employer Identification Number)

L3R 4N6

(Zip Code)

Registrant's telephone number, including area code: 905-479-1810

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

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value \$.01 per share.

(Title of Class)

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

Indicate by check mark 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 common stock of the registrant held by non-
affiliates of the registrant was approximately \$151,162,708, on March 26, 2001,
including the value of exchangeable shares of the registrant's subsidiary, SMTC
Manufacturing Corporation of Canada, exchangeable for common stock of the
registrant. For purposes of the foregoing sentence, the term "affiliate"
includes each director and executive officer of the registrant and each holder
of more than 5% of the registrant's common stock. The computation of the
aggregate market value is based upon the average bid and asked prices of the
common stock and the exchangeable shares as reported on The Nasdaq National
Market and The Toronto Stock Exchange, respectively, on March 26, 2001.

As of March 26, 2001, SMTC Corporation had 22,318,820 shares of common
stock, par value \$0.01 per share, and one share of special voting stock, par
value \$0.01 per share, outstanding. As of March 26, 2001, SMTC Corporation's
subsidiary, SMTC Manufacturing Corporation of Canada, had 6,370,959 exchangeable
shares outstanding, each of which is exchangeable into one share of common stock
of SMTC Corporation.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to the
registrant's 2001 Annual Meeting of Stockholders to be filed pursuant to
Regulation 14A are incorporated by reference in Part III of this Report.

PART I

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements as defined under the
federal securities laws. Actual results could vary materially. Factors that
could cause actual results to vary materially are described herein and in other
documents. Readers should pay particular attention to the considerations
described in the section of this report entitled "Management's Discussion and
Analysis of Financial Condition and Results of Operations--Factors that May
Affect Future Results." Readers should also carefully review any risk factors
described in other documents the Company files from time to time with the
Securities and Exchange Commission.

Item 1: Business

BUSINESS

Overview

SMTC Corporation ("We" or "SMTC" or the "Company") is a leading provider of advanced electronics manufacturing services, or EMS, to electronics industry original equipment manufacturers, or OEMs, worldwide. We service our customers through eleven manufacturing and technology centers strategically located in key technology corridors in the United States, Canada, Europe and a cost-effective region of Mexico. Our full range of value-added services include product design, procurement, prototyping, assembly, enclosures, interconnect, test, final system build, comprehensive supply chain management, packaging, global distribution and after-sales support. Our business is focused on the fast-growing fixed and wireless communications, networking and computing sectors. Based upon our comparison of our 2000 pro forma revenue of approximately \$842.6 million with 2000 EMS industry revenue data provided by Technology Forecasters, Inc., or TFI, we are among the 15 largest public EMS companies worldwide. We believe we are well-positioned to capitalize on the significant and growing market opportunity to provide advanced EMS solutions to OEMs on a global basis.

We have customer relationships with over 50 OEMs, many of which date back more than five years. Our customers include industry leading OEMs such as Dell, Alcatel, Motorola, IBM, EMC and Lucent Technologies. We developed these relationships by capitalizing on the continuing trend of OEMs to outsource manufacturing services to consolidate their supply base and to form long-term strategic partnerships with selected high quality EMS providers. We also have relationships with a number of emerging companies in the high-growth communications and networking sectors, including Cobalt Networks (now part of Sun Microsystems), Netopia and Sycamore Networks. In 2000, approximately 79% of our pro forma revenue was generated from the communications and networking sectors. We expect to continue to grow our business through the addition of new, high quality customers and the expansion of our relationships with existing customers.

We believe that our key competitive advantages include our global manufacturing capabilities, customer focused team-based approach, global supply chain management capabilities and leading edge equipment and processes that are consistent from site to site. In addition, we have introduced advanced web-based collaborative planning tools that electronically link us with our customers and suppliers in real time, enhancing our supply chain management capabilities.

-2-

SMTC Corporation is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Surface Mount was established in Toronto, Ontario in 1985. HTM was established in Denver, Colorado in 1990. SMTC was established in Delaware in 1998. Combining Surface Mount and HTM provided us with increased strategic and operational scale and greater geographic breadth. After the combination, we purchased Zenith Electronics' facility in Chihuahua, Mexico, which expanded our cost-effective manufacturing capabilities in an important geographic region. In September 1999, we established a manufacturing presence in the Northeastern United States and expanded our value-added services to include high precision enclosure capabilities by acquiring Boston, Massachusetts based W.F. Wood. In July 2000, we acquired Pensar Corporation, an EMS company specializing in design engineering and headquartered in Appleton, Wisconsin. In November 2000, we acquired Qualtron Teoranta, a provider of specialized cable and harness interconnect assemblies, based in Donegal, Ireland and with a subsidiary in Haverhill, Massachusetts.

Industry Background

The EMS industry provides manufacturing services to OEMs in the electronics marketplace. The EMS market is large and continues to grow rapidly. According to TFI, global EMS industry revenue is forecasted to grow at a compounded annual growth rate of approximately 27%, from \$78 billion in 1999 to \$260 billion in 2004. TFI forecasts that larger EMS companies with revenue of approximately \$500 million or greater are expected to grow more rapidly during the same period. We believe that the growth for larger EMS companies is projected to be greater than the industry average because OEMs are increasingly outsourcing production to larger manufacturers that have the ability to provide a total service solution across multiple geographies. EMS industry growth is being fueled by the overall growth of the electronics industry, the increased outsourcing of manufacturing by OEMs, and the divestiture of OEM manufacturing assets to EMS businesses. We believe that OEMs decide to outsource manufacturing in order to take advantage of the technology and manufacturing expertise of EMS companies, eliminate manufacturing overhead, reduce time-to-market of products, and improve supply chain efficiency. TFI estimates that the percentage of total cost of goods sold in the electronics industry which is outsourced for manufacturing by OEMs will increase from 11% in 1999 to 26% by 2004.

In addition, according to TFI, the EMS industry is highly fragmented with over 3,000 independent EMS companies in existence and the 15 largest companies accounting for approximately 45% of the worldwide market in 1999. The EMS industry has experienced, and is anticipated to continue to experience, significant consolidation. We believe that the fragmented nature of the industry will allow us to take advantage of further acquisition opportunities to increase our scale and geographic scope as well as to expand our customer relationships and service offerings.

Revenues generated by the EMS industry are relatively concentrated among the computing and fixed and wireless communications sectors. TFI reports that the \$78 billion in revenues generated by the EMS industry in 1999 is

attributable to the following sectors: 13% to wireless telecom, 20% to wired telecom/networking, 23% to computer peripheral, 20% to computer systems, 2% to consumer, 7% to industrial and 15% to other. TFI forecasts that a projected \$260 billion in revenues generated by the EMS industry in 2004 will be attributable to the following sectors: 19% to wireless telecom, 25% to wired telecom/networking, 17% to computer peripheral, 18% to computer systems, 8% to consumer, 4% to industrial and 9% to other.

Historically, OEMs were vertically integrated manufacturers that invested significantly in manufacturing assets and facilities around the world to manufacture, service and distribute their products. EMS originated as primarily labor intensive functions outsourced by OEMs to obtain additional capacity during periods of high demand. Early EMS providers were essentially subcontractors, providing production capacity on a transactional basis. However, with significant advances in manufacturing process technology, EMS providers developed additional capabilities and were able to improve quality and dramatically reduce OEMs' costs. Furthermore, as the capabilities of EMS companies expanded, an increasing number of OEMs adopted and became dependent upon EMS outsourcing strategies. Over time, OEMs came to rely on EMS providers to perform a broader array of manufacturing services, including design and development activities. In recent years, EMS providers have further expanded their range of services to include advanced manufacturing, packaging and distribution and overall supply chain management. In addition, many OEMs are reducing the number of vendors from which outsourced services

-3-

are purchased, and are partnering with EMS suppliers that can provide a total service solution on a national or global basis, in order to further lower costs and increase supplier accountability.

By using EMS providers, OEMs are able to focus on their core competencies, including product development, sales and marketing, while leveraging the manufacturing efficiency and capital investment of EMS providers. OEMs use EMS providers to enhance their competitive position by:

- . Reducing Time-to-Market. Electronics products are experiencing increasingly shorter product life cycles, requiring OEMs to continually reduce the time required to bring new products to market. OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers. This expertise includes capabilities relating to design, quick-turn prototype development and rapid ramp-up of new products to high volume production, with the critical support of worldwide supply chain management.
- . Improving Supply Chain Management. OEMs who manufacture internally are faced with greater complexities in planning, procurement and inventory management due to frequent design changes, short product life cycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers which possess sophisticated supply chain management capabilities and can leverage significant component procurement advantages to lower product costs.
- . Accessing Advanced Manufacturing Capabilities and Process Technologies. Electronics products and electronics manufacturing technology have become increasingly sophisticated and complex, making it difficult for many OEMs to maintain the necessary technology expertise and focus required to efficiently manufacture products internally. By working closely with EMS providers, OEMs gain access to high quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.
- . Improving Access to Global Markets. OEMs are generally increasing their international activities in an effort to expand sales through access to foreign markets. EMS companies with worldwide capabilities are able to offer such OEMs global manufacturing solutions enabling them to meet local content requirements to distribute products efficiently around the world at lower costs.

The SMTC Customer Solution

We believe that the key competitive advantages of our solution include our customer-focused team based approach, comprehensive supply chain management capabilities and fully integrated worldwide facilities. Our customers benefit from the following components of the SMTC solution:

Customer-focused Team Oriented Production System, or T.O.P.S. Our cross-functional teams work as customer-focused business units without departmental barriers, which allows for faster and more direct communication between our customers and the team responsible for their products. The removal of departmental barriers minimizes time wasted by internal communication between departments. Our teams provide the customer with the entire range of services from prototype to production to distribution. In addition, our cross-functional team structure enables us to tailor each team to specific custom requirements. In some cases we have employees on-site at customer locations. The result is a manufacturing process tailored to each customer, which we believe accelerates time-to-market for our customers.

Comprehensive Supply Chain Management; Web-based System. The systems and processes we employ in supply chain management enable us to rapidly scale operations to meet customer needs, shift capacity in response to product demand

fluctuations, reduce material costs and effectively distribute products to our customers or their end-customers. We have available and are implementing web-based systems through which we communicate, collaborate and plan with our customers and suppliers in real time. This web-based system enhances inventory management through information sharing and access and is a valuable tool for managing inventory risk and exposure. In addition, our customers can commit to delivering products to their customers knowing that the

-4-

materials and capacity are available because they can monitor the status of our materials and capacity in real time through use of our web-based collaborative planning system.

Fully Integrated Worldwide Factories. Our global reach enables us to provide OEMs with the flexibility to manufacture products locally in several regions of the world. All of our assembly locations operate under the same model and with the same systems allowing customers to seamlessly transfer their production from one of our facilities to another. This gives our customers greater flexibility and the opportunity to reduce their costs by transferring production to the facility that suits their needs. The fact that each assembly facility operates similarly also enhances communications among facilities, allows our employees to work effectively at any of our sites, improves quality control, allows us to acquire equipment at volume discounts and promotes adoption of best practices at each of our facilities. These factors reduce inefficiencies, improve product quality and ultimately reduce costs.

The SMTC Strategy

Our objective is to enhance our position as a leading EMS provider to OEMs worldwide. We intend to achieve this objective by pursuing the following business strategies:

Expand our Global Presence in Strategic Markets. In order to enhance our existing high standards of service to our global customers, we intend to continue to expand our global presence. We expect to tailor each assembly facility we acquire to the same high standards of excellence and to a similar plant layout as our current assembly facilities. This will allow us to continue to enjoy the benefits of fully integrated factories. Since 1995, we have expanded from our first facility located in Toronto, Ontario to eleven facilities located in the United States, Canada, Europe and Mexico. We intend to continue to expand our global infrastructure and are currently targeting Asia as an area for future expansion.

Continue to Provide Leading Edge Supply Chain Management Capabilities. We remain fully committed to maintaining our leadership position in supply chain management through the use of innovative management strategies. We believe the introduction of our web-based collaborative planning system is enabling us to rapidly scale operations to meet customer needs, shift capacity in response to product demand fluctuations, reduce material costs and effectively distribute products to our customers or their end-customers.

Strengthen our Relationships with Leading and Emerging Global OEMs in Attractive EMS Segments. We plan to continue to focus on providing advanced electronic manufacturing services to industry leaders, particularly in the high growth, high value-added communications and networking sectors. Communications and networking companies, in particular, are dramatically increasing the amount of manufacturing they are outsourcing, and we believe our technological capabilities and global manufacturing platform are well suited to capitalize on this opportunity. In addition to our industry leading customers such as Dell, Alcatel, Motorola, IBM, EMC and Lucent Technologies, we have relationships with a number of emerging companies in the communications and networking sectors including Cobalt Networks (now part of Sun Microsystems), Netopia and Sycamore Networks.

Provide Advanced Technological Capabilities and Comprehensive Service Offerings. We remain committed to enhancing our capabilities and value-added services to meet the ongoing needs of our customers. Through our continuing investment in leading-edge assembly and logistics technologies, as well as our investment in design, engineering and test capabilities, we are able to offer our customers a variety of advanced design and manufacturing solutions. These capabilities include micro ball grid arrays, complex circuitry layouts, manufacturing and testing of wireless products and manufacturing of ethernet cards, among others. Additionally, building on our integrated engineering and manufacturing capabilities, we provide our customers with services ranging from initial product design and prototype production to final product assembly, test and distribution directly to our customers. We believe that this provides greater control over quality, delivery and costs and enables us to offer our customers a complete cost effective solution.

Pursue Selective Acquisition Opportunities, including Asset Divestitures by OEMs. We intend to continue to target strategic acquisitions that will enable us to expand our geographic reach, add manufacturing capacity,

-5-

secure key new customers, diversify into complementary product markets or broaden our technological capabilities and value-added service offerings. We have successfully completed eight acquisitions since 1995. As a result, we have developed and deployed a comprehensive integration strategy which includes establishing our team-oriented production system at all locations with broad-based workforce participation, utilizing similar manufacturing equipment and

processes, deploying common information technology platforms, transferring best practices among operations company wide and leveraging wide-scale procurement.

Our Services

Our full range of advanced value-added electronics manufacturing services include:

New Product Development and Introduction. The key to our new product approach is the cross-functionality of our teams. We integrate our design group, materials group and manufacturing group into a new product development team which works with our customers and suppliers throughout the development process to ensure that new designs are efficiently transitioned into production. We use advanced design tools to enable new product ideas to progress from design, to simulation and physical layout, to design for manufacturability. We work with our customers' product developers in the early stages of new product development. Our new product development team also coordinates the prototyping of new product designs, a critical stage in the development of new products. Our prototyping and new product introduction centers are strategically located, and we use electronic communications with our customers and suppliers in order to provide a quick response to customer demands and to facilitate greater collaboration between our new product development team, our customers and our suppliers.

Supply Chain Management. We use our integrated resource planning and supply chain management systems to optimize efficient materials management from supplier to end-customer. We provide our customers with a complete supply chain management solution, using advanced electronic schedule sharing methods with our customers and suppliers to plan, purchase, expedite and warehouse components and materials. We believe our inventory management and volume procurement capabilities reduce costs and shorten total cycle time. Effective management of the supply chain is critical to the success of OEMs because it reduces the time required to deliver products to market and the capital requirements associated with carrying inventory. The introduction of our web-based collaborative planning system will further link our suppliers and customers in a real time environment.

Assembly and Integration. We use state-of-the-art technology in the assembly process, and continually focus, together with our customers and suppliers, on developing assembly techniques, improving quality, improving time-to-market of our customers' products and reducing costs. We are able to apply a broad range of assembly techniques, from pin-through-hole and surface mount to micro ball grid array assemblies. Our extensive test capabilities allow us to identify the cause of defects and determine the most appropriate corrective action. Our engineers work proactively with our customers and suppliers to implement solutions to defects before products are shipped. We also design and test packaging of products for bulk shipment or single end-customer use. We provide fully-integrated system build services to our customers. These services capitalize on our sophisticated logistical capabilities to rapidly acquire and assemble source components, perform complex testing and deliver products to our customers around the world. Our complete system integration capabilities, coupled with our strength in supply chain management, position us to meet our customers' growing demand for build-to-order system solutions.

Global Distribution and After-sales Support. We have a sophisticated integrated system for managing complex international distribution, allowing us to efficiently ship worldwide and, in many cases, directly to the OEMs' end-customers. We also offer a wide range of after-sales support services including field failure analyses, product upgrades and repair services. We also assist our customers in improving design for manufacture.

Our Customers

We target industry leading OEMs primarily in the high growth networking and fixed and wireless communications sectors. Pro forma 2000 revenue from customers was allocated by industry as follows: 45% from networking, 34% from communications and 21% from industrial, consumer and other.

-6-

We have customer relationships with over 50 OEMs, many of which date back more than five years. Our customers include industry leading OEMs such as Dell, Alcatel, Motorola, IBM, EMC and Lucent Technologies. We also have relationships with a number of emerging companies in the high-growth communications and networking sectors, including Cobalt Networks (now part of Sun Microsystems), Netopia and Sycamore Networks. The electronic products we assemble and manufacture can be found in a wide array of end-products including:

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. PBX switches	. Routers	. Personal computers
. Wireless base stations	. Hubs	. Multimedia peripherals
. Wireless loop systems	. Communications switches	. Video broadcasting
. Modems	. Mass storage devices	. Ethernet PCMCIA cards
. Fax machines	. Data servers	. Semiconductor test equipment
. Components for T1 and T3 broadband	. Workstations	

equipment
</TABLE>

Marketing and Sales

We market our services through a focused strategy that emphasizes our team based approach to servicing our customers. In addition to developing relationships with established industry leading OEMs, we also target selected emerging companies in high growth market segments. We target prospective customers in the networking, fixed and wireless communications, computing and peripheral and other industries which are leaders in their markets. We are focused on building relationships with customers that require a volume of production that complements our customer-focused team-based approach and supply chain offerings. In all cases, our goal is to allocate our program management, engineering and manufacturing resources, business systems and assets on a customer-by-customer basis, enabling each of our customers to have a dedicated environment that operates as a virtual extension of its business.

We have a direct sales force with a global presence that focuses on new and existing customers to take advantage of our worldwide capabilities. We also have a mix of established direct sales representatives and manufacturer representative companies throughout Canada, the United States and Europe. Our sales offices are located within our manufacturing facilities. In addition, we have a sales office in Boston, Massachusetts. When a customer opportunity is identified by our direct or outside sales force, we dedicate a team to the potential customer that becomes part of our marketing effort and will continue to service the customer throughout our relationship.

Supply Chain Management

We believe that the basis of true collaboration is seamless integration across the enterprise-wide system, encompassing the customers' worldwide facilities, our global manufacturing sites, and our suppliers. We provide our customers with a complete supply chain management solution, using advanced electronic schedule sharing methods with our customers and suppliers to plan, purchase, expedite and warehouse components and materials. The systems and processes we currently employ in supply chain management enable us to rapidly scale operations to meet customer needs, shift capacity in response to product demand fluctuations, reduce material costs and effectively distribute products to our customers or their end-customers.

In April 1999, we launched a major new initiative with the development of our web-based collaborative planning systems. These systems were initially used to enhance our manufacturing execution capabilities through the use of web-based master scheduling, real time materials requirement planning and factory scheduling software. In

-7-

conjunction with our enhanced manufacturing execution processes, during 2000, we introduced our web-based collaborative planning tools for customer demand management and supplier management.

We believe that in order to continue to offer our customers leading services, we and our customers and suppliers must create virtual enterprises, sharing information and making joint decisions to ensure a fast and cost-effective response to the market. Our web-based collaborative planning tools feature a "capable to promise" ability that we expect will improve flexibility and reduce cycle times in the supply chain for our customers. Through a web-based user interface, our customers and suppliers have direct access to our supply chain management database. Customers are able to monitor the availability and supply of component parts in real time. Simulation features allow customers to explore "what-if" scenarios, enhancing our customers' forecasting and planning efficiency. Communication is streamlined throughout the supply chain, allowing our customers to receive timely feedback from us and allowing us to receive real time input from our suppliers.

Our goal is to gauge and optimize performance in real time. As our web-based tools are further deployed and enhanced, they enable all activities in the supply chain to be synchronized, and enable us and our trading partners to rapidly analyze, revise and fine-tune plans based on the latest customer information. WebPLAN and Lotus Notes are the foundation for our e-business solution.

Our web-based collaborative planning system is currently operating at all of our locations. In the first half of 2000, we introduced the system to our customers and suppliers. Because our customers and suppliers require only standard, low-cost web access capabilities to access our collaborative planning tool, and because the system represents a major advance over traditional electronic data interchange systems, we believe our customers and suppliers will continue to readily adopt our leading-edge e-business solution to supply chain management.

Technology, Processes and Development

We use advanced technology in the assembly and testing of the products we manufacture. We believe that our processes and skills are among the most sophisticated in the industry.

Surface mount technology is the principal technology for the assembly of printed circuit boards. Our customer-focused factories include predominantly

surface mount technology lines, which are highly flexible and are continually reconfigured to meet customer-specific product requirements. In addition to expertise in conventional surface mount technology, we have extensive capabilities utilizing a broad range of technologies, including:

- . chip scale packaging, which is a method of using integrated circuits (chips) without encapsulating them in epoxy, thereby utilizing less space on the circuit board;
- . flip chips, which are structures that house interconnected circuits and are utilized to minimize printed circuit board surface area when compact packaging is required;
- . tape automated bonding, which is a specialized assembly-process technology that involves the application of components onto a circuit board using temperature and pressure;
- . multichip module-laminates, which are a type of printed circuit board design that allows for the placement of multiple integrated circuits or other components in a limited surface area; and
- . micro ball grid array, which is a method of mounting an integrated circuit or other component to a printed circuit board. Rather than using pins, the component is attached with small balls of solder at each contact. This method allows for greater component density and is used in printed circuit boards with higher layer counts.

We also work with a wide range of substrate types from thin flexible printed circuit boards to highly complex, dense multilayer boards.

-8-

Our assembly capabilities are complemented by advanced test capabilities. These technologies include:

- . high speed functional testing, a method of testing products by simulating actual use modes in high volume;
- . burn-in testing, a test method where products are powered on for 24 hours to ensure product functionality;
- . vibration testing, a method that tests whether products can withstand forces encountered under normal use;
- . in-circuit testing, an automated test for workmanship defects; and
- . in-situ dynamic thermal cycling stress testing, a test method of exposing products from high to low temperature extremes for several cycles, which identifies any early product failures.

We believe that our inspection technology is among the most sophisticated in the EMS industry. Our inspection technology includes:

- . x-ray laminograph, a method that utilizes an x-ray to view thin layers of a circuit board;
- . three-dimensional laser paste, a volumetric inspection method that utilizes a microscope with lasers; and
- . scanning electron microscopy, a scanning method that utilizes a microscope with 200 times magnification or greater.

Our ongoing research and development activities include the development of processes and test technologies as well as some focused product development. We are proactive in developing manufacturing techniques which take advantage of the latest component and product designs and packaging.

Our Suppliers

We currently use electronic data interchange with our key suppliers, and ensure speed of supply through the use of automated receiving and full-service distribution capabilities. With the implementation of our web-based collaborative planning systems, our customers' needs are integrated with our suppliers in a more efficient and cost effective manner than is achievable through traditional electronic data interchange. In pro forma 2000 we purchased approximately \$685 million in materials. We believe this volume of procurement enhances our ability to obtain better pricing, influence component packaging and design and obtain supply of components in constrained markets.

We generally order materials and components under our agreements with customers only to the extent necessary to satisfy existing customer orders or forecasts. We have implemented specific inventory management strategies with certain suppliers such as "line-side stocking" (pulling inventory at the production line on an as needed basis) and other SMTC supply chain velocity and flexibility programs. Fluctuations in material costs are typically passed through to customers. We may agree, upon request from our customers, to temporarily delay shipments, which causes a corresponding delay in our revenue recognition. Ultimately, however, our customers are generally responsible for all goods manufactured on their behalf.

During pro forma 2000, we did not rely significantly on any one supplier, with no supplier representing more than 10.0% of total purchases, with the

exception of Arrow Electronics, Inc., which represented 10.9% of total purchases.

-9-

Competition

The EMS industry is highly fragmented and comprised of a large number of domestic and foreign companies. The intense competition we face is provided by many independent companies as well as in-house manufacturing capabilities of current and potential customers who evaluate our capabilities against the merit of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Our competitors include Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., SCI Systems, Inc. and Solectron Corporation as well as numerous other smaller EMS providers. Certain of our competitors may have greater manufacturing, financial, research and development and marketing resources than we do. We believe that we are a leading EMS provider and that we are well positioned to compete against these larger competitors due to our product quality, flexibility and timeliness in responding to design and schedule changes, reliability in meeting product delivery schedules, pricing, technological sophistication, the provision of value-added services and geographic locations.

Governmental Regulation

Our operations are subject to certain federal, state, provincial and local regulatory requirements relating to environmental compliance and site cleanups, waste management and health and safety matters. In particular, we are subject to regulations promulgated by regulatory agencies pertaining to health and safety in the workplace and the use, storage, discharge and disposal of hazardous chemicals used in the manufacturing process.

To date, the costs of compliance and environmental remediation have not been material to us. Nevertheless, additional or modified requirements may be imposed in the future. If such additional or modified requirements are imposed on us, or if conditions requiring remediation are found to exist, we may be required to incur substantial additional expenditures.

Recent Developments

On July 27, 2000, simultaneously with the closing of our initial public offering, we acquired Pensar Corporation, an EMS company specializing in design services and located in Appleton, Wisconsin. The purchase consideration consisted of \$18 million in cash and the balance in shares of our common stock. We issued 1,188,682 shares of common stock at a valuation of \$16 per share to finance the share portion of the purchase price of the Pensar acquisition. The cash portion of the acquisition was financed with a portion of the proceeds from the initial public offering. The total purchase price, including transaction costs, was approximately \$37 million.

On November 22, 2000, we acquired Qualtron Teoranta, a provider of specialized custom-made cable harnesses and fiber optic assemblies located in Donegal, Ireland, together with its subsidiary, Haverhill, Massachusetts based Qualtron, Inc. The purchase consideration consisted of approximately \$14.4 million in cash and the balance in exchangeable shares. Our subsidiary, SMTC Manufacturing Corporation of Canada, issued 547,114 exchangeable shares valued at Cdn. \$22.93 per share to finance the share portion of the Qualtron Teoranta acquisition. The total purchase price, including transaction costs, was approximately \$26.9 million.

We announced in a press release on March 30, 2001 that we will close our assembly facility in Denver, Colorado, leaving in place a sales and marketing presence to service the Rocky Mountain Region. Production at the Denver facility, one of the last remaining SMTC sites not recently refurbished, will be migrated to SMTC facilities closer to customer locations and to our recently retrofitted and expanded lower cost Chihuahua, Mexico facility. We expect to take a one-time pre-tax charge of approximately \$15 million associated with our facility rationalization.

Employees

As of December 31, 2000, we employed approximately 5,000 full time employees worldwide. In addition, we employ varying levels of temporary employees as our production demands. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we be able to quickly ramp-up and ramp-down our production to maximize efficiency. To achieve this, our strategy has been to employ skilled temporary labor force, as required. We use outside contractors to qualify our temporary employees on a site-by-site basis. Our production level temporary employees are compensated by the hour. We do not have any permanent leased employees. We believe we are team-oriented, dynamic and results-oriented with an emphasis on customer service and quality at all levels. We believe this environment is a critical factor for us to be able to fully utilize the intellectual capital of our employees. From time to time we relocate our management level employees as needed to

-10-

fill open positions at our sites. Because of our training programs, we have not experienced difficulty in adequately staffing skilled employees.

With the exception of approximately 500 of our employees in Mexico and 250

of our employees in Ireland, none of our employees is unionized. We have never experienced a work stoppage or strike and believe that our employee relations are good.

Our Structure and Our History

The SMTC family of companies includes the following companies, with their jurisdictions of incorporation or organization in parentheses:

SMTC Corporation (Delaware)
HTM Holdings, Inc. (Delaware)
SMTC de Chihuahua S.A. de C.V. (Mexico)
SMTC Manufacturing Corporation of California (California)
SMTC Manufacturing Corporation of Canada (Ontario)
SMTC Manufacturing Corporation of Colorado (Delaware)
SMTC Manufacturing Corporation of Ireland Limited (Ireland)
SMTC Manufacturing Corporation of Massachusetts (Massachusetts)
SMTC Manufacturing Corporation of North Carolina (North Carolina)
SMTC Manufacturing Corporation of Texas (Texas)
SMTC Manufacturing Corporation of Wisconsin (Wisconsin)
SMTC Mex Holdings, Inc. (Delaware)
SMTC Nova Scotia Company (Nova Scotia)
Qualtron, Inc. (Massachusetts)
Qualtron Teoranta (Ireland)

SMTC Corporation

Our company's present corporate structure resulted from the July 1999 combination of Surface Mount and HTM in a transaction accounted for under the purchase method of accounting as the acquisition of Surface Mount by HTM. The transaction provided us with increased strategic and operating scale, as well as greater geographic breadth. Subsequent to the combination, all of Surface Mount's operating subsidiaries, other than SMTC Canada, SMTC Manufacturing Corporation of Ireland Limited, Qualtron Teoranta and Qualtron, Inc., have become subsidiaries of HTM.

Since the combination, we acquired Zenith's facility in Chihuahua, Mexico, a transaction which expanded our cost-effective manufacturing capabilities in an important geographic region. In September 1999, we acquired the Boston, Massachusetts based systems integration and precision enclosures business of W.F. Wood, which expanded our operations into the Northeastern United States. In July 2000, we acquired Appleton, Wisconsin based Pensar Corporation, which provided us with an enhanced design engineering and test capability, additional partnerships with leading technology suppliers, a diversification of our customer base and an expanded geographic presence in the Midwestern United States. In November 2000, we acquired Haverhill, Massachusetts based Qualtron, Inc. in connection with the acquisition of its parent company, Qualtron Teoranta, by SMTC Canada, as described below. We plan to continue to capitalize on attractive acquisitions and internal growth opportunities in the EMS marketplace and are presently targeting Asia as an area for future expansion.

SMTC Canada

SMTC Canada was incorporated in Canada in 1985 as The Surface Mount Technology Centre Inc., or SMTCI, and continued as an Ontario company in 1994. Prior to the July 1999 combination, SMTCI and its wholly-owned U.S. subsidiary, Surface Mount, completed a reorganization as a result of which Surface Mount became the parent of a group of companies which included SMTCI. In connection with the July 1999 reorganization, SMTCI

-11-

Nova Scotia Company, a wholly-owned subsidiary of SMTC, acquired all of the outstanding voting shares of SMTCI. On October 29, 1999, SMTCI changed its name to SMTC Manufacturing Corporation of Canada. On June 1, 2000, SMTCI adopted a French form of its name and eliminated several classes of unissued shares from its authorized capital. In November 2000, SMTC Canada acquired Ireland based Qualtron Teoranta, a provider of specialized cable and harness assemblies.

HTM Holdings, Inc.

In June 1998, Hi-Tech Manufacturing Inc., or Hi-Tech Manufacturing, was recapitalized by investors led by Bain Capital and Celerity Partners, Inc., and HTM, a Delaware corporation, was organized such that Hi-Tech Manufacturing became a wholly owned subsidiary of HTM. Organized in 1990, Thornton, Colorado based Hi-Tech Manufacturing was a turnkey contract manufacturer which focused on the assembly of completed printed circuit boards. Hi-Tech Manufacturing has changed its name to SMTC Manufacturing Corporation of Colorado.

Legal Proceedings

We are a party to various legal actions arising in the ordinary course of our business. We believe that the resolution of these legal actions will not have a material adverse effect on our financial position or results of operations.

Backlog

Although we obtain firm purchase orders from our customers, our customers typically do not make firm orders for delivery of products more than 30 to 90 days in advance. We do not believe that the backlog of expected product sales covered by firm purchase orders is a meaningful measure of future sales since

orders may be rescheduled or canceled.

Item 2: Properties

Facilities

We conduct our operations within approximately 1,070,000 square feet of building space. We believe our facilities are currently adequate for our operating needs. Our principal service at all locations is assembly of electronic components, with the exception of the Boston facility where we manufacture precision enclosures and Donegal, Ireland and Haverhill, Massachusetts where we manufacture cable and harness interconnect assemblies. We expect to transition our Denver facility from component production to sales and marketing during the second or third quarter of 2001. Our facilities are as follows:

<TABLE>
<CAPTION>

Location	Approx. Square Footage	Leased/Owned
<S>	<C>	<C>
Toronto, Ontario.....	100,000	Leased
San Jose, California.....	75,000	Leased
Denver, Colorado.....	100,000	Leased
Boston, Massachusetts.....	150,000	Leased
Haverhill, Massachusetts.....	20,000	Leased
Charlotte, North Carolina.....	125,000	Leased
Austin, Texas.....	75,000	Leased
Appleton, Wisconsin.....	75,000	Owned
Chihuahua, Mexico.....	250,000	Owned
Cork, Ireland.....	50,000	Leased
Donegal, Ireland.....	50,000	Leased

We have exercised an option under our Austin, Texas lease to purchase 20 acres adjacent to our existing facility. We are in the process of selling the property back to the developer.

-12-

We also are in the process of purchasing additional land and a facility situated in Austin, Texas. We expect to move our Austin operations to the new building and for that facility to be operational in the second or third quarter of 2001. This sale and leaseback arrangement will require the approval of our lenders under our senior credit facility.

All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards. ISO 9001 and ISO 9002 are commonly recognized standards in the EMS industry that are published by the International Standardization Organization and relate to quality management systems. ISO 9001 contains requirements for quality assurance in design, development, production, installation and servicing. ISO 9002 contains requirements for quality assurance in production, installation and servicing.

The principal executive office of SMTC and SMTC Canada is located at 635 Hood Road, Markham, Ontario, Canada L3R 4N6.

Item 3: Legal Proceedings

The Company is currently not a party to any material legal actions or proceedings.

Item 4: Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5: Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock began trading on The Nasdaq National Market under the symbol SMTX on July 21, 2000. The following table sets forth, for the periods indicated, the high and low per share sales prices for the common stock as reported on Nasdaq.

<TABLE>
<CAPTION>

	2000	
	High	Low
<S>	<C>	<C>
First Quarter.....	\$-	\$-
Second Quarter.....	-	-
Third Quarter (commencing July 21, 2000).....	28.063	16.563
Fourth Quarter.....	25.000	9.000

As of March 26, 2001, there were approximately 5,000 holders of record of the Company's common stock.

The Company's capital stock consists of 60,000,000 authorized shares of common stock, par value \$.01 per share, of which, as of March 26, 2001, 22,318,820 shares were issued and outstanding; and 5,000,000 authorized shares of preferred stock, par value \$.01 per share, of which, as of March 26, 2001, one share was issued and outstanding.

The Company has never declared a cash dividend on its common stock. The Board of Directors of the Company has no present intention to pay dividends on common stock and does not anticipate doing so within the next several years. It is the present policy of the Company to retain earnings, if any, to provide for growth and working capital needs. Further, the Company's senior credit facility restricts the Company's ability to pay dividends.

Since its incorporation in 1998, SMTC has issued the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act"):

-13-

(1) In connection with the combination of Surface Mount and HTM, which was completed on July 30, 1999, SMTC issued an aggregate of 2,447,782 shares of its Class A common stock, 154,167.8 shares of its Class L common stock, 113,407.9 shares of its Class N common stock and warrants exercisable for an aggregate of 103,894.9 shares of its Class A common stock and 12,088.2 shares of its Class L common stock to pre-combination stockholders of Surface Mount, including certain members of management of Surface Mount and other investors and pre-combination stockholders of HTM, including affiliates of Bain Capital, Inc., affiliates of Celerity Partners, L.L.C., certain members of management of HTM and other investors, in exchange for pre-combination securities of Surface Mount, pre-combination securities of HTM and an aggregate of approximately \$16.7 million.

(2) On July 30, 1999, pursuant to an employee stock option plan, SMTC issued an aggregate of 33,140.2 options to purchase its Class A common stock and 3,855.9 options to purchase its Class L common stock. The options to purchase Class A common stock were fully vested when granted, and were immediately exercised for an aggregate of 33,140.2 shares of Class A common stock at an aggregate exercise price of \$60,374. These shares are subject to certain restrictions on transferability and certain repurchase rights.

(3) On September 30, 1999, pursuant to an employee stock option plan, SMTC issued an aggregate of 116,860 shares of its Class A common stock.

(4) On May 18, 2000, we issued warrants to purchase 41,666.67 shares of Class L common stock and 375,000.03 shares of Class A common stock, subject to adjustment provisions in the warrants and sold notes in the aggregate amount of \$5 million. The issuance of the notes and warrants was exempt from registration under the Securities Act because the purchasers of the notes and warrants included only foreign persons, qualified institutional buyers and three large institutional accredited investors.

All shares referred to in (1) through (4) were exempt from registration under the Securities Act pursuant to Section 4(2) thereof or Rule 701 thereunder.

(5) On July 27, 2000, simultaneously with the closing of our initial public offering, we acquired Pensar Corporation (now SMTC Manufacturing Corporation of Wisconsin), an EMS company specializing in design services and located in Appleton, Wisconsin. The purchase consideration consisted of \$18 million in cash and the balance in shares of common stock of the Company. We issued 1,188,682 shares of common stock valued at \$16 per share to five accredited investors to finance the share portion of the purchase price of the Pensar Corporation acquisition. The cash portion of the acquisition was financed with a portion of the proceeds from the initial public offering. The total purchase price, including transaction costs, was approximately \$37 million. The 1,188,682 shares issued were exempt from registration under the Securities Act pursuant to Section 4(2) thereof and Rule 506 thereunder.

-14-

Item 6: Selected Financial Data

SMTC Corporation, or SMTC, is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Upon completion of the combination and concurrent recapitalization, the former stockholders of HTM held approximately 58.0% of the outstanding shares of SMTC. We have accounted for the combination under the purchase method of accounting as a reverse acquisition of Surface Mount by HTM. Because HTM acquired Surface Mount for accounting purposes, HTM's assets and liabilities are included in our consolidated financial statements at their historical cost and the comparative figures for the periods prior to the combination reflect the results of operations of HTM. The results of operations of Surface Mount are included in our consolidated financial statements from the date of the combination.

Pro Forma Selected Financial Data (Unaudited)

The unaudited pro forma results of operations, adjusted net earnings and other financial data included in this report for the years ended December 31, 1999 and December 31, 2000 contain the results of Surface Mount, HTM, W.F. Wood Incorporated, or W.F. Wood, Pensar Corporation, or Pensar, and Qualtron Teoranta, or Qualtron, as if the combination of Surface Mount and HTM and the acquisitions of W.F. Wood, Pensar and Qualtron and the initial public offering

and application of proceeds to reduce indebtedness had occurred on January 1, 1999. As such, the pro forma results have been adjusted to reflect additional goodwill amortization related to the combination of Surface Mount and HTM, additional goodwill amortization related to the acquisitions of W.F. Wood, Pensar and Qualtron, additional interest expense and income tax effects related to the borrowings required to complete the Pensar and Qualtron acquisitions, and the effect of the initial public offering including the exercise of the underwriters' over-allotment option.

This pro forma selected financial data is presented as a supplement to our actual selected financial data to provide a basis for analyzing and comparing the results of operations of the combined and acquired companies.

Actual Selected Financial Data

The actual selected financial data includes the following:

- . The results of operations, adjusted net earnings and other financial data for 1996, 1997 and 1998 represent the results of operations, adjusted net earnings and financial data for HTM. For accounting purposes, HTM is considered to have acquired Surface Mount in the July 1999 combination.
- . The results of operations, adjusted net earnings and other financial data for 1999 include a full year of results of HTM, as well as the results for Surface Mount from July 30, 1999 through to December 31, 1999 and results for W.F. Wood from September 4, 1999 through to December 31, 1999.
- . The results of operations, adjusted net earnings and other financial data for 2000 include a full year of results for HTM, Surface Mount and W.F. Wood as well as the results for Pensar from July 27, 2000 through to December 31, 2000 and the results for Qualtron from November 22, 2000 through to December 31, 2000.

The data set forth below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto appearing elsewhere in this Annual Report.

Our consolidated financial statements and our selected consolidated financial data have been prepared in accordance with United States GAAP. These principles conform in all material respects to Canadian GAAP except as described in Note 22 to our consolidated financial statements. The differences between the line items under United States GAAP and those as determined under Canadian GAAP are not significant except that under Canadian GAAP the 1999 and 2000 extraordinary losses would have been reported as pre-tax expenses of \$2.1 million and \$4.3 million, respectively. Accordingly, the 1999 loss before income tax recovery would be \$2.8 million, income tax

-15-

recovery would be \$0.7 million and net loss would be unchanged at \$2.1 million under Canadian GAAP. The 2000 income before income taxes would be \$9.4 million, income tax expense would be \$5.7 million and net earnings would be \$3.7 million under Canadian GAAP.

-16-

Consolidated Pro Forma Statement of Operations Data: (in millions, except per share amounts)

<TABLE>
<CAPTION>

<S>	December 31, December 31,		
	1999 <C>	2000 <C>	
Revenue	\$530.7	\$842.6	
Cost of sales	472.6	764.3	
Gross profit	58.1	78.3	
Selling, general and administrative expenses		33.9	40.3
Amortization of intangible assets		8.7	9.2
Former shareholder compensation (a)		0.6	-
Acquisition-related bonuses paid to management and employees of W.F. Wood (b)		2.6	-
Operating income		12.3	28.8
Interest	0.1	7.7	
Earnings before income taxes (c)		12.2	21.1
Income taxes	5.4	10.5	
Net earnings (c)	\$ 6.8	\$ 10.6	
Net earnings per common share: (c)			
Basic	\$ 0.24	\$ 0.38	
Diluted	\$ 0.24	\$ 0.37	

</TABLE>

- (a) Reflects compensation paid to former shareholders of W.F. Wood and Pensar.
(b) Acquisition-related bonuses consist of one-time bonuses of \$2.3 million paid to management and \$0.3 million paid to employees.
(c) Pro forma earnings before income taxes, net earnings and net earnings per common share exclude extraordinary losses.

Consolidated Pro Forma Adjusted Net Earnings:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	December 31, 1999	December 31, 2000
<S>	<C>	<C>
Net earnings	\$ 6.8	\$10.6
Adjustments:		
Amortization of goodwill	8.6	8.6
Management fees	0.7	-
Former shareholder compensation		0.6
Acquisition-related bonuses paid to management and employees of W.F. Wood	2.6	-
Income tax effect	(3.3)	(1.7)
Adjusted net earnings	\$16.0	\$17.5
Adjusted net earnings per common share:		
Basic	\$0.57	\$0.62
Diluted	\$0.55	\$0.60
Weighted average number of shares outstanding:		
Basic	28.2	28.2
Diluted	28.9	29.0

</TABLE>

As a result of the combination of Surface Mount and HTM and a number of subsequent acquisitions, we use consolidated pro forma adjusted net earnings as a measure of our operating performance. Consolidated pro forma adjusted net earnings is consolidated pro forma net earnings adjusted for acquisition related charges such as the amortization of goodwill, management fees, former shareholders' compensation and other charges as described in the table, and the related income tax effect of these adjustments. Consolidated pro forma adjusted net earnings is not a measure of performance under United States GAAP or Canadian GAAP. Consolidated pro forma adjusted net earnings should not be considered in isolation or as a substitute for net earnings prepared in accordance with United States GAAP or Canadian GAAP or as an alternative measure of operating performance or profitability.

-17-

Pro Forma Other Financial Data:
(in millions)

	December 31, 1999	December 31, 2000
EBITDA	\$31.6	\$48.7
Depreciation	10.6	10.7
Amortization of goodwill	8.6	8.6
Amortization of deferred financing costs	0.1	0.3
Amortization of deferred lease costs	-	0.3
Capital expenditures	13.6	27.4

Note: EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA is presented because we believe it is a widely accepted financial indicator of an entity's ability to incur and service debt. EBITDA should not be considered as an alternative to cash flow from operating activities, as a measure of liquidity or as an alternative to net income as a measure of operating results in accordance with United States or Canadian GAAP.

-18-

Consolidated Actual Statement of Operations Data:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	December 31, 1996	December 31, 1997	December 31, 1998	December 31, 1999	December 31, 2000
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ 70.8	\$59.0	\$ 89.7	\$258.0	\$782.7
Cost of sales	68.9	53.6	82.5	236.3	714.4
Gross profit	1.9	5.4	7.2	21.7	68.3

Selling, general and administrative expenses	2.8	2.8	3.3	13.3	34.6
Amortization of intangible assets	-	-	0.2	2.0	6.2
Relocation expenses (a)	0.5	-	-	-	-
Recapitalization expenses (b)	-	-	2.2	-	-
Operating income (loss)	(1.4)	2.6	1.5	6.4	27.5
Interest	0.7	0.7	2.0	7.1	13.8
Earnings (loss) before income taxes (c)	(2.1)	1.9	(0.5)	(0.7)	13.7
Income taxes (recovery)	(0.8)	0.7	(0.2)	0.1	7.4
Earnings (loss) before extraordinary loss	(1.3)	1.2	(0.3)	(0.8)	6.3
Extraordinary loss (d)	-	-	-	(1.3)	(2.7)
Net earnings (loss)	\$ (1.3)	\$ 1.2	\$ (0.3)	\$ (2.1)	\$ 3.6
Net earnings (loss) per common share:					
Basic before extraordinary loss	\$(0.40)	\$0.40	\$(0.44)	\$(1.89)	\$ 0.24
Extraordinary loss	-	-	(0.79)	(0.20)	
Basic	\$(0.40)	\$0.40	\$(0.44)	\$(2.68)	\$ 0.04
Diluted	\$(0.40)	\$0.40	\$(0.44)	\$(2.68)	\$ 0.03

</TABLE>

- (a) Relocation expenses include costs incurred to move equipment and employees from a facility in Longmont, Colorado to Denver, Colorado.
- (b) Leveraged recapitalization expenses of \$2.2 million include transaction costs and compensation expense related to our leveraged recapitalization.
- (c) Refer to Note 22 to our consolidated financial statements for a description of differences between United States GAAP and Canadian GAAP.
- (d) The extraordinary loss of \$1.3 million in 1999 arises from debt prepayment penalties of \$0.8 million, the write-off of unamortized debt financing fees of \$1.0 million and the write off of the unamortized debt discount of \$0.3 million, net of a tax recovery of \$0.8 million. The extraordinary loss of \$2.7 million in 2000 arises from debt prepayment penalties of \$0.3 million, the write-off of unamortized debt financing fees of \$2.9 million and the write off of the value of the warrants issued in excess of the proceeds received of \$1.1 million, net of a tax recovery of \$1.6 million.

-19-

Consolidated Actual Adjusted Net Earnings:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	December 31, 1996	December 31, 1997	December 31, 1998	December 31, 1999	December 31, 2000
Net earnings (loss)	\$(1.3)	\$ 1.2	\$(0.3)	\$(2.1)	\$ 3.6
Adjustments:					
Extraordinary loss	-	-	-	1.3	2.7
Amortization of goodwill	-	-	-	1.5	5.3
Relocation expenses	0.5	-	-	-	-
Recapitalization expenses	-	-	2.2	-	-
Management fees	-	-	0.1	0.7	-
Income tax effect	(0.2)	-	(0.9)	(0.5)	(1.1)
Adjusted net earnings (loss)	\$ (1.0)	\$ 1.2	\$ 1.1	\$ 0.9	\$10.5
Adjusted net earnings (loss) per common share:					
Basic	\$(0.32)	\$0.40	\$0.52	\$(0.80)	\$0.56
Diluted	\$(0.32)	\$0.40	\$0.52	(0.80)	\$0.54
Weighted average number of shares outstanding:					
Basic	3.1	3.1	2.1	1.6	13.2
Diluted	3.1	3.1	2.1	1.6	13.7

</TABLE>

As a result of the combination of Surface Mount and HTM and a number of subsequent acquisitions, we use consolidated adjusted net earnings as a measure of our operating performance. Consolidated adjusted net earnings is consolidated net earnings (loss) adjusted for extraordinary items and acquisition related charges such as the amortization of goodwill, management fees, former shareholders' compensation and other charges as described in the above table, and the related income tax effect of these adjustments. Consolidated adjusted net earnings is not a measure of performance under United States GAAP or Canadian GAAP. Consolidated adjusted net earnings should not be considered in isolation or as a substitute for net earnings prepared in accordance with United States GAAP or Canadian GAAP or as an alternative measure of operating performance or profitability.

Actual Other Financial Data:
(in millions)

<TABLE>
<CAPTION>

	December 31, 1996	December 31, 1997	December 31, 1998	December 31, 1999	December 31, 2000	December
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EBITDA	\$ 0.5	\$ 4.8	\$ 4.6	\$ 14.9	\$ 43.3	
Depreciation	1.9	2.2	2.9	6.5	9.6	
Amortization of goodwill	-	-	-	1.5	5.3	
Amortization of deferred financing costs	-	-	-	0.2	0.5	0.6
Amortization of deferred lease costs	-	-	-	-	-	0.3
Capital expenditures	0.6	0.9	3.2	4.1	25.7	
Cash flows from operating activities		6.1	(0.4)	(3.8)	(6.6)	(104.9)
Cash flows from financing activities		(5.5)	1.2	4.3	49.6	159.1
Cash flows from investing activities		(0.6)	(0.4)	(0.5)	(41.4)	(53.6)

Note: EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA is presented because we believe it is a widely accepted financial indicator of an entity's ability to incur and service debt. EBITDA should not be considered as an alternative to cash flow from operating activities, as a measure of liquidity or as an alternative to net income as a measure of operating results in accordance with United States or Canadian GAAP.

-20-

Consolidated Balance Sheet Data:
(in millions)

<TABLE>
<CAPTION>

	December 31, 1996	December 31, 1997	December 31, 1998	December 31, 1999	December 31, 2000	December
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash and short-term investments		\$ 0.1	\$ 0.4	\$ 0.5	\$ 2.1	\$ 2.7
Working capital	1.7	4.1	8.1	53.4	188.3	
Total assets	22.9	31.7	44.2	228.1	547.5	
Total debt, including current maturities		7.0	8.2	35.5	134.0	118.0
Shareholders' equity		7.1	8.4	(10.5)	7.8	228.5

Quarterly Results

The following tables set forth our unaudited historical quarterly results and pro forma quarterly results for the eight quarters ended December 31, 2000. This information has been prepared on the same basis as our annual consolidated financial statements and it includes all adjustments necessary for a fair presentation of the financial results of such periods. This information should be read in conjunction with our annual consolidated financial statements for the years ended December 31, 1999 and 2000. The operating results for any previous quarter are not necessarily indicative of results for any future periods.

(in millions, except per share amounts)

<TABLE>
<CAPTION>

Pro Forma Results								
Quarter Ended								
	Mar 31, 1999	Jun 30, 1999	Oct 3, 1999	Dec 31, 1999	Apr 2, 2000	July 2, 2000	Oct 1, 2000	Dec 31, 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	\$123.6	\$119.6	\$140.9	\$146.6	\$146.2	\$190.0	\$242.5	\$263.9
Gross profit	14.8	12.3	14.1	16.9	14.7	17.3	21.3	25.0
Net earnings (loss)	2.9	2.1	(0.7)	2.5	0.3	1.9	3.7	4.7
Adjusted net earnings	4.6	3.9	2.9	4.6	2.0	3.6	5.4	6.5
Adjusted net earnings per share - diluted	\$ 0.16	\$ 0.13	\$ 0.10	\$ 0.16	\$ 0.07	\$ 0.12	\$ 0.19	\$ 0.22
Weighted average number of shares outstanding- diluted	28.9	28.9	28.9	28.9	28.9	28.9	28.9	29.0

<TABLE>
<CAPTION>

Historical Results								
Quarter Ended								
	Mar 31, 1999	Jun 30, 1999	Oct 3, 1999	Dec 31, 1999	Apr 2, 2000	July 2, 2000	Oct 1, 2000	Dec 31, 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ 23.3	\$ 23.3	\$ 88.0	\$123.4	\$124.3	\$167.1	\$231.5	\$259.8
Gross profit	1.7	1.5	6.7	11.8	11.1	13.7	19.6	23.9
Earnings (loss) before extraordinary loss	-	-	(0.7)	(0.1)	(1.4)	0.1	3.3	4.3

Net earnings (loss)	-	-	(2.0)	(0.1)	(1.4)	0.1	0.6	4.3
Adjusted net earnings (loss)	0.1	-	(0.2)	1.0	(0.6)	1.0	4.4	5.7
Net earnings (loss) per share before extraordinary loss	\$ 0.03	\$(0.07)	\$(0.73)	\$(0.61)	\$(1.16)	\$(0.53)	\$ 0.14	\$ 0.16
Adjusted net earnings (loss) per share - diluted	\$ 0.06	\$(0.03)	\$(0.45)	\$(0.17)	\$(0.81)	\$(0.18)	\$ 0.19	\$ 0.20
Weighted average number of shares outstanding- diluted	1.4	1.4	2.1	2.4	2.4	2.4	21.1	28.7

-21-

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

You should read the following discussion in conjunction with the "Selected Consolidated Financial Data" section of this Annual Report, our consolidated financial statements and notes to those statements included elsewhere in this Annual Report. The forward-looking statements in this discussion regarding the electronics manufacturing services industry, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion include numerous risks and uncertainties, as described in the "Factors That May Affect Future Results" section below. You should read this discussion completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements after the date of this Annual Report, even though our situation will change in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

We are a leading provider of advanced electronics manufacturing services, or EMS, to electronics industry original equipment manufacturers, or OEM's, worldwide. Our full range of value-added services include product design, procurement, prototyping, advanced cable and harness interconnect, high-precision enclosures, printed circuit board assembly, test, final system build, comprehensive supply chain management, packaging, global distribution and after sales support.

SMTC Corporation, or SMTC, is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Upon completion of the combination and concurrent recapitalization, the former stockholders of HTM held approximately 58.0% of the outstanding shares of SMTC. We have accounted for the combination under the purchase method of accounting as a reverse acquisition of Surface Mount by HTM. Because HTM acquired Surface Mount for accounting purposes, HTM's assets and liabilities are included in our consolidated financial statements at their historical cost and the comparative figures for the periods prior to the combination reflect the results of operations of HTM. The results of operations of Surface Mount are included in our consolidated financial statements from the date of the combination. Surface Mount was established in Toronto, Ontario in 1985. HTM was established in Denver, Colorado in 1990. SMTC was established in Delaware in 1998.

Our revenue has grown from approximately \$59.0 million in 1997 to pro forma revenue of \$842.6 million in 2000 through both internal growth and strategic acquisitions. The July 1999 combination of Surface Mount and HTM provided us with increased strategic and operating scale and greater geographic breadth. Collectively, since 1995 we have completed the following seven acquisitions:

- . Radian Electronics' operations, which enabled our expansion into Austin, Texas, and established our relationship with Dell, in 1996;
- . Ogden Atlantic Design's operations in Charlotte, North Carolina, which provided us with a facility in a major technology center in the Southeastern United States, in 1997;
- . Ogden International Europe's operations in Cork, Ireland, which expanded our global presence into Europe, in 1998;
- . Zenith Electronics' facility in Chihuahua, Mexico, which expanded our cost-effective manufacturing capabilities and added Zenith (now Motorola) as a customer, in July 1999;
- . W.F. Wood, based outside Boston, Massachusetts, which provided us with a manufacturing presence in the Northeastern United States, expanded our value-added services to include high precision enclosures capabilities, and added EMC and Sycamore Networks as customers, in September 1999;

-22-

- . Pensar Corporation, located in Appleton, Wisconsin, which provided us with a wide range of electronics and design manufacturing services, on July 27, 2000 and concurrent with the closing of the initial offering; and
- . Qualtron Teoranta, with sites in both Donegal, Ireland and Haverhill, Massachusetts, which allowed us to expand our ability to provide customers with a broad range of services focusing on fiber optic connector assemblies and volume cable assemblies, on November 22, 2000.

In addition, we completed the following financing activities in 2000:

Initial Public Offering

- . On July 27, 2000, we completed an initial public offering of our common stock in the United States and the exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada, raising net proceeds (not including proceeds from the sale of shares upon the exercise of the underwriters' over-allotment option) of \$157.1 million;
- . Concurrent with the effectiveness of the initial public offering, we completed a share capital reorganization;
- . In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders, which provided for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million;
- . On July 27, 2000, we paid a fee of \$1.8 million to terminate a management agreement under which we paid quarterly fees of approximately \$0.2 million; and
- . On August 18, 2000, we sold additional shares of common stock upon exercise of the underwriters' over-allotment option, raising net proceeds of \$24.6 million.

Pre Initial Public Offering

- . In May 2000, we issued senior subordinated notes to certain shareholders for proceeds of \$5.0 million, which were repaid with the proceeds of our initial public offering;
- . On May 18, 2000, we issued 41,667 warrants for \$2.5 million cash consideration in connection with the May 2000 issue of \$5.0 million in senior subordinated notes; and
- . On July 3, 2000, we issued demand notes in the aggregate principal amount of \$9.9 million, which were repaid with the proceeds of our initial public offering.

We continue to seek acquisition opportunities that enable us to expand our geographic reach, add manufacturing capacity and diversify into new markets. We are considering potential acquisitions in North America and Europe, and we are targeting Asia for future expansion. We intend to continue to capitalize on attractive acquisition opportunities in the EMS marketplace, and our goal is generally to have each acquisition be accretive to earnings after a transition period of approximately one year. We also plan to continue our strategy of augmenting our existing EMS capabilities with the addition of related value-added services. By expanding the services we offer, we believe that we will be able to expand our business with our existing customers and develop new opportunities with potential customers.

Consistent with our past practices and normal course of business, we engage from time to time in discussions with respect to potential acquisitions. While we have identified several opportunities that would expand our global presence, add to our value-added services and establish strategic relationships with new customers, we are not currently party to any definitive acquisition agreements.

-23-

We used approximately \$143.7 million of the proceeds from our initial public offering to reduce indebtedness under our credit facility. On July 27, 2000, we entered into an amended and restated credit facility with our lenders, which provided for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million. As at December 31, 2000, we had borrowed \$115.8 million under this facility. We intend to continue to borrow under our new credit facility to finance working capital growth and any cash portion of future acquisitions; however we generally intend to keep our debt at approximately 30% of our total capitalization.

We currently provide turnkey manufacturing services to the majority of our customers. In 2000, 98.8% of our pro forma revenue was from turnkey manufacturing services compared to 97.1 % in 1999. From July 1999 to March 2000, under the terms of a production agreement with Zenith, we manufactured products for Zenith on a consignment basis. In a consignment arrangement, we provide manufacturing services only, while the customer purchases the materials and components necessary for production. In April 2000, we began to purchase materials for Zenith, and as a result, our relationship with Zenith evolved into a turnkey manufacturing relationship. Turnkey manufacturing services typically result in higher revenue and higher gross profits but lower gross profit margins when compared to consignment services.

With our turnkey manufacturing customers, we generally operate under contracts that provide a general framework for our business relationship. Our actual production volumes are based on purchase orders under which our customers do not commit to firm production schedules more than 30 to 90 days in advance. In order to minimize customers' inventory risk, we generally order materials and components only to the extent necessary to satisfy existing customer forecasts or purchase orders. Fluctuations in material costs are typically passed through to customers. We may agree, upon request from our customers, to temporarily delay shipments, which causes a corresponding delay in our revenue recognition. Ultimately, however, our customers are generally responsible for all goods

manufactured on their behalf.

We service our customers through a total of eleven facilities located in the United States, Canada, Europe and Mexico. In 2000, approximately 80.0% of our pro forma revenue was generated from operations in the United States, approximately 9.0% from Canada, approximately 3.0% from Europe and approximately 8.0% from Mexico. Our facility in Chihuahua was acquired in July 1999 from Zenith Electronics Corporation. We expect to continue to increase revenue from this facility, with the transfer of certain production from other facilities and with the addition of new business and increased volume from our current business.

The unaudited pro forma results of operations are presented as a supplement to our actual results of operations to provide a basis for analyzing and comparing the results of operations of the combined and acquired companies. As such, the pro forma results of operations for the year ended December 31, 1999 contain the results of Surface Mount, HTM, W.F. Wood, Pensar and Qualtron as if the combination of Surface Mount and HTM, the acquisitions of W.F. Wood, Pensar and Qualtron and the initial public offering and application of proceeds to reduce indebtedness had occurred on January 1, 1999. The historical results of operations for the year ended December 31, 1999 include a full year of operating results for HTM, as well as the operating results for Surface Mount from July 30, 1999 through to December 31, 1999 and operating results for W.F. Wood from September 3, 1999 through to December 31, 1999. As such, the 1999 pro forma results have been adjusted to reflect seven months of additional goodwill amortization related to the acquisition of Surface Mount by HTM, eight months of additional goodwill amortization related to the acquisition of W.F. Wood, twelve months of additional goodwill amortization related to the acquisitions of Pensar and Qualtron, additional interest expense and income tax effects related to the borrowings required to complete the acquisitions of Pensar and Qualtron and the effects of the initial public offering including the exercise of the underwriters' over-allotment option.

The unaudited pro forma results of operations for the year ended December 31, 2000 contain the results of Surface Mount, HTM, W.F. Wood, Pensar and Qualtron as if the combination of Surface Mount and HTM, the acquisitions of W.F. Wood, Pensar and Qualtron and the initial public offering and application of proceeds to reduce indebtedness had occurred on January 1, 1999. The historical results of operations for the year ended December 31, 2000 include a full year of operating results for HTM, Surface Mount and W.F. Wood as well as the results of Pensar from July 27, 2000 through to December 31, 2000 and the results of Qualtron from November 22, 2000 through to December 31, 2000. As such, the 2000 pro forma results have been adjusted to reflect seven months of additional goodwill amortization related to the acquisition of Pensar, eleven months of additional goodwill

-24-

amortization related to the acquisition of Qualtron, the additional interest expense and income tax effects related to the borrowings required to complete the acquisitions of Pensar and Qualtron and the effects of the initial public offering including the exercise of the underwriters' over-allotment option.

Our fiscal year end is December 31. The consolidated financial statements of SMTC, including the consolidated financial statements of HTM for periods prior to the combination, are prepared in accordance with United States GAAP, which conforms in all material respects to Canadian GAAP, except as disclosed in Note 22 to the consolidated financial statements.

We begin our Management's Discussion and Analysis of Financial Condition and Results of Operations with a discussion of the pro forma year ended December 31, 2000 compared to the pro forma year ended December 31, 1999. Because our historical financial statements do not fully reflect the July 1999 combination of HTM and Surface Mount, our September 1999 acquisition of W.F. Wood, our July 2000 acquisition of Pensar and our November 2000 acquisition of Qualtron or the completion of our initial public offering, a discussion of our historical operations does not provide a sufficient understanding of the financial conditions and results of operations of our business. Following our discussion of the pro forma results of operations, we discuss our historical financial condition and results of operations for the year ended December 31, 2000 compared to the year ended December 31, 1999 and for the year ended December 31, 1999 compared to the year end December 31, 1998.

-25-

SMTC Corporation

Pro Forma Results of Operations

The following table sets forth certain pro forma operating data expressed as a percentage of revenue for the periods indicated:

<TABLE>
<CAPTION>

	December 31, 1999	December 31, 2000
<S>	<C>	<C>
Revenue	100.0%	100.0%
Cost of sales	89.1	90.7
Gross profit	10.9	9.3

Selling, general and administrative expenses	7.0	4.8
Amortization of intangible assets	1.6	1.1

Operating income	2.3	3.4
Interest	0.0	0.9

Earnings before income taxes	2.3	2.5
Income taxes	1.0	1.2

Net earnings	1.3%	1.3%
=====		

</TABLE>

Pro forma year ended December 31, 2000 compared to the pro forma year ended December 31, 1999

Pro Forma Revenue

Pro forma revenue increased \$311.9 million, or 58.8%, from \$530.7 million for the year ended December 31, 1999, to \$842.6 million for the year ended December 31, 2000. This increase resulted primarily from the growth of pro forma revenue generated by our United States operations and our Chihuahua facility. For the year ended December 31, 2000, 80.3% of our pro forma revenue was generated from operations in the United States, 8.9% from Canada, 3.0% from Europe and 7.8% from Mexico. For the year ended December 31, 1999, 83.5% of our pro forma revenue was generated from operations in the United States, 9.4% from Canada, 5.2% from Europe and 1.9% from Mexico.

Pro forma revenue from Dell for the year ended December 31, 2000 was \$124.0 million, or 14.7% of total pro forma revenue. For the year ended December 31, 1999, pro forma revenue from Dell was \$157.5 million, or 29.7%, of total pro forma revenue. The 1999 revenue from Dell consisted primarily of personal computer based products, whereas the 2000 revenue from Dell consisted primarily of the high growth, networking based products. No other customer represented more than 10% of pro forma revenue in the years ended December 31, 1999 and December 31, 2000.

Pro Forma Gross Profit

Pro forma gross profit increased \$20.2 million, or 34.8%, from \$58.1 million for the year ended December 31, 1999 to \$78.3 million for the year ended December 31, 2000. Our pro forma gross profit margin declined from 10.9% for the year ended December 31, 1999 to 9.3% for the year ended December 31, 2000. The decline in the pro forma gross margin is due to a shift from lower revenue/higher gross margin consignment revenue to higher revenue/lower gross margin turnkey revenue at the Chihuahua facility, the underutilization of our fixed costs in the Chihuahua facility due to delays in the transition of certain customers to that facility and change in customer mix. We continue to seek to improve our overall profit margins by offering our customers a wider range of services, better utilizing our fixed manufacturing costs and by pursuing acquisitions of businesses that provide value-added services.

-26-

Pro Forma Selling, General & Administrative Expenses

Pro forma selling, general and administrative expenses increased \$3.2 million, or 8.6%, from \$37.1 million for the year ended December 31, 1999 to \$40.3 million for the year ended December 31, 2000. As a percentage of pro forma revenue, pro forma selling, general and administrative expenses decreased from 7.0% to 4.8% because of the higher pro forma revenue base. Pro forma selling, general and administrative expenses for the year ended December 31, 1999 included management fees of \$0.7 million, one time payments of \$0.6 million as compensation to former W.F. Wood and Pensar shareholders and \$2.6 million as acquisition related bonuses paid to management and employees of W.F. Wood. We expect pro forma selling, general and administrative expenses to continue to decline as a percentage of pro forma revenue as we continue to grow our revenue base.

Pro Forma Amortization

Pro forma amortization of intangible assets increased \$0.5 million, or 5.7%, from \$8.7 million for the year ended December 31, 1999 to \$9.2 million for the year ended December 31, 2000. Pro forma amortization for the year ended December 31, 1999 included amortization of \$2.4 million of goodwill related to the combination of Surface Mount and HTM, amortization of \$1.7 million of goodwill related to the acquisition of W.F. Wood, amortization of \$2.7 million of goodwill related to the acquisition of Pensar, amortization of \$1.8 million of goodwill related to the acquisition of Qualtron and amortization of \$0.1 million of deferred finance costs related to the establishment of our senior credit facility in July 1999.

Pro forma amortization for the year ended December 31, 2000 included amortization of \$2.4 million of goodwill related to the combination of Surface Mount and HTM, amortization of \$1.7 million of goodwill related to the acquisition of W.F. Wood, amortization of \$2.7 million of goodwill related to the acquisition of Pensar, amortization of \$1.8 million of goodwill related to the acquisition of Qualtron, amortization of \$0.3 million of deferred finance costs related to our senior credit facility of July 2000 and amortization of \$0.3 million of deferred equipment lease costs.

Pro Forma Interest Expense

Pro forma interest expense increased \$7.6 million from \$0.1 million for the year ended December 31, 1999 to \$7.7 million for the year ended December 31, 2000 due to the interest expense related to debt incurred to meet increased working capital requirements to fund the growth of our business.

Pro Forma Income Tax Expense

For the year ended December 31, 2000, we had a pro forma income tax expense of \$10.5 million on pro forma income before taxes of \$21.1 million, producing an effective pro forma tax rate of 49.8%. The effective rate of tax was higher than the statutory rate as we were not able to claim a recovery of losses of \$1.1 million incurred by our subsidiary, SMTC Manufacturing Corporation of Ireland Limited, or deduct \$4.2 million of goodwill related to the combination of Surface Mount and HTM and the acquisition of Qualtron.

For the year ended December 31, 1999, we had a pro forma income tax expense of \$5.4 million on pro forma income before taxes of \$12.2 million, producing an effective pro forma tax rate of 44.3%. The effective rate of tax was higher than the statutory rate as we were not able to claim a recovery of losses of \$0.5 million incurred by our subsidiary, SMTC Manufacturing Corporation of Ireland Limited, or to deduct \$4.2 million of goodwill related to the combination of Surface Mount and HTM and the acquisition of Qualtron.

-27-

SMTC Corporation (formerly HTM Holdings, Inc.)

Results of Operations

The following table sets forth certain operating data expressed as a percentage of revenue for the years ended:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1999	December 31, 2000	
<S>	<C>	<C>	<C>	
Revenue	100.0%	100.0%	100.0%	
Cost of sales	92.0	91.6	91.3	
Gross profit	8.0	8.4	8.7	
Selling, general and administrative expenses		3.7	5.2	4.4
Amortization of intangible assets		0.2	0.8	0.8
Recapitalization expenses		2.5	-	-
Operating income		1.6	2.4	3.5
Interest	2.2	2.7	1.8	
Earnings (loss) before income taxes		(0.6)	(0.3)	1.7
Income taxes (recovery)		(0.2)	-	0.9
Earnings (loss) before extraordinary loss		(0.4)	(0.3)	0.8
Extraordinary loss		-	(0.5)	(0.3)
Net earnings (loss)		(0.4)%	(0.8)%	0.5%

</TABLE>

Year ended December 31, 2000 compared to the year ended December 31, 1999

Revenue increased \$524.7 million, or 203.4%, from \$258.0 million for the year ended December 31, 1999 to \$782.7 million for the year ended December 31, 2000. This increase resulted from both organic growth and from the combination of Surface Mount and HTM, the acquisition of our Chihuahua facility in July 1999, our acquisition of W.F. Wood in September 1999, the acquisition of Pensar in July 2000 and the acquisition of Qualtron in November 2000. Acquisition revenue contributed \$226.5 million, or 43.2%, of the increase. Organic revenue from both existing customers and new customers increased \$298.2 million, or 61.5%, during 2000.

Revenue from Dell of \$124.0 million and from Alcatel of \$79.8 million for the year ended December 31, 2000 was 15.8% and 10.2%, respectively, of total revenue. Revenue from Dell of \$76.3 million, from Carrier Access of \$27.1 million and from IBM of \$25.7 million was 29.6%, 10.5% and 10.0%, respectively, of total revenue for the year ended December 31, 1999. Alcatel was not a customer of ours in 1999. No other customer represented more than 10% of revenue in the years ended December 31, 1999 and December 31, 2000.

For the year ended December 31, 2000, 79.8% of our revenue was generated from operations in the United States, 9.5% from Canada, 2.3% from Europe and 8.4% from Mexico. For the year ended December 31, 1999, 85.9% of our revenue was generated from operations in the United States, 7.4% from Canada, 2.9% from Europe and 3.8% from Mexico. We intend to enhance our position as a leading EMS provider by expanding our global presence in strategic markets with the addition of facilities in new cost effective regions and geographic locations, and through the expansion of our international sales efforts.

Gross Profit

Gross profit increased \$46.6 million from \$21.7 million for the year ended

December 31, 1999 to \$68.3 million for the year ended December 31, 2000. Our gross profit margin improved from 8.4% for the year ended December 31, 1999 to 8.7% for the year ended December 31, 2000. The improvement in gross profit was due to both organic growth and the combination of Surface Mount and HTM and the acquisitions we completed in 1999 and 2000. The increase in the gross margin was due to the positive impact of the acquisitions. Gross profit from acquisitions contributed \$25.0 million at a gross margin of 11.0% to the increase. Organic growth contributed \$21.6 million to the increase at a gross margin of 7.2%.

-28-

Selling, General & Administrative Expenses

Selling, general and administrative expenses increased \$21.3 million from \$13.3 million for the year ended December 31, 1999 to \$34.6 million for the year ended December 31, 2000. As a percentage of revenue, selling, general and administrative expenses decreased from 5.2% to 4.4%. The combination of Surface Mount and HTM and the subsequent acquisitions contributed \$21.3 million to the increase in selling, general and administrative expenses. At our Denver facility, selling, general, and administrative expenses increased \$0.4 million from \$3.3 million for the year ended December 31, 1999 to \$3.7 million for the year ended December 31, 2000 but declined as a percentage of that site's revenue from 3.2% to 2.0%.

Amortization

Amortization of intangible assets for the year ended December 31, 2000 of \$6.2 million included the amortization of \$2.4 million of goodwill related to the combination of Surface Mount and HTM, \$1.7 million of goodwill related to the acquisition of W.F. Wood, \$1.1 million related to the acquisition of Pensar and \$0.1 million related to the acquisition of Qualtron. We are amortizing goodwill of \$24.9 million resulting from the combination of Surface Mount and HTM, \$17.4 million resulting from the acquisition of W.F. Wood, \$26.6 million resulting from the acquisition of Pensar and \$18.1 million resulting from the acquisition of Qualtron, over a period of ten years. Amortization of intangible assets for the year ended December 31, 2000 also included the amortization of \$0.6 million of deferred finance costs related to the establishment of our amended and restated senior credit facility in July 2000 and \$0.3 million of deferred equipment lease costs. The costs associated with our amended and restated senior credit facility are being amortized over the four year remaining term of the debt.

Amortization of \$2.0 million for the year ended December 31, 1999 included the amortization of \$0.9 million of goodwill related to the combination of Surface Mount and HTM, \$0.6 million of goodwill related to the acquisition of W.F. Wood, \$0.3 million of deferred finance costs related to the establishment of our senior credit facility in July 1999 and \$0.2 million of deferred financing costs related to HTM's credit facility prior to the refinancing.

Interest Expense

Interest expense increased \$6.7 million from \$7.1 million for the year ended December 31, 1999 to \$13.8 million for the year ended December 31, 2000 due to interest expense related to debt incurred in connection with the combination of Surface Mount and HTM, debt incurred to purchase our Chihuahua facility and W.F. Wood and debt incurred to meet increased working capital requirements to fund the growth of our business. The weighted average interest rates with respect to the debt for the years ended December 31, 1999 and 2000 were 9.5% and 9.9%, respectively.

Income Tax Expense

For the year ended December 31, 2000, we recorded an income tax expense of \$7.4 million on pre-tax income of \$13.7 million, which produced an effective tax rate of 54.0% as we were not able to claim a recovery on losses of \$1.1 million by our subsidiary, SMTC Manufacturing Corporation of Ireland Limited, or deduct \$2.4 million of goodwill related to the combination of Surface Mount and HTM.

For the year ended December 31, 1999, an income tax expense of \$0.1 million was recorded on a loss before taxes of \$0.7 million as we were not able to claim a recovery of losses of \$0.5 million by our subsidiary, SMTC Manufacturing Corporation of Ireland Limited, or deduct \$0.9 million of goodwill related to the combination of Surface Mount and HTM.

Extraordinary Loss

Approximately \$143.7 million of the proceeds of the initial public offering were used to reduce our indebtedness under our credit facility. In connection with the initial public offering, we entered into an amended and

-29-

restated credit agreement with our lenders. As a result, an extraordinary loss of \$2.7 million (\$4.3 million before tax), related to early payment penalties, the write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in excess of the proceeds received, was recorded for the year ended December 31, 2000. The \$2.7 million charge would not be presented as an extraordinary loss in accordance with Canadian GAAP. Rather, the \$4.3 million pre-tax expense would be reported in income before taxes and the tax benefit of \$1.6 million would be reported as tax recovery.

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination of Surface Mount and HTM, an extraordinary charge of \$1.3 million (\$2.1 million before tax), related to early payment penalties, the write-off of unamortized deferred financing fees, and the write-off of the unamortized debt discount, was recorded for the year ended December 31, 1999. The \$1.3 million charge would not be presented as an extraordinary loss in accordance with Canadian GAAP. Rather, the \$2.1 million pre-tax expense would be reported in loss before taxes and the tax benefit of \$0.8 million would be reported as tax recovery.

Year ended December 31, 1999 compared to the year ended December 31, 1998

Revenue

Revenue increased \$168.3 million, or 187.6% from \$89.7 million in 1998 to \$258.0 million in 1999. This increase resulted largely from the combination of Surface Mount and HTM, the acquisition of our Chihuahua facility in July 1999 and our acquisition of W.F. Wood in September 1999. Surface Mount, W.F. Wood and our Chihuahua facility contributed \$134.5 million, \$11.0 million and \$9.9 million, respectively, to the increase in revenue. Surface Mount's largest customer was Dell. Revenue from Dell for the five month period from the date of the combination of Surface Mount and HTM to December 31, 1999 was \$76.3 million, or 29.6% of total revenue for 1999. Revenue generated by our Denver facility, formerly HTM, increased \$12.9 million, or 14.4%, from \$89.7 million in 1998 to \$102.6 million in 1999. In 1999, revenue from Carrier Access of \$27.1 million and revenue from IBM of \$25.7 million represented 10.5% and 10.0% of total revenue, respectively. No other customer represented more than 10.0% of our revenue in 1999.

In 1999, 85.9% of our revenue was generated from operations in the United States, 7.4% from Canada, 3.8% from Mexico and 2.9% from Europe. Revenue generated from outside the United States increased from zero in 1998 to \$36.4 million or 14.1% of revenue in 1999. The increase was due to the combination of Surface Mount and HTM and the acquisition of our Chihuahua facility.

Gross Profit

Gross profit increased \$14.5 million from \$7.2 million in 1998 to \$21.7 million in 1999. Our gross margin improved from 8.0% in 1998 to 8.4% in 1999. The improvements in gross profit and gross margin were due to the acquisitions completed in 1999 as well as the combination of Surface Mount and HTM. The combination of Surface Mount and HTM added \$11.1 million of gross profit at a gross margin of 8.3%, our Chihuahua facility contributed \$1.1 million of gross profit at a gross margin of 11.1% and our W.F. Wood business added \$1.8 million of gross profit at a gross margin of 16.4%.

Our Chihuahua facility provided us with higher gross margins because it had a higher percentage of consignment sales, which typically result in lower revenue and higher gross profit margins but lower gross profit compared to turnkey services.

Our W.F. Wood business contributes higher gross margins because the high precision enclosure products manufactured by that business have higher profit margins than the products we have historically manufactured.

At our Denver facility, formerly HTM, gross profit increased \$0.5 million, from \$7.2 million in 1998 to \$7.7 million in 1999, but the gross margin declined from 8.0% to 7.5% due to a change in our business at that facility toward manufacturing products with higher volumes and lower profit margins.

-30-

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$10.0 million from \$3.3 million in 1998 to \$13.3 million in 1999. As a percentage of revenue, selling, general and administrative expenses increased from 3.7% in 1998 to 5.2% in 1999 because the facilities added through our acquisitions and the combination of Surface Mount and HTM were operating at a lower rate of capacity than our Denver facility. Included in selling, general and administrative expense in 1999 were management fees of \$0.7 million paid to our principal stockholders. In 1998, \$0.1 million of management fees were paid to the principal stockholders of HTM. Selling, general and administrative expenses were unchanged from 1998 to 1999 at our Denver facility.

Amortization

Amortization of intangible assets in 1999 includes the amortization of \$0.9 million of goodwill related to the combination of Surface Mount and HTM and \$0.6 million of goodwill related to the acquisition of W.F. Wood. There were no intangible items amortized in 1998. Also included in the amortization of intangible assets is the amortization of \$0.3 million of deferred finance costs related to the establishment of our \$155.0 million senior credit facility in July 1999 and \$0.2 million of deferred finance costs related to HTM's credit facility prior to refinancing. In 1998, amortization of deferred finance costs was \$0.2 million.

Interest Expense

Interest expense increased \$5.1 million from \$2.0 million in 1998 to \$7.1 million in 1999, primarily as a result of the increase in debt incurred in

connection with the combination of Surface Mount and HTM and the debt incurred to purchase our Chihuahua facility and W.F. Wood. Debt of \$35.5 million and \$134.0 million was outstanding at December 31, 1998 and December 31, 1999, respectively. The weighted average interest rates with respect to such debt for 1998 and 1999 were 10.1% and 9.5%, respectively.

Income Tax Expense

Income tax expense in 1999 amounted to \$0.1 million on a loss before tax of \$0.7 million, at an effective rate of 14.1%, as we were not able to claim a recovery on losses of \$0.5 million incurred by our subsidiary SMTC Manufacturing Corporation of Ireland Limited, and we were not able to deduct \$0.9 million of goodwill expense related to the combination of Surface Mount and HTM. We were able to reduce our tax expense by \$0.4 million by applying \$1.0 million of net operating tax losses available to our subsidiaries in the United States. Income tax expense in 1998 amounted to a recovery of \$0.2 million on a loss before tax of \$0.5 million, at an effective tax rate of 37.0%.

Extraordinary Loss

The extraordinary loss of \$1.3 million in 1999, net of the tax benefit of \$0.8 million, arose from early payment penalties of \$0.8 million, the write-off of \$1.0 million of unamortized deferred financing fees and the write-off of the unamortized debt discount of \$0.3 million associated with the repayment of senior and subordinated notes which were refinanced under the \$155.0 million senior credit facility entered into in connection with the July 1999 combination of Surface Mount and HTM. There were no extraordinary gains or losses in 1998. The \$1.3 million charge would not be presented as an extraordinary loss in accordance with Canadian GAAP. Rather, the \$2.1 million pre-tax expense would be reported in loss before taxes and the tax benefit of \$0.8 million would be reported as tax recovery.

Liquidity and Capital Resources

Our principal sources of liquidity are cash provided from borrowings under our senior credit facility and our access to the capital markets. Our principal uses of cash have been to finance mergers and acquisitions, to meet debt service requirements and to finance capital expenditures and working capital requirements. We anticipate that these will continue to be our principal uses of cash in the future.

-31-

Net cash used for operating activities for the year ended December 31, 1999 was \$6.6 million compared to net cash used for operating activities of \$104.9 million for the year ended December 31, 2000. The growth of both existing and new customers during 2000 led to our increased working capital needs.

Net cash provided by financing activities for the year ended December 31, 1999 was \$49.6 million due to the net increase of borrowings of \$55.1 million, which was offset by capital lease payments of \$1.6 million and debt issuance costs of \$4.0 million. Net cash provided by financing activities for year ended December 31, 2000 was \$159.1 million due to the net proceeds from issuance of capital stock of \$179.2 million, and proceeds from the issue of warrants of \$2.5 million, which was offset by repayment of long-term debt and capital leases and debt issuance costs of \$19.7 million, \$1.4 million and \$1.5 million respectively.

Net cash used in investing activities for the year ended December 31, 1999 was \$41.4 million due to the net purchase of capital and other assets of \$4.1 million, the combination of SMTC and HTM and the acquisitions of W.F. Wood and the Chihuahua facility for a total of \$31.6 million and cash held in escrow related to the acquisition of the Chihuahua facility of \$5.7 million. Net cash used in investing activities for the year ended December 31, 2000 was \$53.6 million due to net purchases of capital and other assets of \$25.9 million and the acquisitions of Pensar and Qualtron for a total of \$27.7 million.

In May 2000, we issued senior subordinated notes to certain shareholders for proceeds of \$5.0 million, which were repaid, with proceeds from the initial public offering. In conjunction with the subordinated notes, on May 18, 2000 we issued 41,667 warrants for cash consideration of \$2.5 million which were converted into warrants to purchase 477,049 shares upon our initial public offering.

On July 3, 2000, in order to provide us with additional working capital and to finance the growth of our business, certain of our stockholders purchased demand notes from us in the amount of \$9.9 million. These notes were paid on July 27, 2000 with proceeds from our initial public offering.

On July 27, 2000, we entered into an amended and restated credit agreement with our lenders, which provided for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million. As of December 31, 2000, we had borrowings of \$115.8 million under our senior credit facility.

On July 27, 2000, we completed an initial public offering of our shares of common stock in the United States and exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada. The offering consisted of 6,625,000 shares of common stock at a price of \$16.00 per share and 4,375,000 exchangeable shares at a price of Canadian \$23.60 per share. The net proceeds from the offering (not including proceeds from the sale of shares upon the exercise of the underwriters' over-allotment option) of approximately \$157.1

million were used to reduce our indebtedness under the senior credit facility, to repay outstanding notes, to repay debt of Pensar and to finance the cash portion of the purchase price of Pensar, which closed simultaneously with the initial public offering. On August 18, 2000, an additional 1,650,000 of shares of our common stock were issued at a price of \$16.00 upon the exercise of the underwriters' over-allotment option. The net proceeds of \$24.6 million from the sale of shares upon the exercise of the underwriters' over-allotment option were used to reduce our indebtedness under the senior credit facility.

Our management believes that cash generated from operations, available cash and amounts available under our senior credit facility will be adequate to meet the debt service requirements, capital expenditures and working capital needs at our current level of operations and organic growth, although no assurance can be given in this regard. If we experience unusually strong growth or pursue significant acquisition, we will likely require additional capital. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to enable us to service our indebtedness. Our future operating performance and ability to service or refinance indebtedness will be subject to future economic conditions and to financial, business and other factors, certain of which are beyond our control.

-32-

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") 101 and in March 2000 issued SAB 101A "Revenue Recognition," which provide guidelines in applying U.S. generally accepted accounting principles to revenue recognition in financial statements. As a consequence of the issuance of SAB 101B in June 2000, we were required to implement SAB 101 as of the fourth quarter of 2000. We believe that our revenue recognition practices are consistent with the guidelines.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. SFAS No. 133 requires all derivatives to be recognized either as assets or liabilities and measured at fair value. SFAS No. 137 delays the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We will implement SFAS No. 133 for our first quarter ended March 31, 2001. In accordance with the new standard, we will account for our existing interest rate swaps as cash flow hedges. If we applied the new standard at December 31, 2000 we would record a \$0.1 million liability on our balance sheet and a \$0.1 million charge to other comprehensive income as a cumulative effect type adjustment to reflect the initial mark to market on the interest rate swaps.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that entities capitalize certain costs related to internal-use software once certain criteria have been met. As required, we implemented this standard in 1999. The implementation did not have a material impact on our financial position, results of operations or cash flows.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires that all start-up costs related to the new operations must be expensed as incurred. In addition, all start-up costs that were capitalized in the past must be written off when SOP 98-5 is adopted. As required, we implemented this standard in 1999. The implementation did not have a material impact on our financial position, results of operations or cash flows.

-33-

FORWARD-LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Form 10-K are forward-looking in nature. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally; these expectations may differ materially from SMTC's actual future experience involving any one or more of such matters and subject areas. SMTC cautions readers that all statements other than statements of historical facts included in this annual report on Form 10-K regarding SMTC's financial position and business strategy may constitute forward-looking statements. All of these forward-looking statements are based upon estimates and assumptions made by SMTC's management, which although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed on such estimates and statements. No assurance can be given that any of such estimates or statements will be realized, and it is likely that actual results will differ materially from those contemplated by such forward-looking statements. Factors that may cause such differences include: (1) increased competition; (2) increased costs; (3) the inability to consummate business acquisitions on attractive terms; (4) the loss or retirement of key members of management; (5) increases in SMTC's cost of borrowings or lack of availability of additional debt or equity capital on terms considered reasonable by management; (6) adverse state, federal or foreign legislation or regulation or adverse determinations by regulators; (7) changes in general economic conditions in the markets in which SMTC may compete and fluctuations in demand in the electronics industry; (8) the inability to manage inventory levels efficiently in light of changes in market conditions; and (9) the inability to sustain historical margins as the industry develops. SMTC has attempted to identify certain of the factors that it

currently believes may cause actual future experiences to differ from SMTC's current expectations regarding the relevant matter or subject area. In addition to the items specifically discussed in the foregoing, SMTC's business and results of operations are subject to the risks and uncertainties described under the heading "Factors That May Affect Future Results" below. The operations and results of SMTC's business may also be subject to the effect of other risks and uncertainties. Such risks and uncertainties include, but are not limited to, items described from time to time in SMTC's reports filed with the Securities and Exchange Commission.

FACTORS THAT MAY AFFECT FUTURE RESULTS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

A majority of our revenue comes from a small number of customers; if we lose any of our largest customers, our revenue could decline significantly.

Our largest customer in 2000 was Dell, which represented approximately 14.7% of our total pro forma revenue in 2000. Our next five largest customers collectively represented an additional 35.1% of our total pro forma revenue in 2000. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a limited number of customers, we manufacture a limited number of products for each of our customers. If we lose any of our largest customers or any product line manufactured for one of our largest customers, we could experience a significant reduction in our revenue. Also, the insolvency of one or more of our largest customers or the inability of one or more of our largest customers to pay for its orders could decrease revenue. As many of our costs and operating expenses are relatively fixed, a reduction in net revenue can decrease our profit margins and adversely affect our business, financial condition and results of operations.

Our industry is very competitive and we may not be successful if we fail to compete effectively.

The electronics manufacturing services (EMS) industry is highly competitive. We compete against numerous domestic and foreign EMS providers including Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., SCI Systems, Inc. and Solectron Corporation. In addition, we may in the future encounter competition from other large electronics manufacturers that are selling, or may begin to sell, electronics manufacturing services. Many of our competitors have international operations, and some may have substantially greater manufacturing, financial research and development and marketing resources and lower cost structures than we do. We also face competition from the manufacturing operations of current and potential customers, which are continually evaluating the merits of manufacturing products internally versus the advantages of using external manufacturers.

-34-

We may experience variability in our operating results, which could negatively impact the price of our shares.

Our annual and quarterly results have fluctuated in the past. The reasons for these fluctuations may similarly affect us in the future. Historically, our calendar fourth quarter revenue has been highest and our calendar first quarter revenue has been lowest. Prospective investors should not rely on results of operations in any past period to indicate what our results will be for any future period. Our operating results may fluctuate in the future as a result of many factors, including:

- . variations in the timing and volume of customer orders relative to our manufacturing capacity;
- . variations in the timing of shipments of products to customers;
- . introduction and market acceptance of our customers' new products;
- . changes in demand for our customers' existing products;
- . the accuracy of our customers' forecasts of future production requirements;
- . effectiveness in managing our manufacturing processes and inventory levels;
- . changes in competitive and economic conditions generally or in our customers' markets;
- . changes in the cost or availability of components or skilled labor; and
- . the timing of, and the price we pay for, acquisitions and related integration costs.

In addition, most of our customers typically do not commit to firm production schedules more than 30 to 90 days in advance. Accordingly, we cannot forecast the level of customer orders with certainty. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials and incur other expenses to meet the anticipated demand of our customers. Sometimes anticipated orders from certain customers have failed to materialize, and

sometimes delivery schedules have been deferred as a result of changes in a customer's business needs. Any material delay, cancellation or reduction of orders from our largest customers could cause our revenue to decline significantly. In addition, as many of our costs and operating expenses are relatively fixed, a reduction in customer demand can decrease our gross margins and adversely affect our business, financial condition and results of operations. On other occasions, customers have required rapid and unexpected increases in production, which have placed burdens on our manufacturing capacity.

Any of these factors or a combination of these factors could have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon the electronics industry, which produces technologically advanced products with short life cycles.

Substantially all of our customers are in the electronics industry, which is characterized by intense competition, short product life-cycles and significant fluctuations in product demand. In addition, the electronics industry is generally subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, their products could become obsolete and the demand for our services could significantly decline. Our success is largely dependent on the success achieved by our customers in developing and marketing their products. Furthermore, this industry is subject to

-35-

economic cycles and has in the past experienced downturns. A recession or a downturn in the electronics industry would likely have a material adverse effect on our business, financial condition and results of operations.

Shortage or price fluctuation in component parts specified by our customers could delay product shipment and affect our profitability.

A substantial portion of our revenue is derived from "turnkey" manufacturing. In turnkey manufacturing, we provide both the materials and the manufacturing services. If we fail to manage our inventory effectively, we may bear the risk of fluctuations in materials costs, scrap and excess inventory, all of which can have a material adverse effect on our business, financial condition and results of operations. We are required to forecast our future inventory needs based upon the anticipated demands of our customers. Inaccuracies in making these forecasts or estimates could result in a shortage or an excess of materials. In addition, delays, cancellations or reductions of orders by our customers could result in an excess of materials. A shortage of materials could lengthen production schedules and increase costs. An excess of materials may increase the costs of maintaining inventory and may increase the risk of inventory obsolescence, both of which may increase expenses and decrease profit margins and operating income.

Many of the products we manufacture require one or more components that we order from sole-source suppliers. Supply shortages for a particular component can delay productions of all products using that component or cause cost increases in the services we provide. In addition, in the past, some of the materials we use, such as memory and logic devices, have been subject to industry-wide shortages. As a result, suppliers have been forced to allocate available quantities among their customers and we have not been able to obtain all of the materials desired. Our inability to obtain these needed materials could slow production or assembly, delay shipments to our customers, increase costs and reduce operating income. Also, we may bear the risk of periodic component price increases. Accordingly, some component price increases could increase costs and reduce operating income. Also we rely on a variety of common carriers for materials transportation, and we route materials through various world ports. A work stoppage, strike or shutdown of a major port or airport could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our business, financial condition and results of operations.

We have experienced significant growth in a short period of time and may have trouble integrating acquired businesses and managing our expansion.

Since 1996, we have completed eight acquisitions. Acquisitions may involve numerous risks, including difficulty in integrating operations, technologies, systems, and products and services of acquired companies; diversion of management's attention and disruption of operations; increased expenses and working capital requirements; entering markets in which we have limited or no prior experience and where competitors in such markets have stronger market positions; and the potential loss of key employees and customers of acquired companies. In addition, acquisitions may involve financial risks, such as the potential liabilities of the acquired businesses, the dilutive effect of the issuance of additional equity securities, the incurrence of additional debt, the financial impact of transaction expenses and the amortization of goodwill and other intangible assets involved in any transactions that are accounted for using the purchase method of accounting, and possible adverse tax and accounting effects.

We have a limited history of owning and operating our acquired businesses on a consolidated basis. There can be no assurance that we will be able to meet performance expectations or successfully integrate our acquired businesses on a timely basis without disrupting the quality and reliability of service to our customers or diverting management resources. Our rapid growth has placed and

will continue to place a significant strain on management, on our financial resources, and on our information, operating and financial systems. If we are unable to manage this growth effectively, it may have a material adverse effect on our business, financial condition and results of operations.

-36-

Our acquisition strategy may not succeed.

As part of our business strategy, we expect to continue to grow by pursuing acquisitions of other companies, assets or product lines that complement or expand our existing business. Competition for attractive companies in our industry is substantial. We cannot assure you that we will be able to identify suitable acquisition candidates or finance and complete transactions that we select. Our failure to execute our acquisition strategy may have a material adverse effect on our business, financial condition and results of operation. Also, if we are not able to successfully complete acquisitions, we may not be able to compete with larger EMS providers who are able to provide a total customer solution.

If we do not effectively manage the expansion of our operations, our business may be harmed.

We have grown rapidly in recent periods, and this growth may be difficult to sustain. Internal growth and further expansion of services may require us to expand our existing operations and relationships. We plan to expand our design and development services and our manufacturing capacity by expanding our facilities and by adding new equipment. Expansion has caused, and is expected to continue to cause, strain on our infrastructure, including our managerial, technical, financial and other resources. Our ability to manage future growth effectively will require us to attract, train, motivate and manage new employees successfully, to integrate new employees into our operations and to continue to improve our operational and information systems. We may experience inefficiencies as we integrate new operations and manage geographically dispersed operations. We may incur cost overruns. We may encounter construction delays, equipment delays or shortages, labor shortages and disputes, and production start-up problems that could adversely affect our growth and our ability to meet customers' delivery schedules. We may not be able to obtain funds for this expansion on acceptable terms or at all. In addition, we expect to incur new fixed operating expenses associated with our expansion efforts, including increases in depreciation expense and rental expense. If our revenue does not increase sufficiently to offset these expenses, our business, financial condition and results of operations would be materially adversely affected.

If we are unable to respond to rapidly changing technology and process development, we may not be able to compete effectively.

The market for our products and services is characterized by rapidly changing technology and continuing process development. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products and services that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. In addition, the EMS industry could in the future encounter competition from new or revised technologies that render existing technology less competitive or obsolete or that reduce the demand for our services. There can be no assurance that we will effectively respond to the technological requirements of the changing market. To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies and equipment may require us to make significant capital investments. There can be no assurance that capital will be available for these purposes in the future or that investments in new technologies will result in commercially viable technological processes.

Our business will suffer if we are unable to attract and retain key personnel and skilled employees.

We depend on the services of our key senior executives, including Paul Walker, Philip Woodard, Gary Walker and Derrick D'Andrade. Our business also depends on our ability to continue to recruit, train and retain skilled employees, particularly executive management, engineering and sales personnel. Recruiting personnel in our industry is highly competitive. In addition, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition. There can be no assurance that we will be able to retain our executive officers and key personnel or attract qualified management in the future.

-37-

Risks particular to our international operations could adversely affect our overall results.

Our success will depend, among other things, on successful expansion into new foreign markets in order to offer our customers lower cost production options. Entry into new foreign markets may require considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, operations in a new foreign market may operate at low profit margins or may be unprofitable.

Pro forma revenue generated outside of the United States and Canada was

approximately 11% in 2000. International operations are subject to inherent risks, including:

- . fluctuations in the value of currencies and high levels of inflation;
- . longer payment cycles and greater difficulty in collecting amounts receivable;
- . unexpected changes in and the burdens and costs of compliance with a variety of foreign laws;
- . political and economic instability;
- . increases in duties and taxation;
- . inability to utilize net operating losses incurred by our foreign operations to reduce our U.S. and Canadian income taxes;
- . imposition of restrictions on currency conversion or the transfer of funds; and
- . trade restrictions.

We are subject to a variety of environmental laws, which expose us to potential financial liability.

Our operations are regulated under a number of federal, state, provincial, local and foreign environmental and safety laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of such materials. Compliance with these environmental laws is a major consideration for us because we use metals and other hazardous materials in our manufacturing processes. We may be liable under environmental laws for the cost of cleaning up properties we own or operate if they are or become contaminated by the release of hazardous materials, regardless of whether we caused such release. In addition we, along with any other person who arranges for the disposal of our wastes, may be liable for costs associated with an investigation and remediation of sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated, even if we fully comply with applicable environmental laws. In the event of a contamination or violation of environmental laws, we could be held liable for damages including fines, penalties and the costs of remedial actions and could also be subject to revocation of our discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, thereby having a material adverse effect on our operations. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could have a material adverse effect on our business, financial condition and results of operations.

-38-

RISKS RELATED TO OUR CAPITAL STRUCTURE

Our future indebtedness could adversely affect our financial health and severely limit our ability to plan for or respond to changes in our business.

At December 31, 2000, we had \$115.8 million of indebtedness under our senior credit facility. We plan to incur additional indebtedness from time to time to finance acquisitions or capital expenditures or for other purposes. This debt could have adverse consequences for our business, including:

- . We will be more vulnerable to adverse general economic conditions;
- . We will be required to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- . We may have difficulty obtaining additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- . We may have limited flexibility in planning for, or reacting to, changes in our business and industry;
- . We could be limited by financial and other restrictive covenants in our credit arrangements in our borrowing of additional funds; and
- . We may fail to comply with the covenants under which we borrowed our indebtedness which could result in an event of default. If an event of default occurs and is not cured or waived, it could result in all amounts outstanding, together with accrued interest, becoming immediately due and payable. If we were unable to repay such amounts, the lenders could proceed against any collateral granted to them to secure that indebtedness.

There can be no assurance that our leverage and such restrictions will not materially adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. In addition, our ability to pay principal and interest on our indebtedness to meet our financial and restrictive covenants and to satisfy our other debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which

are beyond our control, as well as the availability of revolving credit borrowings under our senior credit facility or successor facilities.

The terms of our credit agreement impose significant restrictions on our ability to operate.

The terms of our current credit agreement restrict, among other things, our ability to incur additional indebtedness, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. We are also required to maintain specified financial ratios and satisfy certain financial condition tests, which further restrict our ability to operate as we choose. Substantially all of our assets and those of our subsidiaries are pledged as security under our senior credit facility.

Investment funds affiliated with Bain Capital, Inc., investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management have significant influence over our business, and could delay, deter or prevent a change of control or other business combination.

Investment funds affiliated with Bain Capital, Inc., investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management held approximately 12.9%, 12.1%, 7.1% and 13.2%, respectively, of our outstanding shares as of March 16, 2001. In addition, three of the nine directors who serve on our board are, or were, representatives of the Bain funds, two are representatives of the Celerity funds, two are representatives of Kilmer Electronics Group Limited and two are members of management. By virtue of such

-39-

stock ownership and board representation, the Bain funds, the Celerity funds, Kilmer Electronics Group Limited and certain members of management have a significant influence over all matters submitted to our stockholders, including the election of our directors, and exercise significant control over our business policies and affairs. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

Provisions in our charter documents and state law may make it harder for others to obtain control of us even though some stockholders might consider such a development favorable.

Provisions in our charter, by-laws and certain provisions under Delaware law may have the effect of delaying or preventing a change of control or changes in our management that stockholders consider favorable or beneficial. If a change of control or change in management is delayed or prevented, the market price of our shares could suffer.

Item 7A: Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our senior credit facility bears interest at a floating rate. The weighted average interest rate on our senior credit facility for 2000 was 9.6%. We reduce our exposure to interest rate risks through swap agreements. We have entered into swap agreements to hedge \$65.0 million of our outstanding debt. Under the terms of our current swap agreement expiring on September 22, 2001, the maximum annual rate we would pay on approximately \$65.0 million of our debt is 9.16%, as of December 31, 2000. The remainder of our debt of \$50.8 million bore interest based on the Eurodollar base rate, which was 6.7% on December 31, 2000. If the Eurodollar base rate increased by 10% to 7.4%, our interest expense would increase by approximately \$0.4 million in 2000. The unhedged portion of our senior credit facility of \$50.8 million bore interest at 9.2% per annum, as of December 31, 2000.

Foreign Currency Exchange Risk

Most of our sales and purchases are denominated in U.S. dollars, and as a result we have relatively little exposure to foreign currency exchange risk with respect to sales made. As a result of our Qualtron acquisition, we have assumed forward exchange contracts to sell U.S. dollars for Irish punts. The aggregate principal amount of the contracts was \$6.25 million at December 31, 2000 and was valued at the closing dollar exchange rate of \$1.19 for financial statement purposes. These contracts mature at various dates through July 31, 2001. If the U.S. dollar strengthened by 10% against the Irish punt, we would experience an exchange loss of approximately \$0.7 million in 2000.

Item 8: Financial Statements and Supplementary Data

The information called for by this item is indexed on page F-1 of this Report and is contained on pages F-2 through F-49.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On September 20, 1999, we notified KPMG LLP that it would be engaged as our independent auditors, replacing Arthur Andersen LLP, who were dismissed as our independent auditors on September 20, 1999. KPMG LLP was the independent auditor for Surface Mount prior to the July 1999 combination of Surface Mount and HTM. The decision to change independent auditors was approved by our board

of directors on September 17, 1999. During their engagement, Arthur Andersen LLP issued no audit report which was qualified or modified as to uncertainty, audit scope or accounting principles, no adverse opinions or disclaimers of opinion on any of our financial statements, and there were no disagreements with Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures.

-40-

PART III

Item 10: Directors and Executive Officers of the Registrant

The information required by this Item is included under the captions "Proposal One: Election of Directors," "Directors and Executive Officers" and "Additional Information - Section 16(a) Beneficial Ownership Reporting Compliance" in the proxy statement for use in connection with the Company's 2001 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated herein by reference.

Item 11: Executive Compensation

The information required by this Item is included under the caption "Executive Compensation and Related Information" in the Proxy Statement 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 "Securities Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is incorporated herein by reference.

Item 13: Certain Relationships and Related Transactions

The information required by this Item is included under the caption "Directors and Executive Officers - Related Party Transactions" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 14: Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) Financial Statements.

The financial statements filed as part of this Report are listed and indexed at page F-1.

(a) (2) Financial Statement Schedules.

The following financial statement schedule is filed as part of this current report. All other financial statement schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Company's consolidated financial statements set forth in this Annual Report on Form 10-K and the notes thereto.

-41-

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Expressed in thousands of U.S. dollars)

<TABLE>
<CAPTION>

Reserves for Inventory	Years ended December 31,		
	1998	1999	2000
	<C>	<C>	<C>
Balance, beginning of year		\$(354)	\$ (521)
Charge to expense	(255)	(915)	(2,222)
Written off	88	560	272
Added through acquisition		(952)	(261)
Balance, end of year	\$(521)	\$(1,828)	\$(4,039)

</TABLE>

<TABLE>
<CAPTION>

Reserves for Accounts Receivable	Years ended December 31,		
	1998	1999	2000
	<C>	<C>	<C>
Balance, beginning of year		\$(180)	\$ (195)
Charge to expense	(120)	(120)	(2,003)
Written off	105	50	169
Added through acquisition		(249)	(20)
Balance, end of year	\$(195)	\$(514)	\$(2,368)

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of SMTC Corporation (formerly HTM Holdings, Inc.):

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements as of and for the year ended December 31, 1998, of SMTC Corporation (a Delaware corporation, formerly HTM Holdings, Inc.) and its subsidiary included in this registration statement and have issued our report thereon dated March 10, 1999. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II -- Valuation and Qualifying Accounts is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the 1998 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado
March 10, 1999

[KPMG LETTERHEAD]

The Board of Directors of SMTC Corporation

Under date of February 9, 2001, we reported on the consolidated balance sheets of SMTC Corporation (formerly HTM Holdings, Inc.) and subsidiaries as at December 31, 1999 and 2000, and the related consolidated statements of operations, changes in shareholders' equity (deficiency) and cash flows for each of the years in the two-year period ended December 31, 2000, which are included in the annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule -- Valuation and Qualifying Accounts for each of the years in the two-year period ended December 31, 2000 included in the annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein for each of the years in the two-year period ended December 31, 2000.

/s/ KPMG LLP

Chartered Accountants

Toronto, Canada
February 9, 2001

(a) (3) Exhibits.

Listed below are all exhibits filed as part of this Report. Certain exhibits are incorporated herein by reference to (i) the Company's Registration Statement on Form S-1 originally filed on March 24, 2000 (File No. 333-33208), and (ii) documents previously filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

<TABLE>
<CAPTION>

Exhibit #	Description
<C>	<S>
2.1.1	Reorganization and Merger Agreement dated as of July 26, 1999. (4)
2.1.2	Amendment to Reorganization and Merger Agreement, dated as of July 27, 2000.
2.2	Stock Purchase Agreement dated as of May 23, 2000 (Pensar Corporation). (3)
2.3	Stock Purchase Agreement dated as of November 22, 2000 (Qualtron Teoranta and Qualtron, Inc.). (8)
3.1	Amended and Restated Certificate of Incorporation. (7)
3.2	Amended and Restated By-Laws. (7)
3.3	Certificate of Designation. (7)
4.1.1	Stockholders Agreement dated as of July 27, 2000. (6)

4.1.2 Amended and Restated Stockholders Agreement dated as of November 22, 2000.

4.2 Form of certificate representing shares of common stock. (3)

4.3 Warrant to purchase shares of Class L common stock and schedule of warrants attached thereto. (5)

</TABLE>

42

<TABLE>

<CAPTION>

Exhibit # Description

<S> <C>

4.4 Warrant to purchase shares of Class A-1 common stock and schedule of warrants attached thereto. (5)

4.5 Warrant to purchase shares of Class A-1 and Class L common stock and schedule of warrants attached thereto. (5)

4.6 15% Senior Subordinated Note and schedule of notes attached thereto. (5)

4.7 Exchangeable Share Provisions attaching to the exchangeable shares of SMTC Manufacturing Corporation of Canada. (7)

4.8 Exchangeable Share Support Agreement dated as of July 27, 2000 among SMTC, SMTC Manufacturing Corporation of Canada and SMTC Nova Scotia Company. (7)

4.9 Voting & Exchange Trust Agreement dated as of July 27, 2000 among SMTC, SMTC Manufacturing Corporation of Canada, CIBC Mellon Trust Company and SMTC Nova Scotia Company. (7)

4.10 Secured Demand Note of SMTC Manufacturing Corporation of Canada dated July 3, 2000. (4)

4.11 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000. (4)

4.12 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000. (4)

4.13 Demand Note of SMTC Manufacturing Corporation of Canada dated July 3, 2000. (4)

4.14 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000. (4)

4.15 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000. (4)

4.16 Demand Note of HTM Holdings, Inc. dated July 3, 2000. (4)

10.1.1 Credit and Guarantee Agreement dated as of July 28, 1999. (4)

10.1.2 First Amendment to Credit and Guarantee Agreement, dated as of November 4, 1999. (5)

10.1.3 Second Amendment to Credit and Guarantee Agreement, dated as of December 14, 1999. (5)

10.1.4 Third Amendment to Credit and Guarantee Agreement, dated as of May 15, 2000. (4)

10.1.5 Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000. (7)

10.1.6 Amended and Restated Guarantee and Collateral Agreement dated as of July 27, 2000. (7)

10.1.7 First Amendment dated as of November 17, 2000 to the Amended and Restated Credit and Guarantee Agreement.

10.1.8 Second Amendment dated as of December 28, 2000 to the Amended and Restated Credit and Guarantee Agreement.

10.1.9 Third Amendment dated as of February 6, 2001 to the Amended and Restated Credit and Guarantee Agreement.

10.2 Amended and Restated SMTC (HTM) 1998 Equity Incentive Plan. (1)

10.3 SMTC Corporation/SMTC Manufacturing Corporation of Canada 2000 Equity Incentive Plan. (7)

10.4.1 Real Property Lease dated as of September 1, 1993 between Ogden Atlantic Design Co., Inc. and Garrett and Garrett. (5)

10.4.2 Lease Renewal Agreement dated as of September 1, 1996 between Atlantic Design Co., Inc. and Garrett and Garrett. (5)

10.4.3 Assignment of Lease dated as of September 16, 1997 between Ogden Atlantic Design Co., Inc. and The SMT Centre S.E. Inc. (5)

10.5 Form of Real Property Lease dated December 22, 1998 between Third
Franklin Trust and W.F. Wood, Inc. (4)

</TABLE>

43

<TABLE>
<CAPTION>

Exhibit # Description

<S> <C>
10.6 Real Property Lease dated May 9, 1995 between Logitech Ireland Limited
and Ogden Atlantic Design (Europe) Limited. (5)

10.7 Real Property Sublease Agreement dated March 29, 1996 between Radian
International, LLC and The SMT Centre of Texas Inc. (5)

10.8 Real Property Lease, Work Letter Agreement and Lease Addendum between
Edwin A. Helwig and Barbara G. Helwig and The SMT Centre of Texas Inc.
(5)

10.9 Real Property Lease dated as of September 15, 1998 between
Warden-McPherson Developments Ltd. and The Surface Mount Technology
Centre Inc. (5)

10.10 Real Property Lease dated September 3, 1999 between Airedale Realty
Trust and W.F. Wood, Inc. (5)

10.11.1 Real Property Revised Lease Agreement dated January 14, 1994 between HTM
Building Investors LLC and Hi-Tech Manufacturing, Inc. (2)

10.11.2 First Amendment to Lease. (2)

10.11.3 Second Amendment to Lease. (2)

10.12 Derek D'Andrade Employment Agreement dated July 30, 1999. (1)*

10.13 Edward Johnson Employment Agreement dated May 18, 2000. (5)*

10.14 Gary Walker Employment Agreement dated July 30, 1999. (1)*

10.15 Paul Walker Employment Agreement dated July 30, 1999. (1)*

10.16 Philip Woodard Employment Agreement dated July 30, 1999. (1)*

10.17 Stanley Plzak Employment Agreement dated as of July 27, 2000.*

10.18 Warrant Subscription Agreement dated as of May 18, 2000. (3)

10.19 Senior Subordinated Loan Agreement dated as of May 18, 2000. (3)

10.20 Lease Agreement dated as of June 1, 2000 between SMTC Manufacturing
Corporation of North Carolina and Garrett and Garrett. (7)

10.21 Lease Agreement dated as of August 11, 2000 between SMTC Manufacturing
Corporation of Massachusetts and Lincoln-Franklin LLC. (7)

10.22 Class N Common Stock Redemption Agreement dated July 26, 2000.

10.23 Lease Agreement dated as of May 12, 1998 between the Haverdyne Company,
LLC and Qualtron, Inc.

10.24.1 Management Agreement dated July 30, 1999. (1)

10.24.2 Termination Agreement dated as of July 27, 2000.

10.25 Share Purchase Agreement dated July 26, 2000 for the purchase of Gary
Walker's Class Y shares.

10.26 Funding Agreement dated July 26, 2000.

10.27 Promissory Note dated July 26, 2000.

10.28 Pledge Agreement dated July 26, 2000 with respect to shares of common
stock of SMTC owned by Gary Walker.

10.29 Class N Common Stock Redemption Agreement dated July 26, 2000.

10.30 Real Estate Sale Agreement between Flextronics International USA, Inc.,
as Seller, and SMTC Manufacturing Corporation of Texas, as Purchaser,
dated February 23, 2001.

16.1 Letter from Arthur Andersen regarding change in certifying accountants.

21.1 Subsidiaries of the registrant.

</TABLE>

- (1) Filed as an Exhibit to the Company's Registration Statement on Form S-1 filed on March 24, 2000 (File No. 333-33208) and incorporated by reference herein.
- (2) Filed as an Exhibit to Amendment No. 1 to the Company's Registration Statement on Form S-1 filed on May 24, 2000 (File No. 333-33208) and incorporated by reference herein.
- (3) Filed as an Exhibit to Amendment No. 2 to the Company's Registration Statement on Form S-1 filed on June 19, 2000 (File No. 333-33208) and incorporated by reference herein.

44

- (4) Filed as an Exhibit to Amendment No. 3 to the Company's Registration Statement on Form S-1 filed on July 10, 2000 (File No. 333-33208) and incorporated by reference herein.
 - (5) Filed as an Exhibit to Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on July 18, 2000 (File No. 333-33208) and incorporated by reference herein.
 - (6) Filed as an Exhibit to the Company's Registration Statement on Form S-8 filed on August 22, 2000 (File No. 333-44250) and incorporated by reference herein.
 - (7) Filed as an Exhibit to the Company's Report on Form 10-Q for the quarterly period ended October 1, 2000 filed on November 15, 2000 (File No. 0-31051) and incorporated by reference herein.
 - (8) Filed as an Exhibit to the Company's Current Report on Form 8-K filed on December 7, 2000 (File No. 0-31051) and incorporated by reference herein.
- * Management contract or compensatory plan

(b) A current report on Form 8-K was filed by the Company on December 7, 2000. In that report, the Company reported its November 22, 2000 acquisition of Qualtron under Item 2.

45

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.

SMTC Corporation

/s/ Paul Walker

By: _____
Paul Walker
President and Chief Executive Officer

Date: March 30, 2001

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 date indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
-----	----	---
<S>	<C>	<C>

/s/ Paul Walker		President, Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2001
-----------------	--	--	----------------

/s/ Richard Smith		Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2001
-------------------	--	--	----------------

	Director		March 30, 2001
Stephen Adamson			

/s/ Prescott Ashe		Director	March 30, 2001
Prescott Ashe			

	Director		March 30, 2001
Mark Benham			

/s/ David Dominik		Director	March 30, 2001
David Dominik			

/s/ Michael Griffiths

Michael Griffiths Director March 30, 2001

/s/ Ian Loring

Ian Loring Director March 30, 2001
</TABLE>

46

<TABLE>
<CAPTION>
Signature Title Date
----- ----- ----
<S> <C> <C>

/s/ Anthony Sigel
----- Director March 30, 2001
Anthony Sigel

/s/ Gary Walker
----- Executive Vice President, Business March 30, 2001
Gary Walker Programs Management and Director

</TABLE>

47

SMTC CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>		
<S>	<C>	
Independent Auditors' Report		F-1
Consolidated Balance Sheets as of December 31, 1999 and 2000		F-2
Consolidated Statements of Operations for the years ended December 31, 1998, 1999 and 2000		F-3
Consolidated Statements of Changes in Shareholders' Equity (Deficiency) for the years ended December 31, 1998, 1999 and 2000		F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000		F-6
Notes to Consolidated Financial Statements		F-7
</TABLE>		

AUDITORS' REPORT

To the Board of Directors of SMTC Corporation

We have audited the accompanying consolidated balance sheets of SMTC Corporation (formerly HTM Holdings, Inc.) and subsidiaries as at December 31, 1999 and 2000, and the related consolidated statements of operations, changes in shareholders' equity (deficiency), and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The accompanying consolidated financial statements of SMTC Corporation for the year ended December 31, 1998 were audited by other auditors whose report dated March 10, 1999 expressed an unqualified opinion on those statements.

We conducted our audits 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SMTC Corporation and subsidiaries as at December 31, 1999 and 2000, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2000 in accordance with United States generally accepted accounting principles.

United States generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in Canada. Application of accounting principles generally accepted in Canada would have affected results of operations for each of the years in the three-year period ended December 31, 2000 and shareholders' equity (deficiency) as at December 31,

1999 and 2000 to the extent summarized in note 22 to the consolidated financial statements.

/s/ KPMG LLP

Chartered Accountants

Toronto, Canada

February 9, 2001

F-1

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars)

December 31, 1999 and 2000

	1999	2000
Assets		
Current assets:		
Cash and short-term investments	\$ 2,083	\$ 2,698
Accounts receivable (note 4)	71,597	194,749
Inventories (note 5)	61,680	191,821
Prepaid expenses	3,647	5,233
Deferred income taxes (note 10)	1,527	1,044
	140,534	395,545
Capital assets (note 6)	35,003	58,564
Goodwill (note 7)	40,800	80,149
Other assets (note 8)	11,145	9,859
Deferred income taxes (note 10)	623	3,359
	\$ 228,105	\$ 547,476

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$ 53,119	\$ 141,574
Accrued liabilities	29,307	51,695
Income taxes payable	1,127	5,458
Current portion of long-term debt (note 9)	2,000	7,500
Current portion of capital lease obligations (note 9)	1,541	995
	87,094	207,222
Capital lease obligations (note 9)	1,537	1,242
Long-term debt (note 9)	128,942	108,305
Deferred income taxes (note 10)	2,733	2,221
Shareholders' equity:		
Capital stock (note 11)	3	77,427
Warrants (note 11)	367	367
Loans receivable (note 11)	(60)	(27)
Additional paid-in-capital	11,804	151,396
Deficit	(4,315)	(677)
	7,799	228,486

Commitments and contingencies (notes 15 and 16)
United States and Canadian accounting policy
differences (note 22)

\$ 228,105 \$ 547,476

See accompanying notes to consolidated financial statements.

F-2

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Operations
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

<TABLE>
<CAPTION>

	1998	1999	2000	
<S>	<C>	<C>	<C>	
Revenue	\$ 89,687	\$ 257,962	\$ 782,763	
Cost of sales	82,528	236,331	714,420	
Gross profit	7,159	21,631	68,343	
Selling, general and administrative expenses		3,280	13,332	34,614
Amortization	151	1,990	6,229	
Leveraged recapitalization expenses (note 2(a)(ii))		2,219	--	--
Operating income	1,509	6,309	27,500	
Interest (note 9)	2,030	7,066	13,837	
Earnings (loss) before income taxes		(521)	(757)	13,663
Income taxes (recovery) (note 10):				
Current	15	442	7,954	
Deferred	(208)	(335)	(607)	
	(193)	107	7,347	
Earnings (loss) before extraordinary loss		(328)	(864)	6,316
Extraordinary loss, net of income tax recovery of 1999 - \$811; 2000 - \$1,640 (note 17)		--	(1,279)	(2,678)
Net earnings (loss)	\$ (328)	\$ (2,143)	\$ 3,638	

</TABLE>

F-3

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Operations (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

<TABLE>
<CAPTION>

	1998	1999	2000	
<S>	<C>	<C>	<C>	
Earnings (loss) per common share (note 20):				
Earnings (loss) before extraordinary loss	\$ (328)	\$ (864)	\$ 6,316	
Preferred share dividends	(609)	--	--	
Class L preferred entitlement	--	(2,185)	(3,164)	
Earnings (loss) before extraordinary loss attributable to common shareholders	(937)	(3,049)	3,152	
Extraordinary loss	--	(1,279)	(2,678)	
Earnings (loss) attributable to common shareholders	\$ (937)	\$ (4,328)	\$ 474	
Earnings (loss) per common share before extraordinary loss	\$ (0.44)	\$ (1.89)	\$ 0.24	
Extraordinary loss per common share	--	(0.79)	(0.20)	
Basic earnings (loss) per common share	\$ (0.44)	\$ (2.68)	\$ 0.04	
Diluted earnings (loss) per common share	\$ (0.44)	\$ (2.68)	\$ 0.03	

Weighted average number of shares outstanding:
Basic 2,147,130 1,617,356 13,212,076
Diluted 2,147,130 1,617,356 13,736,616

<TABLE>

See accompanying notes to consolidated financial statements.

F-4

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in thousands of U.S. dollars)

Years ended December 31, 1998, 1999 and 2000

<TABLE>

<CAPTION>

	Capital stock	Warrants	Treasury stock	Additional paid-in capital	Loans receivable	Total shareholders' equity Deficit	(deficiency)	
<hr/>								
<S>	(note 11)							
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1997	\$ 5	\$ --	\$ --	\$ 5,971	\$ --	\$ (1,844)	\$ 4,132	
Shares issued	2	--	--	7,907	--	--	7,909	
Warrants issued	--	367	--	--	--	--	367	
Preferred share dividends	--	--	--	(609)	--	--	(609)	
Shares repurchased	(1)	--	(21,938)	--	--	--	(21,939)	
Loss for the year	--	--	--	--	--	(328)	(328)	
<hr/>								
Balance, December 31, 1998	6	367	(21,938)	13,269	--	(2,172)	(10,468)	
Acquisition of SMTC Corporation	(3)	--	21,938	(1,525)	--	--	20,410	
Options exercised	--	--	--	60	(60)	--	--	
Loss for the year	--	--	--	--	--	(2,143)	(2,143)	
<hr/>								
Balance, December 31, 1999	3	367	--	11,804	(60)	(4,315)	7,799	
Warrants issued	--	3,598	--	--	--	--	3,598	
Warrants exercised	4	(3,598)	--	3,594	--	--	--	
Share reorganization	116	--	--	(116)	--	--	--	
Shares issued on completion of initial public offering, net of costs of \$20,706	64,976	--	--	116,718	--	--	181,694	
Shares issued on acquisition of Pensar Corporation	12	--	--	19,007	--	--	19,019	
Options exercised	--	--	--	160	--	--	160	
Shares issued on acquisition of Qualtron Teoranta	12,545	--	--	--	--	--	12,545	
Conversion of shares from exchangeable to common stock	(229)	--	--	229	--	--	--	
Repayment of loans receivable	--	--	--	--	33	--	33	
Net earnings	--	--	--	--	--	3,638	3,638	
<hr/>								
Balance, December 31, 2000	\$ 77,427	\$ 367	\$ --	\$ 151,396	\$ (27)	\$ (677)	\$ 228,486	

<TABLE>

See accompanying notes to consolidated financial statements.

F-5

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

Years ended December 31, 1998, 1999 and 2000

<TABLE>

<CAPTION>

	1998	1999	2000
<S>	<C>	<C>	<C>
Cash provided by (used in):			
Operations:			
Net earnings (loss)	\$ (328)	\$ (2,143)	\$ 3,638

Items not involving cash:			
Amortization	151	1,990	6,229
Depreciation	2,869	6,452	9,595
Deferred income tax provision (benefit)		(208)	(335) (71)
Loss (gain) on disposition of capital assets		(6)	160 (60)
Loss on early extinguishment of debt		--	1,279 2,461
Change in non-cash operating working capital:			
Accounts receivable	(9,895)	4,441	(110,131)
Inventories	(1,170)	(15,217)	(118,455)
Prepaid expenses and other	105	(1,705)	(1,316)
Accounts payable and accrued liabilities	4,709	(1,487)	103,200
	(3,773)	(6,565)	(104,910)
Financing:			
Increase in bank indebtedness	1,212	--	--
Repayment of bank indebtedness	--	(6,559)	--
Increase in restricted cash	(250)	--	--
Increase in long-term debt	--	130,942	--
Repayment of long-term debt	--	(69,261)	(19,717)
Principal payments on notes payable		(175)	--
Principal payments on capital lease obligations		(1,319)	(1,571) (1,427)
Proceeds from warrants	--	--	2,500
Issuance of subordinated notes	--	--	5,000
Repayment of subordinated notes	--	--	(5,000)
Issuance of demand notes	--	--	9,925
Repayment of demand notes	--	--	(9,925)
Proceeds from notes payable	25,000	--	--
Proceeds from issuance of common stock		9,252	-- 202,560
Dividends paid on preferred stock		(609)	--
Stock issuance costs	(1,342)	--	(23,400)
Repurchase of stock	(26,160)	--	--
Repayment of loans receivable	--	--	33
Debt issuance costs	(1,296)	(3,975)	(1,450)
	4,313	49,576	159,099
Investments:			
Acquisitions, net of \$4,672 (1999 - \$698)			
cash acquired	--	(31,619)	(27,683)
Purchases of capital assets	(505)	(4,130)	(25,676)
Proceeds from sale of capital assets	30	8	278
Cash in escrow	--	(5,735)	--
Purchase of other assets	--	62	(493)
	(475)	(41,414)	(53,574)
Increase in cash and cash equivalents			
	65	1,597	615
Cash and cash equivalents, beginning of year			
	421	486	2,083
Cash and cash equivalents, end of year			
	\$ 486	\$ 2,083	\$ 2,698

</TABLE>

Supplemental cash flow information (note 14)

See accompanying notes to consolidated financial statements.

F-6

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

1. Nature of business:

The Company is a worldwide provider of advanced electronics manufacturing services to original equipment manufacturers. The Company services its customers through eleven manufacturing and technology centres located in the United States, Canada, Europe and Mexico.

The Company's accounting principles are in accordance with accounting principles generally accepted in the United States and, except as outlined in note 22, are, in all material respects, in accordance with accounting principles generally accepted in Canada.

2. Significant accounting policies:

(a) Basis of presentation:

(i) Business combination between HTM Holdings, Inc. and SMTC Corporation:

Effective July 30, 1999, SMTC Corporation acquired 100% of the

outstanding common shares of HTM Holdings, Inc. SMTC Corporation issued 1,393,971 Class A shares and 154,168 Class L shares to the shareholders of HTM Holdings, Inc. for \$16,739 cash consideration and 100% of the outstanding shares of HTM Holdings, Inc. Simultaneously, the former shareholders of SMTC Corporation subscribed for an additional 26,701 Class N shares for nominal consideration. Upon completion of these transactions, the former HTM Holdings, Inc. shareholders held 58% of the outstanding shares of SMTC Corporation. Accordingly, the acquisition is recorded as a reverse takeover of SMTC Corporation by HTM Holdings, Inc. and accounted for using the purchase method. Application of reverse takeover accounting results in the following:

- (a) The consolidated financial statements of the combined entity are issued under the name of the legal parent (SMTC Corporation) but are considered a continuation of the financial statements of the legal subsidiary (HTM Holdings, Inc.).
- (b) As HTM Holdings, Inc. is deemed to be the acquiror for accounting purposes, its assets and liabilities are included in the consolidated financial statements of the continuing entity at their carrying values and the comparative figures reflect the results of operations of HTM Holdings, Inc.

F-7

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

- (c) Control of the net assets and operations of SMTC Corporation is deemed to be acquired by HTM Holdings, Inc. effective July 30, 1999. For purposes of this transaction, the deemed consideration is \$24,703, being the \$20,410 fair value of the outstanding common shares of SMTC Corporation immediately prior to the business combination plus transaction costs of \$4,293.

Details of net assets acquired at fair value are as follows:

Current assets	\$ 84,423
Capital assets	21,093
Goodwill	24,863
Liabilities assumed	(105,676)

Net assets acquired \$ 24,703

(ii) Recapitalization transaction:

On June 8, 1998, HTM Holdings, Inc. completed a leveraged recapitalization and reorganization in which it sold 1,800,424 new shares to an investment company, reacquired 92% of its then outstanding common shares, retired its preferred stock and settled all options outstanding under its 1993 stock option plan.

In connection with the recapitalization, the Company contributed substantially all of its assets and liabilities to a newly formed subsidiary in exchange for 100% of the subsidiary's stock, and changed its name from Hi-Tech Manufacturing, Inc. to HTM Holdings, Inc. The subsidiary adopted the Hi-Tech Manufacturing, Inc. name. The subsidiary borrowed \$13,000 in senior debt and \$12,000 in subordinated debt and entered into a \$15,000 revolving line of credit agreement. The stock of the subsidiary was pledged as collateral for the senior debt and line of credit. The subsidiary loaned approximately \$21,000 to the Company.

F-8

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share

amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

The net sources and uses of proceeds were as follows:

Borrowings	\$ 23,700
Stock proceeds	7,900
Repurchase of stock	(26,800)

	\$ 4,800

Subsequent to the leveraged recapitalization, an investment company held 92% of the outstanding common stock of the parent.

Transaction costs related to the leveraged recapitalization and compensation expense arising from the settlement of stock options resulted in a \$2,219 charge to operating income in fiscal 1998.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results may differ from those estimates.

F-9

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

(d) Revenue recognition:

Revenue from the sale of products is recognized when goods are shipped to customers. Revenue from the provision of services is recognized when services are provided. The earnings process is complete upon shipment of products and provision of services.

(e) Cash and short-term investments:

Cash and short-term investments include cash on hand and deposits with banks with original maturities of less than three months.

(f) Inventories:

Inventories are valued on a first-in, first-out basis at the lower of cost and replacement cost for raw materials and at the lower of cost and net realizable value for work in progress. Inventories include an application of relevant overhead.

(g) Capital assets:

Capital assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Machinery and equipment	7 years
Office furniture and equipment	7 years
Computer hardware and software	3 years
Leasehold improvements	Over term of lease

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

(h) Goodwill:

Goodwill represents the excess of cost over the fair value of net tangible assets acquired in facility acquisitions and other business combinations. Goodwill is amortized on a straight-line basis over 10 years. The recoverability of goodwill is reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment of value is recorded if undiscounted projected future net cash flows of the acquired operation are determined to be insufficient to recover goodwill. The amount of goodwill impairment, if any, is measured based on projected discounted future net cash flows using a discount rate reflecting the Company's average cost of funds.

(i) Other assets:

Costs incurred relating to the issuance of debt are deferred and amortized over the term of the related debt. Amortization of debt issuance costs is included in amortization expense in the consolidated statements of operations. Deferred lease costs are amortized over the term of the lease.

(j) Income taxes:

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable earnings. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. The effect of changes in tax rates is recognized in the period in which the rate change occurs.

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

(k) Stock-based compensation:

The Company accounts for stock options issued to employees using the intrinsic value method of Accounting Principles Board Opinion No. 25. Compensation expense is recorded on the date stock options are granted only if the current fair value of the underlying stock exceeds the exercise price. The Company has provided the pro forma disclosures required by Statement of Financial Accounting Standards No. 123.

(l) Foreign currency translation:

The functional currency of all foreign subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year-end rates of exchange. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates and revenue and expenses are translated at average exchange rates prevailing during the month of the transaction. Exchange gains or losses are reflected in the consolidated statements of operations.

(m) Financial instruments and hedging:

The Company enters into interest rate swap contracts to hedge its exposure to changes in interest rates on its long-term debt. The contracts have the effect of converting the floating rate of

interest on \$65,000 of the senior credit facility to a fixed rate. Net receipts, payments and accruals under the swap contracts are recorded as adjustments to interest expense.

If a swap is terminated prior to its maturity, the gain or loss is recognized over the remaining original life of the swap if the item hedged remains outstanding or immediately, if the item hedged does not remain outstanding. If the swap is not terminated prior to maturity, but the underlying hedged item is no longer outstanding, the interest rate swap is marked to market and any unrealized gain or loss is recognized immediately.

F-12

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

One of the Company's subsidiaries has entered into forward foreign currency contracts to hedge foreign currency exposures on future sales. As the contracts do not meet the criteria for hedge accounting, the Company records those contracts on the balance sheet at their fair values and any corresponding unrealized gains or losses are recognized in the statements of operations.

(n) Impairment of long-lived assets:

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of." SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairments whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets.

(o) Comprehensive income:

Comprehensive income includes all changes in equity (net assets) during a period from non-owner sources. During each of the years in the three-year period ended December 31, 2000 comprehensive income was equal to net earnings (loss).

F-13

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

2. Significant accounting policies (continued):

(p) Recently issued accounting pronouncements:

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. SFAS No. 133 requires all derivatives to be recognized either as assets or liabilities and measured at fair value. The Company will implement SFAS No. 133 for its first quarter ended March 31, 2001. In accordance with the new standard, the Company will account for its existing interest rate swaps as cash flow hedges. If the Company applied the new standard at December 31, 2000, the Company would record an \$85 liability on its balance sheet and an \$85 charge to other comprehensive income as a cumulative effect type adjustment to reflect the initial mark to market on the interest rate swaps.

3. Acquisitions:

In addition to the business combination between HTM Holdings, Inc. and SMTC Corporation (note 2(a)(i)), the Company completed two acquisitions

during 1999 and two acquisitions during 2000, which were accounted for as purchases. The results of operations of the facilities acquired are included in these financial statements from their respective dates of acquisition.

Acquisitions completed in 1999:

- (a) In July 1999, the Company acquired a manufacturing facility operated by Zenith Electronics Corporation in Chihuahua, Mexico. Zenith used the facility to manufacture components included in Zenith products. The transaction was effected through the acquisition of the outstanding shares of Cableproducts de Chihuahua, S.A. de C.V. ("Cableproducts") and Radio Components de Mexico, S.A. de C.V. ("Radio"). The total purchase price of \$8,352 was financed with cash. Under the provisions of the purchase agreement, Zenith may claim additional consideration in the form of cash if certain production volumes are achieved. The contingent consideration will be amortized over the remaining term of the supply contract with Zenith if and when paid. Of the purchase price, \$5,735 is being held in escrow and will be released pending the resolution of certain liabilities, including the settlement of a portion of the contingent consideration.

F-14

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

3. Acquisitions (continued):

- (b) In September 1999, the Company acquired 100% of the issued and outstanding shares of W.F. Wood, Incorporated. W.F. Wood, Incorporated operates a manufacturing facility that provides high precision enclosures, located in Boston, Massachusetts. The total purchase price of \$19,672 was financed with cash.

Acquisitions completed in 2000:

- (a) On July 27, 2000, simultaneously with the closing of the initial public offering, the Company acquired Pensar Corporation, an electronics manufacturing services company specializing in design services and located in Appleton, Wisconsin. The total purchase price including transaction costs was \$37,019 resulting in goodwill of approximately \$26,563. The purchase consideration consisted of \$18,000 cash and the balance in 1,188,682 shares of common stock of the Company. The cash portion of the acquisition was financed with a portion of the proceeds from the initial public offering.
- (b) On November 22, 2000, the Company acquired Qualtron Teoranta, a provider of specialized custom made cable harnesses and fibre optic assemblies located in Donegal, Ireland. The total purchase price including transaction costs was \$26,900 resulting in goodwill of approximately \$18,075. The final purchase price is subject to a working capital adjustment. The purchase consideration consisted of \$14,355 cash and the balance in 547,114 exchangeable shares of SMTC Manufacturing Corporation of Canada, a subsidiary of the Company.

Details of the net assets acquired in these acquisitions, at fair value, are as follows:

<TABLE>
<CAPTION>

	Chihuahua Manufacturing Facility	W.F. Wood, Incorporated	Pensar Corporation	Qualtron Teoranta
<S>	<C>	<C>	<C>	<C>
Current assets	\$ --	\$ 6,354	\$ 16,609	\$ 13,041
Capital assets	9,094	1,695	5,299	1,858
Other long-term assets	--	20	581	--
Goodwill	--	17,468	26,563	18,075
Liabilities assumed	--	(5,865)	(12,033)	(6,074)
Deferred income taxes	(742)	--	--	--
Net assets acquired	\$ 8,352	\$ 19,672	\$ 37,019	\$ 26,900

</TABLE>

F-15

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
 (Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

3. Acquisitions (continued):

The following unaudited pro forma consolidated financial information for the year ended December 31, 1999 reflects the impact of the business combination with SMTC Corporation and the acquisitions of W.F. Wood, Incorporated, Pensar Corporation and Qualtron Teoranta assuming the acquisitions had occurred at the beginning of 1999. The following unaudited pro forma consolidated financial information for the year ended December 31, 2000 reflects the impact of the acquisitions of Pensar Corporation and Qualtron Teoranta assuming the acquisitions had occurred at the beginning of 2000. This unaudited pro forma consolidated financial information has been provided for information purposes only and is not necessarily indicative of the results of operations or financial condition that actually would have been achieved if the acquisitions had been on the date indicated, or that may be reported in the future:

	1999	2000
(Unaudited)		
Revenue	\$ 530,690	\$ 842,563
Earnings (loss) before extraordinary loss	(1,767)	5,662
Net earnings (loss)	(3,046)	2,984
Basic earnings (loss) per share	(1.46)	0.22
Diluted earnings (loss) per share	(1.46)	0.21

4. Accounts receivable:

Accounts receivable at December 31, 2000 are net of an allowance for doubtful accounts of \$2,368 (1999 - \$514).

5. Inventories:

	1999	2000
Raw materials	\$ 35,371	\$ 107,767
Work in progress	17,124	56,521
Finished goods	8,578	25,493
Other	607	2,040
	\$ 61,680	\$ 191,821

F-16

SMTC CORPORATION
 (FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
 (Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

6. Capital assets:

1999	Accumulated Cost depreciation	Net book value
Land	\$ 2,060	\$ -- \$ 2,060
Buildings	5,099	59 5,040
Machinery and equipment	31,150	12,789 18,361
Office furniture and equipment	2,540	479 2,061
Computer hardware and software	3,838	1,371 2,467
Leasehold improvements	6,065	1,051 5,014
	\$50,752	\$15,749 \$35,003

2000	Accumulated Cost depreciation	Net book value
------	----------------------------------	-------------------

Land	\$ 3,134	\$ --	\$ 3,134
Buildings	11,653	313	11,340
Machinery and equipment	41,301	17,953	23,348
Office furniture and equipment	3,965	1,091	2,874
Computer hardware and software	8,004	3,339	4,665
Leasehold improvements	15,726	2,523	13,203
	\$83,783	\$25,219	\$58,564

Property and equipment under capital leases included in capital assets at December 31, 2000 was \$2,027 (1999 - \$ 8,981) and accumulated depreciation of equipment under capital leases at December 31, 2000 was \$917 (1999 - \$8,123).

Included in the total depreciation expense for the year ended December 31, 2000 of \$9,595 (1999 - \$6,452; 1998 - \$2,869) is \$273 (1999 - \$1,358; 1998 - \$1,305) relating to the depreciation of equipment under capital leases.

F-17

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

7. Goodwill:

1999	Accumulated Cost	amortization	Net book value
Goodwill	\$42,331	\$ 1,531	\$40,800

2000	Accumulated Cost	amortization	Net book value
Goodwill	\$86,969	\$ 6,820	\$80,149

8. Other assets:

	1999	2000
Deferred financing costs, net of accumulated amortization of \$868 (1999 - \$277)	\$ 3,698	\$ 1,696
Restricted cash and cash held in escrow	5,985	5,985
Deferred lease costs, net of accumulated amortization of \$379 (1999 - \$30)	1,430	1,072
Other	32	1,106
	\$11,145	\$ 9,859

F-18

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

9. Long-term debt and capital leases:

	1999	2000
Revolving credit facilities (a)	\$ 35,942	\$ 68,305
Term loans (a)	85,000	47,500
Subordinated debt	10,000	--

	130,942	115,805
Less current portion	2,000	7,500
	\$128,942	\$108,305

For the period from January 1, 1999 to July 26, 2000:

Concurrent with the business combination of HTM Holdings, Inc. and SMTC Corporation, the Company and certain of its subsidiaries entered into a senior credit facility that provided for \$85,000 in terms loans, \$10,000 in subordinated debt and \$60,000 in revolving credit loans, swing-line loans and letters of credit. The senior credit facility was secured by a security agreement over all assets and required the Company to meet certain financial ratios and benchmarks and to comply with certain restrictive covenants. The revolving credit facilities terminated in July 2004. The term loans matured in quarterly instalments from September 2000 to June 2004 for \$35,000 of the term loans and from September 2000 to December 2005 for \$50,000 of the term loans. Term loans totalling \$35,000 were repaid from proceeds of the initial public offering. The \$10,000 subordinated debt was payable in one instalment on September 30, 2006 and was repaid from proceeds of the initial public offering.

The revolving credit loans and term loans bore interest at varying rates based on either the Eurodollar base rate plus 2.25% to 3.50%, the U.S. base rate plus 0.50% to 1.75% or the Canadian prime rate plus 0.50% to 1.75%.

The subordinated debt bore interest at the Eurodollar base rate plus 4.75% or the U.S. base rate plus 3.00%.

F-19

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

9. Long-term debt and capital leases (continued):

In May 2000, the Company's lenders increased the revolving credit facility from \$60,000 to \$67,500. The Company issued senior subordinated notes to certain shareholders for proceeds of \$5,000. The notes bore interest at 15% per annum. The notes were repaid from proceeds of the initial public offering.

On July 3, 2000, the Company issued demand notes in the aggregate principal amount of \$9,925. Of these demand notes, \$5,925 in aggregate principal amount was secured by a portion of the capital assets of the Company and certain of its subsidiaries. The demand notes bore a fee of 3% of the principal amount accruing on the date of issuance and interest of 13.75% per year and were payable to the holders of the notes at any time upon demand. The demand notes were repaid of proceeds of the initial public offering.

For the period from July 27, 2000 to December 31, 2000:

(a) In connection with the initial public offering, the Company and certain of its subsidiaries entered into an amended and restated credit agreement that provides for \$50,000 in an initial term loan and \$100,000 in revolving credit loans, swing-line loans and letters of credit. The senior credit facility is secured by a security agreement over all assets and requires the Company to meet certain financial ratios and benchmarks and to comply with certain restrictive covenants. The revolving credit facilities terminate in July 2004. The term loans mature in quarterly instalments from September 2000 to June 2004.

The revolving credit loans and term loans bear interest at varying rates based on either the Eurodollar base rate plus 2.00% to 3.00%, the U.S. base rate plus 0.25% to 1.25% or the Canadian prime rate plus 0.25% to 1.25%.

The Company has entered into interest rate swaps to exchange the 90-day floating LIBOR rates on \$65,000 of borrowings for a two-year fixed interest rate of 6.16% (before credit spread) per annum (note 12).

The weighted average interest rate on the borrowings in 2000 was 9.9%.

F-20

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

9. Long-term debt and capital leases (continued):

The Company is required to pay the lenders a commitment fee of 0.5% of the average unused portion of the revolving credit facility. Commitment fees of \$128 were incurred in 2000.

As at December 31, 2000, principal repayments due within each of the next four years are as follows:

2001	\$ 7,500
2002	12,500
2003	17,500
2004	78,305

\$115,805

(b) Senior notes payable outstanding in 1998 and through to July 30, 1999 bore interest based on the prime rate or LIBOR. The weighted average interest rate was 7.64% in 1999.

(c) Subordinated notes outstanding in 1998 and through July 30, 1999 were held by affiliates of certain shareholders of HTM Holdings, Inc. The weighted average interest rate was 11.5% in 1999.

(d) Lines of credit:

For the period up to July 30, 1999, the Company had a line of credit for borrowings up to a maximum of \$15,000. The weighted average interest rate on the line of credit was 7.35% in 1999.

F-21

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

9. Long-term debt and capital leases (continued):

(e) Capital lease obligations:

Minimum lease payments for capital leases consist of the following at December 31, 2000:

2001	\$ 1,143
2002	619
2003	551
2004	152
2005	46

Total minimum lease payments 2,511

Less amount representing interest of 8% to 11% 274

2,237

Less current portion 995

\$ 1,242

The Company is required to maintain \$250 in a certificate of deposit in connection with certain capital lease obligations.

(f) Interest expense:

	1998	1999	2000
Short-term obligations	\$ 584	\$ 702	\$ --
Long-term debt	1,105	6,061	13,765
Obligations under capital leases	341	303	72
	\$ 2,030	\$ 7,066	\$13,837

F-22

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

10. Income taxes:

The components of income taxes are:

	1998	1999	2000
Current:			
Federal	\$ 15	\$ --	\$ 3,448
Foreign	--	442	4,506
	15	442	7,954
Deferred:			
Federal	(198)	(267)	(582)
State	(10)	(47)	(68)
Foreign	--	(21)	43
	(208)	(335)	(607)
	\$ (193)	\$ 107	\$ 7,347

The overall effective income tax rate (expressed as a percentage of financial statement earnings (loss) before income taxes) varied from the U.S. statutory income tax rate as follows:

	1998	1999	2000
Federal tax rate	34.0%	34.0%	34.3%
State income tax, net of federal tax benefit	3.0	6.0	4.0
Income of international subsidiaries taxed at different rates	--	4.9	4.2
Change in valuation allowance	--	--	(6.3)
Non-deductible goodwill amortization	--	--	(50.1)
Other	--	(2.6)	3.0
Effective income tax rate	37.0%	(14.1)%	53.8%

A tax benefit of \$1,640 (1999 - \$811) has been allocated to the extraordinary loss.

A tax benefit of \$2,694 relating to share issue costs has been recorded in capital stock and additional paid-in capital.

F-23

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

10. Income taxes (continued):

Worldwide earnings (loss) before income taxes consisted of the following:

	1998	1999	2000
U.S	\$ (521)	\$ (1,269)	\$ 5,651
Non-U.S	--	512	8,012
	\$ (521)	\$ (757)	\$ 13,663

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax liabilities and assets are comprised of the following at December 31:

	1999	2000
Deferred tax assets:		
Net operating loss carryforwards	\$ 1,275	\$ 1,485
Reserves, allowances and accruals	1,429	3,682
Valuation allowance	2,704	5,167
	(554)	(764)
	2,150	4,403
Deferred tax liabilities:		
Capital and other assets	(2,733)	(2,221)
Net deferred tax assets (liabilities)	\$ (583)	\$ 2,182

F-24

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

10. Income taxes (continued):

At December 31, 2000, the Company had total net operating loss carryforwards of approximately \$9,300, which begin to expire in 2013. Losses of \$1,400 in one of the subsidiaries may only be used against taxable income generated by that subsidiary. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income by the appropriate subsidiaries during those periods when the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, change of control limitations, projected future taxable income and tax planning strategies in making this assessment. Based upon consideration of these factors, management believes the recorded valuation allowance related to the loss carryforwards of a specific subsidiary is appropriate.

The valuation allowance in 1999 is higher than 1998 by \$554 due to the acquisition of certain loss carryforwards in the business combination between HTM Holdings, Inc. and SMTC Corporation. The valuation allowance in 2000 is \$210 higher than 1999 due to losses generated in one of the Company's subsidiaries in 2000.

11. Capital stock:

(a) Authorized:

To July 30, 1999:

The authorized share capital of HTM Holdings, Inc. consisted of:

- (i) 10,000,000 common shares, \$0.01 par value per share;
- (ii) 100,000 Series A preferred shares, convertible, \$0.001 par value per share, mandatorily redeemable for \$11.48 per share;

F-25

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

- (iii) 100,000 Series B preferred shares - \$0.001 par value per share, mandatorily redeemable for \$11.48 per share; and
- (iv) 250,000 Series C preferred shares, convertible, \$0.001 par value per share, mandatorily redeemable for \$11.25 per share.

As a result of the business combination, described in note 2(a)(i), HTM Holdings, Inc. became a wholly owned subsidiary of SMTC Corporation on July 30, 1999. The authorized share capital of SMTC Corporation at December 31, 1999 consists of:

- (i) 11,720,000 Class A-1 voting common shares, par value \$0.001 per share:

Holders are entitled to one vote per share and to share in dividends pro rata subject to any preferential rights of the Class L shares.

- (ii) 1,100,000 Class A-2 voting common shares, par value \$0.001 per share:

Holders are entitled to one vote per share and to share in dividends pro rata subject to any preferential rights of the Class L shares.

- (iii) 300,000 Class L voting common shares, par value \$0.001 per share:

The number of votes per share is determined by a prescribed formula and the holders are entitled to receive all dividends declared on common stock until there has been paid a specified amount based on an internal rate of return of 12% compounded quarterly and a recovery of the initial amount of \$162 per Class L share, after which point, they are entitled to receive dividends pro rata.

F-26

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

- (iv) 125,000 Class N voting common shares, par value \$0.001 per share:

The number of votes per share are determined by a prescribed formula and the holders are not entitled to receive dividends. The holders of the Class N shares hold the exchangeable shares described in note 11(c).

Each share of Class L and Class A-2 stock shall convert automatically, under certain conditions, into Class A-1 shares based on a prescribed formula for Class L shares and on a one-for-one basis for Class A-2 shares.

As a result of the share reclassification and the initial public offering, the authorized share capital of SMTC Corporation at December 31, 2000 consists of:

- (i) 60,000,000 shares of common stock, par value \$0.01 per share:

Holders are entitled to one vote per share and to share in dividends pro rata subject to any preferential dividend rights of any then outstanding preferred stock.

- (ii) 5,000,000 shares of preferred stock, par value \$0.01 per share:

The Company may from time to time issue preferred stock in one or more series and fix the terms of that series at the time it is created.

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

(b) Issued and outstanding:

HTM Holdings, Inc. to July 30, 1999:

Number of shares	Common shares	Preferred shares
Balance, December 31, 1997	4,361,621	450,000
Shares issued	1,800,424	--
Shares repurchased	(4,215,641)	(450,000)
Balance, December 31, 1998, being balance, July 30, 1999	1,946,404	--

The 4,215,641 common shares repurchased were held in treasury stock.

Amount	Common shares	Preferred shares
Balance, December 31, 1997	\$ 4	\$ 1
Shares issued	2	--
Shares repurchased	--	(1)
Balance, December 31, 1998, being balance, July 30, 1999	\$ 6	\$--

In connection with the recapitalization, the Company contributed substantially all of its assets and liabilities to a newly formed subsidiary in exchange for 100% of the subsidiary's stock and changed its name from Hi-Tech Manufacturing, Inc. The subsidiary borrowed \$13,000 in senior debt and \$12,000 in subordinated debt and entered into a \$15,000 revolving line of credit agreement. The stock of the subsidiary was pledged as collateral for the senior debt and line of credit. The subsidiary loaned approximately \$21,000 to the Company.

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

SMTC Corporation from July 30, 1999 to December 31, 2000:

As a result of the application of reverse acquisition accounting to the business combination with HTM Holdings, Inc., the number of outstanding shares of the continuing consolidated entity consists of the number of outstanding shares of SMTC Corporation outstanding at July 30, 1999.

<TABLE>
<CAPTION>

Number of shares	Class A shares	Class L shares	Class N shares	Exchangeable shares	Special Common stock	voting stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, July 29, 1999	1,020,671	--	86,707	--	--	--
Issued to existing						

shareholders (i)	--	--	26,701	113,408	--	--	
Share transactions related to the reverse acquisition (ii)	1,393,971	154,168	--	--	--	--	
Options exercised (iii)	33,140	--	--	--	--	--	
Balance, December 31, 1999	2,447,782	154,168	113,408	113,408	113,408	--	--
Share reorganization (i)	(2,447,782)	(154,168)	(113,408)	1,356,037	11,871,517		1
Warrants exercised (ii)	--	--	--	--	477,049	--	
Shares issued on completion of initial public offering (iii)	--	--	--	4,375,000	8,275,000	--	
Acquisition of Pensar Corporation (iv)	--	--	--	--	1,188,682	--	
Options exercised (v)	--	--	--	--	20,053	--	
Acquisition of Qualtron Teoranta (vi)	--	--	--	547,114	--	--	
Conversion of shares from exchangeable to common stock (vii)	--	--	--	(20,600)	20,600	--	
Balance, December 31, 2000	--	--	--	6,370,959	21,852,901		1

</TABLE>

F-29

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

<TABLE>
<CAPTION>

Amount	Class A shares	Class L shares	Class N shares	Exchangeable shares	Special Common stock	voting stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ascribed value at the date of the reverse takeover (ii)	\$ 3	\$ --	\$ --	\$ --	\$ --	\$ --
Options exercised (iii)	--	--	--	--	--	--
Balance, December 31, 1999		3	--	--	--	--
Share reorganization (i)		(3)	--	--	119	--
Warrants exercised (ii)		--	--	--	4	--
Shares issued on completion of initial public offering (iii)		--	--	64,893	83	--
Shares issued on acquisition of Pensar Corporation (iv)		--	--	--	12	--
Options exercised (v)		--	--	--	--	--
Shares issued on acquisition of Qualtron Teoranta (vi)		--	--	12,545	--	--
Conversion of shares from exchangeable to common stock (vii)		--	--	(229)	--	--
Balance, December 31, 2000	\$ --	\$ --	\$ --	\$ 77,209	\$ 218	\$ --

</TABLE>

The difference between the par value of the capital stock and the accounting value ascribed at the date of the reverse takeover has been credited to additional paid-in capital.

Capital transactions from July 30, 1999 to December 31, 1999:

- (i) In connection with the business combination on July 30, 1999, SMTC Corporation issued 26,701 Class N shares to its existing shareholders for nominal cash consideration. The existing shareholders also received the exchangeable shares described in (c) below.
- (ii) On July 30, 1999, SMTC Corporation issued 1,393,971 Class A-1 shares and 154,168 Class L shares to the shareholders of HTM Holdings, Inc. in exchange for \$16,739 cash consideration and

100% of the outstanding shares of HTM Holdings, Inc. The ascribed value of the shares issued is equal to the \$20,410 fair value of SMTC Corporation at the time of the transaction.

F-30

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

(iii) On July 30, 1999, 33,140 Class A-1 restricted shares were granted upon the exercise of options for consideration of \$60 in promissory notes receivable. The notes are secured by the shares granted and bear interest at 5.7%. The notes have been recorded as a reduction of shareholders' equity. The restrictions vest over the original vesting period of the underlying 1998 HTM Plan options. At December 31, 1999, 24,855 of the issued Class A shares are subject to restrictions.

Capital transactions from January 1, 2000 to December 31, 2000:

- (i) Concurrent with the effectiveness of the initial public offering (see (iii) below), the Company completed a share capital reorganization as follows:
- (a) Each outstanding Class Y share of SMTC Corporation's subsidiary, SMTC Manufacturing Corporation of Canada, was purchased in exchange for shares of Class L common stock.
 - (b) Each outstanding share of Class L common stock was converted into one share of Class A common stock plus an additional number of shares of Class A common stock.
 - (c) Each outstanding share of Class A common stock was converted into 3.6745 shares of common stock.
 - (d) All outstanding shares of Class N common stock were redeemed and one share of special voting stock was issued and is held by a trustee for the benefit of the holders of the exchangeable shares.
 - (e) Each SMTC Canada Class L exchangeable share was converted into exchangeable shares of the same class as those being offered in the offering in the same ratio as shares of Class L common stock which were converted to shares of common stock.
- (ii) On July 27, 2000, the Company issued 477,049 shares of common stock on the exercise of 41,667 warrants.

F-31

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

(iii) On July 27, 2000, the Company completed an initial public offering of its common stock in the United States and exchangeable shares of its subsidiary, SMTC Manufacturing Corporation of Canada, in Canada. The offering consisted of 6,625,000 shares of common stock at a price of \$16.00 per share and 4,375,000 exchangeable shares at a price of Cdn. \$23.60 per share (described in (c) below). The total net proceeds to the Company from the offering of approximately \$157,400 were used to reduce its indebtedness under the senior credit facility, repay the subordinated stockholders' notes issued in May 2000, repay the demand notes issued in July 2000 and finance the cash portion of the purchase price of the Pensar Corporation acquisition. On August 18, 2000, the underwriters exercised their over-allotment option with respect to 1,650,000 shares of common stock at a price of \$16.00 per share. The net proceeds to the Company from the sales of those shares of \$24,600 were used to reduce

indebtedness under the senior credit facility.

- (iv) On July 27, 2000, simultaneously with the closing of the initial public offering, the Company issued 1,188,682 shares of common stock at a price of \$16.00 per share to finance the share portion of the purchase price of the Pensar Corporation acquisition.
- (v) Pursuant to employee share purchase and option plans, the Company issued 20,053 shares from treasury for cash of \$160.
- (vi) On November 22, 2000, the Company issued 547,114 exchangeable shares at a price of \$22.93 per share to finance the share portion of the Qualtron Teoranta acquisition.
- (vii) During the year, 20,600 exchangeable shares were exchanged for common stock.

(c) Exchangeable shares:

On July 30, 1999, SMTC Manufacturing Corporation of Canada, a 100% owned subsidiary of the Company, issued two classes of non-voting shares which can be exchanged into 113,408 Class L common shares of the Company on a one-for-one basis. The holders of the exchangeable shares are entitled to receive dividends equivalent to the dividends declared on Class L shares. The holders of exchangeable shares exercise, through the special voting stock, essentially the same voting rights in respect of the Company as they would if they had exchanged their shares into shares of the Company's common stock.

F-32

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

On July 27, 2000, pursuant to the initial public offering, the exchangeable shares convertible into 113,408 Class L common shares, were converted to 1,469,445 exchangeable shares. The shares are exchangeable into shares of the Company's common stock on a one-for-one basis.

On July 27, 2000, pursuant to the initial public offering, SMTC Manufacturing Corporation of Canada issued an additional 4,375,000 exchangeable shares at a price of Cdn. \$23.60 per share.

On November 22, 2000, 547,114 exchangeable shares were issued to finance the share portion of the purchase price of the Qualtron Teoranta acquisition.

(d) Warrants:

Number	Common		
	Class A warrants	Class L warrants	stock warrants
Balance, December 31, 1999	103,895	12,088	--
Warrants issued (i)	--	--	41,667
Warrants conversion (ii)	(103,895)	(12,088)	578,441
Warrants exercised (iii)	--	--	(41,667)
Balance, December 31, 2000	--	--	578,441

1999 transactions:

In connection with the business combination between SMTC Corporation and HTM Holdings, Inc., each existing warrant holder of HTM Holdings, Inc. was granted equivalent warrants in SMTC Corporation and the previous HTM Holdings, Inc. warrants were cancelled.

F-33

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

11. Capital stock (continued):

2000 transactions:

- (i) On May 18, 2000, the Company issued 41,667 warrants for \$2,500 cash consideration in connection with the issue of \$5,000 in subordinated notes (note 9). The value of the warrants in excess of proceeds received, \$1,098, was recorded as a deferred financing cost and was written off upon early repayment of the subordinated notes as an extraordinary loss (note 17).
- (ii) On July 27, 2000, pursuant to the initial public offering, the Class A and Class L warrants were converted into common stock warrants.
- (iii) On July 27, 2000, the Company issued 477,049 shares of common stock on the exercise of warrants.

The Class A warrants and Class L warrants had an exercise price of \$1.82 and \$147.57, respectively. The common stock warrants have a weighted average exercise price of \$3.41. The warrants have a term of 10 years and are exercisable from the date of grant. Each common stock warrant is convertible into one common share.

(e) Stock options:

1993 HTM Holdings Equity Plan:

In connection with the leveraged recapitalization in 1998, the stock option plan adopted by HTM Holdings, Inc. in 1993 (the "1993 Plan") was cancelled. HTM Holdings, Inc. permitted its employees to exercise all outstanding options prior to the cancellation of the 1993 Plan by executing notes payable for the exercise price. The shares issued to the exercising employees were reacquired in connection with the leveraged recapitalization and both the shares issued and the notes payable were retired, resulting in a \$2,108 non-recurring charge.

The weighted average grant date fair value of options granted during 1998 was \$3.46 per share.

F-34

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

1998 HTM Plan:

In June 1998, HTM Holdings, Inc. adopted a new stock option plan (the "1998 Plan") pursuant to which incentive stock options and non-qualified stock options to purchase shares of common stock may be issued. The Board of Directors authorized 122,685 shares to be issued under the 1998 Plan. Incentive stock options are granted at an exercise price not less than the fair market value of the common stock on the date of grant, as determined by the Board of Directors. Options generally vest over four years and expire 10 years from their respective dates of grant.

1998 SMTC Plan:

In July 1999, the Company replaced the 1998 Plan with an equivalent stock option plan. Each HTM option holder was granted equivalent options in SMTC Corporation's stock. The Board of Directors authorized 165,000 Class A and 4,000 Class L options to be issued under the plan. The Class A options vest immediately and are exercisable for Class A restricted shares. The restrictions expire on the same basis as the Class L vesting periods. The Class L options vest over a four-year period and expire after 10 years from the original grant date of the 1998 Plan options.

F-35

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

2000 Equity Incentive Plan:

In July 2000, the Company approved a new stock option plan, the SMTC/SMTC Manufacturing Corporation of Canada 2000 Equity Incentive Plan (the "2000 Equity Incentive Plan"), pursuant to which a variety of stock-based incentive awards may be granted. The plan permits the issuance of up to 1,727,052 shares plus an additional number of shares determined by the Board but not to exceed 1% of the total number of shares outstanding per year. Options generally vest over a four-year period and expire ten years from their respective date of grant.

Stock option transactions were as follows:

<TABLE>
<CAPTION>

	1993 Plan		1998 Plan		
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	
<S>	<C>	<C>	<C>	<C>	
Balance, December 31, 1997	1,250,492	\$ 3.48	--	--	\$ --
Granted	33,212	3.10	115,603	5.14	
Forfeited	(26,000)	3.67	--	--	
Exercised	(1,257,704)	3.46	--	--	
Balance, December 31, 1998	--	--	115,603	5.14	
Exchanged and issued at combination date	--	--	(115,603)	(5.14)	
Issued	--	--	--	--	
Exercised	--	--	--	--	
Balance, December 31, 1999	--	\$ --	--	\$ --	--

<CAPTION>

	1998 SMTC Plan			
	Class A shares	Weighted average exercise price	Class L shares	Weighted average exercise price
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1997	--	\$ --	--	\$ --
Granted	--	--	--	--
Forfeited	--	--	--	--
Exercised	--	--	--	--
Balance, December 31, 1998	--	--	--	--
Exchanged and issued at combination date	33,140	1.82	3,856	147.57
Issued	116,860	19.68	--	--
Exercised	(33,140)	(1.82)	--	--
Balance, December 31, 1999	116,860	\$ 19.68	3,856	\$ 147.57

</TABLE>

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

<TABLE>
<CAPTION>

	1998 SMTC Plan				2000 Equity Incentive Plan			
	Weighted average		Weighted average		Weighted average		Weighted average	
	Class A shares	exercise price	Class L shares	exercise price	Common stock	exercise price	Common stock	exercise price
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1999	116,860	\$ 19.68	3,856	\$ 147.57	--	\$ --	--	\$ --
Converted pursuant to initial public offering	(116,860)	19.68	(3,856)	147.57	486,448	5.78	--	--
Issued	--	--	--	--	1,397,000	19.05	--	--
Exercised	--	--	--	(20,053)	5.78	--	--	--
Balance, December 31, 2000	--	\$ --	--	\$ --	466,395	\$ 5.78	1,397,000	\$ 19.05

<TABLE>

The following options were outstanding as at December 31, 2000:

<TABLE>
<CAPTION>

Option plan	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price	Remaining contractual life
<S>	<C>	<C>	<C>	<C>	<C>
1998 SMTC Plan	466,395	\$ 5.78	135,393	\$ 5.78	3
2000 Equity Incentive Plan	1,397,000	19.05	--	19.05	4

<TABLE>

The Company accounts for its employee stock plans using the intrinsic value method under APB No. 25. Compensation expense related to these plans has been recognized in the Company's financial statements as follows:

	1998	1999	2000
Compensation expense	\$2,108	\$ --	\$ --

The weighted average grant date fair value of options granted for the year ended December 31, 2000 was \$19.05 (1999 - \$17.13; 1998 - \$0.95).

F-37

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

11. Capital stock (continued):

The following table sets out the pro forma amounts of net earnings (loss) before extraordinary loss and net earnings (loss) per share that would have resulted if the Company had accounted for its employee stock plans under the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

<TABLE>
<CAPTION>

	1998	1999	2000
<S>	<C>	<C>	<C>
Earnings (loss) before extraordinary loss:			
As reported	\$ (328)	\$ (864)	\$ 6,316
Pro forma	975	(1,122)	4,934

Basic earnings (loss) per share before extraordinary loss:

As reported	\$ (0.44)	\$ (1.89)	\$ 0.24
Pro forma	0.16	(2.04)	0.13

</TABLE>

For purposes of computing pro forma net earnings prior to January 1, 2000, the fair value of each option grant is estimated on the date of grant using the minimum value method under which no volatility is assumed. For the year ended December 31, 2000, the Black-Scholes option pricing model was used. Assumptions used to calculate the fair value were:

	1998	1999	2000	
Risk-free interest rate		5.5%	6.0%	5.2%
Dividend yield		--	--	--
Expected life		4	3 - 4	4
Volatility		N/A	N/A	79.0%

12. Financial instruments:

(a) Interest rate swaps:

On September 30, 1999, the Company entered into two interest rate swap transactions with a Canadian chartered bank for hedging purposes. The swaps expire on September 22, 2001 and involve the exchange of 90-day floating LIBOR rates for a two-year fixed interest rate of 6.16% before credit spread of 2.00% to 3.00% per annum on a notional amount of \$65,000.

F-38

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

12. Financial instruments (continued):

(b) Forward exchange contracts:

One of the Company's subsidiaries has entered into forward foreign currency contracts with a foreign bank to sell U.S. dollars for Irish punts. The aggregate principal amount of the contracts was \$6,250 at December 31, 2000 with an average contract rate of \$1.38 compared to a closing dollar exchange rate of \$1.19. These contracts mature at various dates through July 31, 2001.

(c) Fair values:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- (i) The carrying amounts of cash and short-term investments, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.
- (ii) The fair value of long-term debt, including the current portion, is based on rates currently available to the Company for debt with similar terms and maturities.
- (iii) The fair values of interest rate swap contracts and forward exchange contracts are estimated by obtaining quotes from a financial institution.

The carrying amounts and fair values of the Company's financial instruments, where there are differences at December 31, 2000 and 1999, are as follows:

<TABLE>
<CAPTION>

	1999		2000	
Asset (liability)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ (130,942)	\$ (130,942)	\$ (115,805)	\$ (115,805)
Interest rate swaps	--	478	--	(85)
Forward exchange				

<S>

contracts -- -- (855) (855)

<TABLE>

F-39

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

13. Related party transactions:

The Company entered into related party transactions with certain shareholders as follows:

	1998	1999	2000
Management fees expensed under formal management agreements		\$ 136	\$ 717
Share issue costs incurred	650	--	1,800
Financing and acquisition related fees paid	--	1,741	674
Lease costs expensed for the Colorado facility	535	535	--

14. Supplemental cash flow information:

	1998	1999	2000
Interest paid	\$ 1,627	\$ 6,767	\$13,064
Income taxes paid	15	1,460	1,983

Non-cash financing and investing activities:

	1998	1999	2000
Acquisition of equipment under capital leases	\$ 2,673	\$ --	\$ 541
Acquisition of SMTC Corporation for capital stock	--	20,410	--
Acquisition of Pensar Corporation for capital stock	--	--	19,019
Acquisition of Qualtron Teoranta for exchangeable shares	--	--	12,545
Deferred lease costs arising from trade in of equipment	--	1,460	--
Issuance of capital stock for notes receivable under option plan	--	60	--
Value of warrants issued in excess of proceeds received	--	--	1,098
Tax benefit of share issues costs	--	--	2,694

F-40

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

15. Commitments:

(a) The Company leases manufacturing equipment and office space under various non-cancellable operating leases. Minimum future payments under non-cancellable operating lease agreements are as follows:

2001	\$19,152
2002	17,529
2003	13,755

2004	8,814
2005	1,312
Thereafter	1,638

\$62,200

Operating lease expense was \$12,864 for the year ended December 31, 2000 (1999 - \$4,585; 1998 - \$1,414).

- (b) Pursuant to an agreement in connection with the share reorganization, as described in note 11(b), the Company agreed to lend, on an interest free basis, approximately \$2,000 to a certain shareholder to fund any tax liability incurred as a result of the reorganization. The loan will be secured by a first priority security interest over all of the shares of capital stock of the Company held by the shareholder, and will be repayable at such time and to the extent that the shareholder receives after-tax proceeds in respect of such shares.
- (c) Pursuant to an agreement in connection with the acquisition of Pensar Corporation, as described in note 3, the Company requested that the former shareholders of Pensar Corporation file an election, allowing the Company to deduct for income tax purposes the goodwill related to the acquisition. In conjunction with this agreement, the Company agreed to lend, on an interest-free basis, approximately \$4,500 to the former shareholders of Pensar Corporation to fund any tax liability incurred as a result of the election. The loans will be secured by a first priority security interest over all of the shares of capital stock of the Company held by the shareholders, and will be repayable at such time and to the extent that the shareholders receive after-tax proceeds in respect of such shares.

F-41

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

16. Contingencies:

General:

In the normal course of business, the Company may be subject to litigation and claims from customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that ultimate resolution of such contingencies would not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

17. Extraordinary loss:

(a) 1999:

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination between SMTC Corporation and HTM Holdings, Inc., the Company incurred charges of \$2,090 (\$1,279 after tax) in 1999 related to early payment penalties, the write-off of unamortized deferred financing fees and the write-off of the unamortized debt discount.

(b) 2000:

Approximately \$143,700 of the proceeds of the initial public offering were used to reduce the Company's indebtedness under its credit facility. As a result, the Company incurred charges of \$4,318 (\$2,678 after tax) in 2000 related to early payment penalties, the write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in May 2000 in excess of the proceeds received in connection with the subordinated notes.

F-42

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

18. Segmented information:

The Company derives its revenue from one dominant industry segment, the electronics manufacturing services industry. The Company is operated and managed geographically and has eleven facilities in the United States, Canada, Europe and Mexico. The Company monitors the performance of its geographic operating segments based on EBITA (earnings before interest, taxes and amortization). Intersegment adjustments reflect intersegment sales that are generally recorded at prices that approximate arm's-length transactions. Information about the operating segments is as follows:

<TABLE>
<CAPTION>

	1999			2000		
	Total revenue	Intersegment revenue	Net external revenue	Total revenue	Intersegment revenue	Net external revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$ 223,006	\$ (1,419)	\$ 221,587	\$ 633,959	\$ (9,403)	\$ 624,556
Canada	21,675	(2,676)	18,999	79,923	(5,165)	74,758
Europe	9,507	(1,995)	7,512	21,037	(2,997)	18,040
Mexico	9,864	--	9,864	79,612	(14,203)	65,409
	\$ 264,052	\$ (6,090)	\$ 257,962	\$ 814,531	\$ (31,768)	\$ 782,763

</TABLE>

	1999	2000
EBITA:		
United States	\$ 6,917	\$ 24,813
Canada	2,107	10,638
Europe	(222)	(1,053)
Mexico	(503)	(669)
	8,299	33,729
Interest	7,066	13,837
Amortization	1,990	6,229
Earnings (loss) before income taxes	\$ (757)	\$ 13,663
Capital expenditures:		
United States	\$ 2,713	\$ 16,456
Canada	840	3,141
Europe	30	724
Mexico	547	5,896
	\$ 4,130	\$ 26,217

F-43

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

18. Segmented information (continued):

Prior to 1999, the Company operated in one geographic segment - the United States.

This segmented information incorporates the operations of SMTC Corporation as discussed in note 2(a). SMTC Corporation has operated facilities in Canada, the United States and Europe for 15 years, 5 years and 3 years, respectively.

The following enterprise-wide information is provided. Geographic revenue information reflects the destination of the product shipped. Long-lived assets information is based on the principal location of the asset.

1998	1999	2000
------	------	------

Geographic revenue:			
United States	\$ 84,668	\$225,772	\$694,290
Canada	--	8,983	18,844
Europe	5,019	19,965	53,588
Asia	--	3,242	16,041
	\$ 89,687	\$257,962	\$782,763

	1999	2000
Long-lived assets:		
United States	\$ 40,304	\$ 79,136
Canada	25,585	24,540
Europe	735	20,410
Mexico	9,179	14,627
	\$ 75,803	\$138,713

In 1998, all of the Company's long-lived assets were located in the United States.

F-44

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

19. Significant customers and concentration of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Sales of the Company's products are concentrated among specific customers in the same industry. The Company generally does not require collateral. The Company considers concentrations of credit risk in establishing the reserves for bad debts and believes the recorded reserves are adequate.

During 1998, one customer individually comprised 43% of total revenue generated in the U.S. At December 31, 1998, this customer represented 48% of the Company's accounts receivable.

During 1999, three customers individually comprised 29%, 10% and 10% of total revenue across all geographic segments. At December 31, 1999, these customers represented 33%, 6% and 3%, respectively, of the Company's accounts receivable.

During 2000, two customers individually comprised 16% and 10% of total revenue across all geographic segments. At December 31, 2000, these customers represented 10% and 10%, respectively, of the Company's accounts receivable.

F-45

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

20. Earnings per share:

The following table sets forth the computation of basic net earnings (loss) per share before extraordinary loss:

<TABLE>
<CAPTION>

	1998	1999	2000
<S>	<C>	<C>	<C>
Numerator:			
Earnings (loss) before extraordinary loss	\$ (328)	\$ (864)	\$ 6,316

Preferred share dividends	(609)	--	--
Class L preferred entitlement	--	(2,185)	(3,164)

Earnings (loss) before extraordinary loss available to common shareholders	\$ (937)	\$ (3,049)	\$ 3,152
--	----------	------------	----------

Denominator:			
Weighted average shares - basic	2,147,130	1,617,356	13,212,076
Effect of dilutive securities:			
Employee stock options	--	--	155,744
Warrants	--	--	368,796

Weighted average shares - diluted	2,147,130	1,617,356	13,736,616
-----------------------------------	-----------	-----------	------------

Net earnings (loss) per share before extraordinary loss:			
Basic	\$ (0.44)	\$ (1.89)	\$ 0.24
Diluted	(0.44)	(1.89)	0.23

</TABLE>

For purposes of calculating the basic number of weighted average shares outstanding, the Class A restricted shares have been excluded. Under reverse takeover accounting, the number of shares outstanding prior to July 30, 1999 is deemed to be the number of shares of SMTC Corporation issued to the shareholders of HTM Holdings, Inc., appropriately adjusted to take into account the effect of any change in the number of HTM Holdings, Inc. shares outstanding in that period.

F-46

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

20. Earnings per share (continued):

During fiscal 1999 and fiscal 1998, the exercise prices of the options and warrants were less than the average fair value price and were not included in the calculation of diluted loss per share as the effect would have been anti-dilutive. In addition, in fiscal 1999, the calculation did not include the Class A shares issuable upon conversion of the Class L shares and exchangeable shares as the effect would have been anti-dilutive. During fiscal 2000, the calculation did not include 1,097,000 options as the effect would have been anti-dilutive.

21. Comparative figures:

Certain of the 1999 and 1998 figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

F-47

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

22. United States and Canadian accounting policy differences:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in the United States ("U.S."). The significant differences between U.S. GAAP and Canadian GAAP and their effect on the consolidated financial statements of the Company are described below:

The following table reconciles net earnings (loss) as reported in the accompanying consolidated statements of operations to net earnings (loss) that would have been reported under Canadian GAAP:

1998	1999	2000
------	------	------

Net earnings (loss) in accordance with U.S. GAAP	\$ (328)	\$(2,143)	\$ 3,638
Amortization (a)	--	--	20

Net earnings (loss) in accordance with Canadian GAAP	\$ (328)	\$(2,143)	\$ 3,658
--	----------	-----------	----------

Net earnings (loss) for the year under Canadian GAAP is comprised of the following:

	1998	1999	2000
Operating income	\$ 1,509	\$ 6,309	\$27,520
Interest	2,030	7,066	13,837
Debt extinguishment costs (b)	--	2,090	4,318
Earnings (loss) before income taxes	(521)	(2,847)	9,365
Income taxes (recovery)	(193)	(704)	5,707
Net earnings (loss)	\$ (328)	\$(2,143)	\$ 3,658

F-48

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Years ended December 31, 1998, 1999 and 2000

22. United States and Canadian accounting policy differences (continued):

	1998	1999	2000
Shareholders' equity (deficiency), in accordance with U.S. GAAP	\$ (10,468)	\$ 7,799	\$ 228,486
Shares issued to acquire Qualtron Teoranta (a)	--	--	(2,445)
Amortization of goodwill (a)	--	--	20
Shareholders' equity (deficiency) in accordance with Canadian GAAP	\$ (10,468)	\$ 7,799	\$ 226,061

(a) Acquisitions:

Under U.S. GAAP, shares issued as consideration in a business combination are valued using the share price at the announcement date of the acquisition. Under Canadian GAAP the shares are valued on the consummation date. As a result, under Canadian GAAP, the total purchase price for Qualtron Teoranta would be \$24,455, resulting in goodwill of \$15,630. Under the U.S. GAAP, the purchase price was \$26,900, resulting in goodwill of \$18,075.

(b) Extraordinary loss:

Under U.S. GAAP, the charges incurred as a result of the early payment of the senior notes payable and subordinated notes described in note 17 are recorded as an extraordinary loss. Under Canadian GAAP, the charges would have been included in earnings (loss) before income taxes and the related tax benefit recorded in income tax expense.

(c) Earnings per share:

In fiscal 2000, the Company adopted the new accounting standard approved by The Canadian Institute of Chartered Accountants dealing with the computation of earnings per share.

F-49

AMENDMENT

TO

REORGANIZATION AND MERGER AGREEMENT

THIS AMENDMENT (the "Amendment") to the Reorganization and Merger Agreement (the "Reorganization Agreement") dated as of July 26, 1999, by and among HTM Holdings, Inc., a Delaware corporation ("HTM"), SMTC Manufacturing Corporation of Canada (f/k/a The Surface Mount Technology Centre Inc.), an Ontario corporation ("SMTC"), SMTC Corporation, a Delaware corporation, ("SMTC Holdings"), EMSIcon Investments, LLC, a Delaware limited liability company ("EMSIcon"), each of the persons or entities identified on the signature pages in the Reorganization Agreement as a stockholder of SMTC (each, an "SMTC Stockholder" and collectively, the "SMTC Stockholders"), and each of the persons or entities identified on the signature pages in the Reorganization Agreement as a stockholder of HTM (each, including EMSIcon, an "HTM Stockholder" and collectively, the "HTM Stockholders") is made as of July 27, 2000 pursuant to Section 9.2(b) of the Reorganization Agreement. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reorganization Agreement.

WHEREAS, SMTC Holdings intends to sell shares of its common stock to the public pursuant to registered offerings in both the United States and Canada (collectively, the "IPO"); and

WHEREAS, in connection with the IPO, SMTC, HTM, EMSIcon, and the SMTC Stockholders desire to amend the Reorganization Agreement as set forth in this Amendment,

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

1. Effectiveness. This Amendment shall become effective upon the closing of the IPO (the "Effective Date").

2. Amendment to Reorganization Agreement. As of the Effective Date:

(a) Amendment to Section 6.5. Section 6.5(a) of the Reorganization Agreement shall be amended and restated in its entirety to read as follows:

All claims under Sections 6.1(a) and 6.1(b) shall be satisfied in cash.

(b) Amendment to Section 6.6. The first sentence of Section 6.6(a) of the Reorganization Agreement shall be amended and restated to read in its entirety as follows::

Regardless of any investigation made at any time by or on behalf of any party hereto or of any information any party may have in respect thereof, all representations and warranties made herein or pursuant hereto or in connection with the transactions contemplated by the documents shall survive the Reorganization Closing and the Financing closing and continue in effect until the closing of the IPO.

3. Governing Law. This Amendment will be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice of law or conflicting provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied.

4. Counterparts. This Amendment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same Amendment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGES FOLLOW.]

Amendment to Reorganization Agreement
July __, 2000

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the authorized representatives of each of the parties hereto as of the date first above written.

SMTC: SMTC Corporation

By: /s/ Paul Walker

Name: Paul Walker
Title:

SMTC-Canada: SMTC Manufacturing Corporation of Canada

By: /s/ Paul Walker

Name: Paul Walker
Title:

HTM: HTM Holdings, Inc.

By: /s/ Paul Walker

Name: Paul Walker
Title:

EMSIcon: EMSIcon Investments, LLC

By: /s/ Stephen Adamson

Name: Stephen Adamson
Title: An Authorized Person

Certain Members of EMSIcon: Bain Capital Fund VI, L.P.

By: Bain Capital Partners VI, L.P.,
its general partner

By: Bain Capital Investors VI, Inc.
its general partner

By: /s/ Paul Edgerley

Name: Paul Edgerley
Title: Managing Director

Amendment to Reorganization Agreement
July __, 2000

BCIP Associates II
BCIP Trust Associates II
BCIP Associates II-B
BCIP Associates II-C
By: Bain Capital, Inc.,
their Managing Partner

By: /s/ Paul Edgerley

Name: Paul Edgerley
Title: Managing Director

Celerity EMSIcon, LLC

By: /s/ Stephen Adamson

Name: Stephen Adamson
Title: An Authorized Person

SMTC Stockholders: P.N. Walker Consulting, Inc.

By: /s/ Paul Walker

Name: Paul Walker
Title: President

/s/ Gary Walker

Gary Walker

Nichal Inc.

By: /s/ Derek D'Andrade

Name: Derek D'Andrade
Title: President

/s/ Philip Woodard

Philip Woodard

Kilmer Electronics Group, Limited

By: /s/ Michael Griffiths

Name: Michael Griffiths
Title: Secretary-Treasurer

Exhibit 4.1.2
EXECUTION COPY

STOCKHOLDERS AGREEMENT

among

SMTC Corporation

and

The Stockholders referred to herein

Dated as of November 22, 2000

Table of Contents

	Page
1. EFFECTIVENESS; DEFINITIONS.....	2
1.2. Effectiveness.....	2
1.3. Definitions.....	2
2. [RESERVED].....	2
3. [RESERVED].....	2
4. [RESERVED].....	2
5. [RESERVED].....	2
6. REGISTRATION RIGHTS.....	2
6.1. Majority Investor Demand Registration Rights.....	2
6.1.1. General.....	2
6.1.2. Form.....	3
6.1.3. Payment of Expenses.....	3
6.1.4. Additional Procedures.....	3
6.2. Investors' Demand Registration Rights.....	4
6.2.1. General.....	4
6.2.2. Form.....	4
6.2.3. Payment of Expenses.....	4
6.2.4. Additional Procedures.....	5
6.3. Piggyback Registration Rights.....	5
6.3.1. General.....	5
6.3.2. Excluded Transactions.....	5
6.3.3. Payment of Expenses.....	6
6.3.4. Additional Procedures.....	6
6.4. Certain Other Provisions.....	6
6.4.1. Underwriter's Cutback.....	6
6.4.2. Other Actions.....	7
6.4.3. Selection of Underwriters and Counsel.....	7
6.4.4. Lock-Up.....	8

6.5. Indemnification and Contribution.....	8
6.5.1. Indemnities of the Company.....	8
6.5.2. Indemnities to the Company.....	9
6.5.3. Contribution.....	10
6.5.4. Limitation on Liability of Holders of Registrable Securities.....	10

Table of Contents
(continued)

	Page

7. TRANSFERS TO OTHER HOLDERS.....	10
8. REMEDIES.....	11
8.1. Generally.....	11
8.2. [RESERVED].....	11
9. LEGENDS.....	11
9.1. [RESERVED].....	11
9.2. 1933 Act Legends.....	11
9.3. Stop Transfer Instruction.....	11
9.4. Termination of 1933 Act Legend.....	11
10. [RESERVED].....	11
11. AMENDMENT, TERMINATION, ETC.....	11
11.1. Oral Modifications.....	11
11.2. Written Modifications.....	11
11.3. Termination.....	12
12. DEFINITIONS.....	12
12.1. Certain Matters of Construction.....	12
12.2. Definitions.....	12
13. MISCELLANEOUS.....	18
13.1. Expenses of EMSIcon Transfers.....	18
13.2. Authority; Effect.....	18
13.3. Notices.....	19
13.4. Binding Effect, Etc.....	20
13.5. Descriptive Headings.....	20
13.6. Counterparts.....	20
13.7. Severability.....	20
14. GOVERNING LAW, ETC.....	20
14.1. Governing Law.....	20
14.2. Consent to Jurisdiction.....	20
14.3. WAIVER OF JURY TRIAL.....	21
14.4. Exercise of Rights and Remedies.....	21

STOCKHOLDERS AGREEMENT

The Stockholders Agreement (the "July 2000 Agreement") made as of July 27, 2000 by and among:

- (i) SMTC Corporation (the "Company");

- (ii) SMTC Manufacturing Corporation of Canada (f/k/a The Surface Mount Technology Centre, Inc.) ("SMTC-Canada");
- (iii) EMSIcon Investments ("EMSIcon"), LLC, Edward A. Johnson, James Holmes, J & E Enterprises, LLC, Allen & Company, Incorporated, Allen Value Partners, L.P., Allen Value Limited, Celerity EMSIcon, LLC, Bain Capital Fund VI, L.P., BCIP Associates II, BCIP Trust Associates II, BCIP Associates II-B, BCIP Associates II-C, BCM Capital Partners, L.P., Bain Capital V Mezzanine Fund, L.P., Sankaty High Yield Asset Partners, L.P., General Electric Capital Corporation, RGIP, LLC, J&L Investments, LLC ("J&L") and the members of Celerity EMSIcon, LLC listed on the signature pages thereto (collectively, the "HTM Investors");
- (iv) P. N. Walker Consulting Inc., Paul Walker, Nichal Inc., Derek D'Andrade, Gary Walker, Philip Woodard and Kilmer Electronics Group Limited (collectively, the "SMTC Investors");
- (v) Edward A. Johnson, James Laurion and each Person who, upon acquiring Shares in connection with the exercise of Options granted by the Company, became party hereto by executing a counterpart signature page thereto (collectively, the "Managers"),
- (vi) Stanley C. Plzak, William M. Moeller, Richard V. Baxter, David E. Steel and Bruce D. Backer (collectively, the "Pensar Investors")

is hereby amended and restated in its entirety pursuant to Section 11.2 of the July 2000 Agreement by written agreement of the Majority Stockholders (as such term is defined in the July 2000 Agreement) in the form of this Stockholders Agreement (July 2000 Agreement as amended and restated hereby is referred to herein as the "Agreement") as of November 22, 2000 to read as follows:

Recitals

1. Pursuant to the terms of a Stock Purchase Agreement dated November 22, 2000, the Company intends to acquire the capital stock of Qualtron Teoranta, an Irish corporation ("Qualtron") and, in connection with such acquisition, the Sellers (as defined in such Stock Purchase Agreement, and for purposes of this Agreement the "Qualtron Investors") will acquire Exchangeable Shares in consideration of their interests in the capital stock of Qualtron.
2. The parties desire to amend and restate the July 2000 Agreement on the date hereof to add the Qualtron Investors as parties to this Agreement.
3. It is a condition to the closing of the acquisition of Qualtron that the Qualtron Investors execute a counterpart signature page to this Agreement as "Qualtron Investors."

Agreement

Therefore, the parties hereto hereby agree as follows:

1. EFFECTIVENESS; DEFINITIONS.
 - 1.2. Effectiveness. This Agreement shall become effective upon the closing of the acquisition of Qualtron.
 - 1.3. Definitions. Certain terms are used in this Agreement as specifically defined herein. These definitions are set forth or referred to in Section 12 hereof.
2. [RESERVED].
3. [RESERVED].
4. [RESERVED].
5. [RESERVED].
6. REGISTRATION RIGHTS. The Company will perform and comply, and cause each of its subsidiaries to perform and comply, with such of the following provisions as are applicable to it. Each holder of Shares will perform and comply with such of

the following provisions as are applicable to such holder.

6.1. Majority Investor Demand Registration Rights.

6.1.1. General. The Majority Stockholders (for purposes of this Section 6.1, "Initiating Investors"), by notice to the Company specifying the intended method or methods of disposition, may request that the Company effect the registration under the Securities Act for a Public Offering of all or a specified part of the Registrable Securities (x) held by such Initiating Investors or (y) issuable to such Initiating Investors upon Conversion of any Exchangeable Shares held by such Initiating Investors. The Company will then use its best efforts to effect the registration under the Securities Act of the Registrable Securities which the Company has been requested to register by such Initiating Investors together with all other Registrable Securities which the Company has been requested to register pursuant to Section 6.3 all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities which the Company has been so requested to register; provided, however, that the Company shall not be obligated to take any action to effect any such registration pursuant to this Section 6.1.1:

- 2 -

6.1.1.1. Within 180 days immediately following the effective date of any registration statement pertaining to an underwritten public offering of securities of the Company for its own account (other than a Rule 145 Transaction, or a registration relating solely to employee benefit plans); or

6.1.1.2. On any form other than Form S-3 (or any successor form) if the Company has previously effected three or more registrations of Registrable Securities under this Section 6.1.1 on any form other than Form S-3 (or any successor form); provided, however, that no registrations of Registrable Securities which shall not have become and remained effective in accordance with the provisions of this Section 6, and no registrations of Registrable Securities pursuant to which the Initiating Investors are not able to include at least 90% of the Registrable Securities which they desired to include, shall be included in the calculation of numbers of registrations contemplated by this clause (b).

6.1.2. Form. Except as otherwise provided above, each registration requested pursuant to this Section 6.1.1 shall be effected by the filing of a registration statement on Form S-1 (or any other form which includes substantially the same information as would be required to be included in a registration statement on such form as currently constituted), unless the use of a different form has been agreed to in writing by holders of at least a majority of the Registrable Securities to be included in the proposed registration statement in question by the Initiating Investors (the "Majority Participating Stockholders").

6.1.3. Payment of Expenses. The Company shall pay all reasonable expenses of the Initiating Investors incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.1, other than underwriting discount and commission, if any, and applicable transfer taxes, if any.

6.1.4. Additional Procedures. In the case of a registration pursuant to Section 6.1, whenever the Majority Participating Stockholders shall request that such registration shall be effected pursuant to an underwritten offering, the Company shall include such information in the written notices to holders of Registrable Securities and Convertible Securities referred to in Section 6.3. In such event, the right of any holder of Registrable Securities to have securities owned by such holder included in such registration pursuant to Section 6.1 shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable Securities in the underwriting (unless otherwise mutually agreed upon by the Majority Participating Stockholders and such holder). If requested by such underwriters, the Company together with the holders of Registrable Securities proposing to distribute their securities through such underwriting will enter into an underwriting agreement with

such underwriters for such offering containing such representations and warranties by the Company and such holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, customary indemnity and contribution provisions (subject, in each case, to the limitations on such liabilities set forth in this Agreement).

- 3 -

6.2. Investors' Demand Registration Rights.

6.2.1. General. From and after July 30, 2003, each of the Majority Bain Investors, the Majority Celerity Investors and the Majority SMTC Investors, in each case, holding Shares that constitute at least 15% of the Registrable Securities (for purposes of this Section 6.2, "Initiating Investors"), by notice to the Company specifying the intended method or methods of disposition, may request that the Company effect the registration under the Securities Act for a Public Offering of all or a specified part of the Registrable Securities (x) held by such Initiating Investors or (y) issuable to such Initiating Investor upon Conversion of any Exchangeable Shares held by such Initiating Investor. The Company will then use its best efforts to effect the registration under the Securities Act of the Registrable Securities which the Company has been requested to register by such Initiating Investors together with all other Registrable Securities which the Company has been requested to register pursuant to Section 6.3 all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities which the Company has been so requested to register; provided, however, that the Company shall not be obligated to take any action to effect any such registration pursuant to this Section 6.2.1:

6.2.1.1. Within 180 days immediately following the effective date of any registration statement pertaining to an underwritten public offering of securities of the Company for its own account (other than a Rule 145 Transaction, or a registration relating solely to employee benefit plans); or

6.2.1.2. On any form other than Form S-3 (or any successor form) if the Company has previously effected three or more registrations of Registrable Securities under this Section 6.2.1 on any form other than Form S-3 (or any successor form); provided, however, that no registrations of Registrable Securities which shall not have become and remained effective in accordance with the provisions of this Section 6, and no registrations of Registrable Securities pursuant to which the Initiating Investors are not able to include at least 90% of the Registrable Securities which they desired to include, shall be included in the calculation of numbers of registrations contemplated by this clause (b).

6.2.2. Form. Except as otherwise provided above, each registration requested pursuant to this Section 6.2.1 shall be effected by the filing of a registration statement on Form S-1 (or any other form which includes substantially the same information as would be required to be included in a registration statement on such form as currently constituted), unless the use of a different form has been agreed to in writing by holders of at least a majority of the Registrable Securities to be included in the proposed registration statement in question by the Initiating Investors (the "Majority Participating Stockholders").

6.2.3. Payment of Expenses. The Company shall pay all reasonable expenses of the Initiating Investors incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.2, other than underwriting discount and commission, if any, and applicable transfer taxes, if any.

- 4 -

6.2.4. Additional Procedures. In the case of a registration pursuant to Section 6.2, whenever the Majority Participating Stockholders shall request that such registration shall be effected pursuant to an

underwritten offering, the Company shall include such information in the written notices to holders of Registrable Securities and Convertible Securities referred to in Section 6.3. In such event, the right of any holder of Registrable Securities to have securities owned by such holder included in such registration pursuant to Section 6.2 shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable Securities in the underwriting (unless otherwise mutually agreed upon by the Majority Participating Stockholders and such holder). If requested by such underwriters, the Company together with the holders of Registrable Securities proposing to distribute their securities through such underwriting will enter into an underwriting agreement with such underwriters for such offering containing such representations and warranties by the Company and such holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, customary indemnity and contribution provisions (subject, in each case, to the limitations on such liabilities set forth in this Agreement).

6.3. Piggyback Registration Rights.

6.3.1. General. Each time the Company proposes to register any shares of Common Stock under the Securities Act on a form which would permit registration of Registrable Securities for sale to the public, for its own account and/or for the account of any stockholder (pursuant to Section 6.1, Section 6.2 or otherwise) for sale in a Public Offering, the Company will give notice to all holders of Registrable Securities and holders of Convertible Securities of its intention to do so. Any such holder may, by written response delivered to the Company within 20 days after the effectiveness of such notice, request that all or a specified part of the Registrable Securities (a) held by such holder or (b) issuable to such holder upon Conversion of Exchangeable Shares held by such holder be included in such registration. The Company thereupon will use its reasonable efforts to cause to be included in such registration under the Securities Act all shares of Common Stock which the Company has been so requested to register by such holders, to the extent required to permit the disposition (in accordance with the methods to be used by the Company or other holders of shares of Common Stock in such Public Offering) of the Registrable Securities to be so registered. No registration of Registrable Securities effected under this Section 6.3 shall relieve the Company of any of its obligations to effect registrations of Registrable Securities pursuant to Section 6.1 or Section 6.2.

6.3.2. Excluded Transactions. The Company shall not be obligated to effect any registration of Registrable Securities under this Section 6.3 incidental to the registration of any of its securities in connection with:

6.3.2.1. Any Public Offering relating to employee benefit plans or dividend reinvestment plans;

- 5 -

6.3.2.2. Any Public Offering relating to the acquisition or merger after the date hereof by the Company or any of its subsidiaries of or with any other businesses; or

6.3.2.3. The Initial Public Offering and the Qualified Public Offering, unless such Public Offering has been initiated pursuant to Section 6.1.1 or 6.2.1.

6.3.3. Payment of Expenses. The Company shall pay all reasonable expenses of a single legal counsel representing any and all holders of Registrable Securities incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.3.

6.3.4. Additional Procedures. Holders of Shares participating in any Public Offering pursuant to this Section 6.3 shall take all such actions and execute all such documents and instruments that are reasonably requested by the Company to effect the sale of their Shares in such Public Offering, including, without limitation, being parties to the underwriting agreement entered into by the Company and any other selling shareholders in connection therewith and being liable in respect of the representations

and warranties by, and the other agreements (including without limitation customary selling stockholder representations, warranties, indemnifications and "lock-up" agreements) for the benefit of the underwriters; provided, however, that (a) with respect to individual representations, warranties, indemnities and agreements of sellers of Shares in such Public Offering, the aggregate amount of such liability shall not exceed such holder's net proceeds from such offering and (b) to the extent selling stockholders give further representations, warranties and indemnities, then with respect to all other representations, warranties and indemnities of sellers of shares in such Public Offering, the aggregate amount of such liability shall not exceed the lesser of (i) such holder's pro rata portion of any such liability, in accordance with such holder's portion of the total number of Shares included in the offering or (ii) such holder's net proceeds from such offering.

6.4. Certain Other Provisions.

6.4.1. Underwriter's Cutback. In connection with any registration of shares, the underwriter may determine that marketing factors (including, without limitation, an adverse effect on the per share offering price) require a limitation of the number of shares to be underwritten. Notwithstanding any contrary provision of this Section 6 and subject to the terms of this Section 6.4.1, the underwriter may limit the number of shares which would otherwise be included in such registration by excluding any or all Registrable Securities from such registration (it being understood that the number of shares which the Company seeks to have registered in such registration shall not be subject to exclusion, in whole or in part, under this Section 6.4.1). Upon receipt of notice from the underwriter of the need to reduce the number of shares to be included in the registration, the Company shall advise all holders of the Company's securities that would otherwise be registered and underwritten pursuant hereto, and the number of shares of such securities, including Registrable Securities, that may be included in the registration shall be allocated in the following manner, unless the underwriter shall determine that marketing

- 6 -

factors require a different allocation: shares, other than Registrable Securities, requested to be included in such registration by shareholders shall be excluded to the extent necessary to achieve the underwriter's cutback unless the Company has, with the consent of the Majority Stockholders, granted registration rights which are to be treated on an equal basis with Registrable Securities for the purpose of the exercise of the underwriter cutback; and, if a limitation on the number of shares is still required, the number of Registrable Securities and other shares of Common Stock that may be included in such registration shall be allocated among holders thereof in proportion, as nearly as practicable, to the respective amounts of Common Stock which each shareholder requested be registered in such registration. For purposes of any underwriter cutback, all Common Stock held by any holder of Registrable Securities which is a partnership or corporation shall also include any Common Stock held by the partners, retired partners, shareholders or affiliated entities of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, and such holder and other persons shall be deemed to be a single selling holder, and any pro rata reduction with respect to such selling holder shall be based upon the aggregate amount of Common Stock owned by all entities and individuals included in such selling holder, as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. If any holder of Registrable Securities disapproves of the terms of the underwriting, it may elect to withdraw therefrom by written notice to the Company and the underwriter. The Registrable Securities so withdrawn shall also be withdrawn from registration.

6.4.2. Other Actions. If and in each case when the Company is required to use its best efforts to effect a registration of any Registrable Securities as provided in this Section 6, the Company shall take appropriate and customary actions in furtherance thereof, including, without limitation: (a) promptly filing with the Commission a registration statement and using reasonable efforts to cause such registration

statement to become effective, (b) preparing and filing with the Commission such amendments and supplements to such registration statements as may be required to comply with the Securities Act and to keep such registration statement effective for a period not to exceed 270 days from the date of effectiveness or such earlier time as the Registrable Securities covered by such registration statement shall have been disposed of in accordance with the intended method of distribution therefor or the expiration of the time when a prospectus relating to such registration is required to be delivered under the Securities Act, (c) use its best efforts to register or qualify such Registrable Securities under the state securities or "blue sky" laws of such jurisdictions as the sellers shall reasonably request; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it would not otherwise be so subject and (d) otherwise cooperate reasonably with, and take such customary actions as may reasonably be requested by the holders of Registrable Securities in connection with, such registration.

6.4.3. Selection of Underwriters and Counsel. The underwriters and legal counsel to be retained in connection with any Public Offering shall be selected by the

- 7 -

Board or, in the case of an offering following a request therefor under Section 6.1, the Initiating Investors.

6.4.4. Lock-Up. Without the prior written consent of the underwriters managing any Public Offering, for a period beginning seven days immediately preceding and ending on the 90th day (or, in the case of the Initial Public Offering, the 180th day) following the effective date of the registration statement used in connection with such offering, no holder of Shares (whether or not a selling shareholder pursuant to such registration statement) shall (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise Transfer, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for such Common Stock or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of such Common Stock or such other securities, in cash or otherwise; provided, however, that the foregoing restrictions shall not apply to (i) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Initial Public Offering, (ii) Transfers to a Permitted Transferee of such holder or (iii) Conversions of Exchangeable Shares or conversions or exchanges of shares of Common Stock into other classes of Common Stock, in either case without change of holder, (iv) transfers of Common Stock to any of the Pensar Investors, the Company or its affiliates pursuant to the Escrow Agreement dated July 27, 2000 among the Company, the Pensar Investors and Brown Brothers Harriman & Co., as Escrow Agents or (v) transfer of Exchangeable Shares to any of the Qualtron Investors, the Company or its affiliates pursuant to the Escrow Agreement dated on or about the date hereof among the Company, the Qualtron Investors and Brown Brothers Harriman & Co., as Escrow Agent.

6.5. Indemnification and Contribution.

6.5.1. Indemnities of the Company. In the event of any registration of any Registrable Securities or other debt or equity securities of the Company or any of its subsidiaries under the Securities Act pursuant to this Section 6 or otherwise, and in connection with any registration statement or any other disclosure document produced by or on behalf of the Company or any of its subsidiaries including, without limitation, reports required and other documents filed under the Exchange Act, and other documents pursuant to which any debt or equity securities of the Company or any of its subsidiaries are sold (whether or not for the account of the Company or its subsidiaries), the Company will, and hereby does, and will

cause each of its subsidiaries, jointly and severally, to indemnify and hold harmless each seller of Registrable Securities, any Person who is or might be deemed to be a controlling Person of the Company or any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, their respective direct and indirect partners, advisory board members, directors, officers, trustees, members and shareholders, and each other Person, if any, who controls any such seller or any such holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being referred to herein as a

- 8 -

"Covered Person"), against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof), joint or several, to which such Covered Person may be or become subject under the Securities Act, the Exchange Act, any other securities or other law of any jurisdiction, the common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any registration statement under the Securities Act, any preliminary prospectus or final prospectus included therein, or any related summary prospectus, or any amendment or supplement thereto, or any document incorporated by reference therein, or any other such disclosure document (including without limitation reports and other documents filed under the Exchange Act and any document incorporated by reference therein) or other document or report, (b) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (c) any violation or alleged violation by the Company or any of its subsidiaries of any federal, state, foreign or common law rule or regulation applicable to the Company or any of its subsidiaries and relating to action or inaction in connection with any such registration, disclosure document or other document or report, and will reimburse such Covered Person for any legal or any other expenses incurred by it in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that neither the Company nor any of its subsidiaries shall be liable to any Covered Person in any such case to the extent that any such loss, claim, damage, liability, action or proceeding arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other such disclosure document or other document or report, in reliance upon and in conformity with written information furnished to the Company or to any of its subsidiaries through an instrument duly executed by such Covered Person specifically stating that it is for use in the preparation thereof. The indemnities of the Company and of its subsidiaries contained in this Section 6.5.1 shall remain in full force and effect regardless of any investigation made by or on behalf of such Covered Person and shall survive any transfer of securities.

6.5.2. Indemnities to the Company. The Company and any of its subsidiaries may require, as a condition to including any securities in any registration statement filed pursuant to this Section 6, that the Company and any of its subsidiaries shall have received an undertaking satisfactory to it from the prospective seller of such securities, to indemnify and hold harmless the Company and any of its subsidiaries, each director of the Company or any of its subsidiaries, each officer of the Company or any of its subsidiaries who shall sign such registration statement and each other Person (other than such seller), if any, who controls the Company and any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each other prospective seller of such securities with respect to any statement in or omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus included therein, or any amendment or supplement thereto, or any other disclosure document (including, without limitation, reports and other documents filed under the Exchange Act or any document incorporated therein) or other document

- 9 -

or report, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or any of its subsidiaries through an instrument executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other document or report. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company, any of its subsidiaries or any such director, officer or controlling Person and shall survive any transfer of securities.

6.5.3. Contribution. If the indemnification provided for in Sections 6.5.1 or 6.5.2 is unavailable to a party that would have been entitled to indemnification pursuant to the foregoing provisions of this Section 6.5 (an "Indemnatee") in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each party that would have been an indemnifying party thereunder shall, in lieu of indemnifying such Indemnatee, contribute to the amount paid or payable by such Indemnatee as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative fault of such indemnifying party on the one hand and such Indemnatee on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or such Indemnatee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties agree that it would not be just or equitable if contribution pursuant to this Section 6.5.3 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentence. The amount paid or payable by a contributing party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 6.5.3 shall include any legal or other expenses reasonably incurred by such Indemnatee in connection with investigating or defending any such action or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

6.5.4. Limitation on Liability of Holders of Registrable Securities. The liability of each holder of Registrable Securities in respect of any indemnification or contribution obligation of such holder arising under this Section 6.5 shall not in any event exceed an amount equal to the net proceeds to such holder (after deduction of all underwriters' discounts and commissions) from the disposition of the Registrable Securities disposed of by such holder pursuant to such registration.

7. TRANSFERS TO OTHER HOLDERS. Shares Transferred by a holder of Shares to another holder of shares under this Agreement shall be deemed for all purposes hereof to be HTM Shares, SMTC Shares, Pensar Shares, Qualtron Shares, or the Management Shares hereunder, of like kind with the other Shares held by the acquiring holder.

- 10 -

8. REMEDIES.

8.1. Generally. To the extent permitted by applicable law, the Company and each holder of Shares shall have all remedies at law, in equity or otherwise in the event of any breach or violation of this Agreement or any default hereunder by the Company or any holder of Shares. The parties acknowledge and agree that in the event of any breach of this Agreement, in addition to any other remedies which may be available, each of the parties hereto shall be entitled to specific performance of the obligations of the other parties hereto and, in addition, to such other equitable remedies (including, without limitation, preliminary or temporary relief) as may be appropriate in the circumstances.

8.2. [RESERVED].

9. LEGENDS.

9.1. [RESERVED].

9.2. 1933 Act Legends. Each certificate representing Shares shall have the following legend endorsed conspicuously thereupon:

The securities represented by this certificate were issued in a private placement, without registration under the Securities Act of 1933, as amended (the "Act"), and may not be sold, assigned, pledged or otherwise transferred in the absence of an effective registration under the Act covering the transfer or an opinion of counsel, satisfactory to the issuer, that registration under the Act is not required.

9.3. Stop Transfer Instruction. The Company will instruct any transfer agent not to register the Transfer of any Shares until the conditions specified in the foregoing legends are satisfied.

9.4. Termination of 1933 Act Legend. The requirement imposed by Section 9.2 shall cease and terminate as to any particular Shares (a) when, in the opinion of Ropes & Gray, or other counsel reasonably acceptable to the Company, such legend is no longer required in order to assure compliance by the Company with the Securities Act or (b) when such Shares have been effectively registered under the Securities Act or transferred pursuant to Rule 144. Wherever (x) such requirement shall cease and terminate as to any Shares or (y) such Shares shall be transferable under paragraph (k) of Rule 144, the holder thereof shall be entitled to receive from the Company, without expense, new certificates not bearing the legend set forth in Section 9.2.

10. [RESERVED].

11. AMENDMENT, TERMINATION, ETC.

11.1. Oral Modifications. This Agreement may not be orally amended, modified, extended or terminated, nor shall any oral waiver of any of its terms be effective.

11.2. Written Modifications. This Agreement may be amended, modified, extended or terminated, and the provisions hereof may be waived, only by an agreement in writing signed by

- 11 -

the Majority Stockholders; provided, however, that (a) the consent of the Majority HTM Investors shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of HTM Shares as such under this Agreement, (b) the consent of the Majority SMTC Investors shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of SMTC Shares as such under this Agreement, (c) the consent of the Majority Pensar Investors shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of Pensar Shares as such under this Agreement (d) the consent of the Majority Qualtron Investors shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of Qualtron Shares as such under this Agreement and (e) the consent of the Majority Managers shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of Management Shares as such under this Agreement. Each such amendment, modification, extension, termination and waiver shall be binding upon each party hereto and each holder of Shares subject hereto. In addition, each party hereto and each holder of Shares subject hereto may waive any right hereunder by an instrument in writing signed by such party or holder.

11.3. Termination. No termination under this Agreement shall relieve any Person of liability for breach prior to termination.

12. DEFINITIONS. For purposes of this Agreement:

12.1. Certain Matters of Construction. In addition to the definitions referred to or set forth below in this Section 12:

(a) The words "hereof", "herein", "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and, unless otherwise provided, reference to a particular Section shall refer to the applicable Section of this Agreement and shall include all subsections thereof;

(b) Definitions shall be equally applicable to both nouns and verbs and the singular and plural forms of the terms defined; and

(c) The masculine, feminine and neuter genders shall each include the other.

12.2. Definitions. The following terms shall have the following meanings:

"Agreement" shall have the meaning set forth in the Preamble.

"Bain Equity Funds" shall mean, collectively, Bain Capital Fund VI, L.P., BCIP Associates II, BCIP Trust Associates II, BCIP Associates II-B and BCIP Associates II-C.

"Bain Investors" shall mean, collectively, Bain Capital Fund VI, L.P., BCIP Associates II, BCIP Trust Associates II, BCIP Associates II-B, BCIP Associates II-C, Bain Capital V Mezzanine Fund, L.P., BCM Capital Partners, L.P., Sankaty High Yield Asset Partners, L.P.

- 12 -

The "Beneficial Owner" of any Share shall be the owner of such Share and, in the case of any Share owned by EMSIcon, the owner of the membership unit of EMSIcon corresponding to such Share. The terms "Beneficial Ownership" and "Beneficially Owned" shall have a corresponding meaning.

"Celerity Investor" shall mean Celerity EMSIcon, LLC. "Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall mean the common stock, par value \$.01, of the Company.

"Company" shall have the meaning set forth in the Preamble.

"Conversion" shall mean the Transfer of an Exchangeable Share to the Company or one of its subsidiaries in consideration of the receipt of Common Stock whether pursuant to the Articles of Incorporation (as amended from time to time) of SMTC-Canada, any agreement relating generally to the conversion of Exchangeable Shares or otherwise, and "Convert" shall have a similar meaning.

"Convertible Securities" shall mean any evidence of indebtedness, shares of stock (other than Common Stock) or other securities which are directly or indirectly convertible into or exchangeable or exercisable for shares of Common Stock, including without limitation the Exchangeable Shares.

"Covered Person" shall have the meaning set forth in Section 6.5.1.

"EMSIcon" shall have the meaning set forth in the Preamble.

"Equivalent Shares" shall mean as to any outstanding shares of Common Stock, such number of shares of Common Stock, and as to any outstanding Options or Convertible Securities, the maximum number of shares of Common Stock for which or into which such Options or Convertible Securities may at the time be exercised, exchanged or converted.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect from time to time.

"Exchangeable Shares" shall mean the exchangeable shares of SMTC-Canada.

"HTM" shall have the meaning set forth in the Recitals.

"HTM Investors" shall have the meaning set forth in the Preamble.

"HTM Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, an HTM Investor, whenever issued, including, without limitation, all shares of Common Stock issued pursuant to the exercise of any Convertible Securities and (b) all Convertible Securities originally granted or issued to an HTM Investor. As to any particular HTM Shares, such shares shall cease to be HTM Shares when (w) a registration statement with respect to the sale of such securities shall have become effective

- 13 -

under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding. Except as otherwise provided in this Agreement, Convertible Securities shall be treated as a number of Shares equal to the number of Equivalent Shares represented by such Convertible Securities in all cases where it is necessary to calculate the number of Shares held by any holder of HTM Shares.

"Indemnitee" shall have the meaning set forth in Section 6.5.3.

"Initial Public Offering" means the initial Public Offering registered on Form S-1 (or any successor form under the Securities Act).

"Initiating Investors" shall have the meaning set forth in Sections 6.1.1, 6.2.1.1 and 6.2.1.2.

"J&L" shall have the meaning set forth in the Preamble.

"Majority Bain Investors" shall mean, as of any date, the holders of a majority of the Shares then Beneficially Owned by the Bain Investors.

"Majority Celerity Investors" shall mean, as of any date, the holders of a majority of the Shares then Beneficially Owned by the Celerity Investor.

"Majority HTM Investors" shall mean, as of any date, the holders of a majority of the HTM Shares outstanding on such date.

"Majority Managers" shall mean, as of any date, the holders of a majority of the Management Shares outstanding on such date.

"Majority Participating Stockholders" shall have the meaning set forth in Section 6.2.1.1 and 6.2.1.4.

"Majority Qualtron Investors" shall mean, as of any date, the holders of a majority of three Qualtron Shares outstanding on such date.

"Majority SMTC Investors" shall mean, as of any date, the holders of a majority of the SMTC Shares outstanding on such date.

"Majority Stockholders" shall mean, as of any date, the holders of a majority of the Shares outstanding on such date.

- 14 -

"Management Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, a Manager, whenever issued, including, without limitation, all shares of Common Stock issued pursuant to the exercise of any Convertible Securities and (b) all Convertible Securities originally granted or issued to a Manager. As to any particular Management Shares, such shares shall cease to be Management Shares when (w) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall

have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding. Except as otherwise provided in this Agreement, Convertible Securities shall be treated as a number of Shares equal to the number of Equivalent Shares represented by such Convertible Securities in all cases where it is necessary to calculate the number of Shares held by any holder of Management Shares.

"Managers" shall have the meaning set forth in the Preamble.

"Options" shall mean Convertible Securities in the form of options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or other Convertible Securities.

"Pensar Investors" shall have the meaning set forth in the Preamble.

"Pensar Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, a Pensar Investor, whenever issued, including, without limitation, all shares of Common Stock issued pursuant to the exercise of any Convertible Securities and (b) all Convertible Securities originally granted or issued to a Pensar Investor. As to any particular Pensar Shares, such shares shall cease to be Pensar Shares when (w) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding. Except as otherwise provided in this Agreement, Convertible Securities shall be treated as a number of Shares equal to the number of Equivalent Shares represented by such Convertible Securities in all cases where it is necessary to calculate the number of Shares held by any holder of Pensar Shares.

- 15 -

"Permitted Transferee" shall mean (a) with respect to any holder of Shares who is a natural Person, each spouse or child or other descendants of such holder, each trust created solely for the benefit of one or more of the aforementioned Persons and their spouses and each custodian or guardian of any property of one or more of the aforementioned Persons in his capacity as such custodian or guardian (each such Person set forth in this clause (a), a "Member of the Immediate Family"), (b) with respect to Shares held by a natural Person and distributed by will or other instrument taking effect at death of such holder or by applicable laws of descent and distribution, such holder's estate, executors, administrators, personal representatives, heirs, legatees or distributees whether or not such recipients are Members of the Immediate Family of such holder and (c) with respect to any holder of Shares, an Affiliate of such holder or the holders of the beneficial interests (which, for purposes of this clause (c), shall be deemed to include, without limitation, its partners, members or stockholders) of such holder; provided, however, that no Transferee pursuant to the above clauses (a), (b) or (c) shall be a "Permitted Transferee" unless such Transferee has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that such Shares to be received by such Transferee shall remain HTM Shares, SMTC Shares or Management Shares hereunder, as the case may be, and shall continue to be subject to all of the provisions of this Agreement and that such Transferee shall be bound by, and shall be a party to, this Agreement as the holder of HTM Shares, SMTC Shares or Management Shares, as the case may be; provided, further, that no Transfer by any party to a Permitted Transferee shall relieve such party

of any of its obligations hereunder.

"Person" shall mean any individual, partnership, corporation, company, association, trust, joint venture, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Public Offering" shall mean a public offering and sale of Common Stock for cash pursuant to an effective registration statement under the Securities Act.

"Qualified Public Offering" shall mean a Public Offering, other than any Public Offering or sale pursuant to a registration statement on Form S-8 or comparable form, in which the aggregate price to the public of all such common stock sold in such offering shall exceed \$55 million.

"Qualtron" shall have the meaning set forth in the Recitals.

"Qualtron Investor" shall have the meaning set forth in the Recitals.

"Qualtron Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, a Qualtron Investor, whenever issued, including, without limitation, all shares of Common Stock issued pursuant to the exercise of any Convertible Securities and (b) all Convertible Securities originally granted or issued to a Qualtron Investor. As to any particular Qualtron Shares, such shares shall cease to be Qualtron Shares when (w) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall

- 16 -

have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding. Except as otherwise provided in this Agreement, Convertible Securities shall be treated as a number of Shares equal to the number of Equivalent Shares represented by such Convertible Securities in all cases where it is necessary to calculate the number of Shares held by any holder of Qualtron Shares.

"Registrable Securities" shall mean (a) all shares of Common Stock, (b) all shares of Common Stock issuable upon exercise of any Convertible Security and (c) all shares of Common Stock directly or indirectly issued or issuable with respect to the securities referred to in clauses (a) or (b) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization, in each case constituting Shares. As to any particular Registrable Securities, such shares shall cease to be Registrable Securities when (w) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding.

"Rule 144" shall mean Rule 144 under the Securities Act (or any successor Rule).

"Rule 145 Transaction" shall mean a registration on Form S-4 pursuant to Rule 145 of the Securities Act (or any successor Form or provision, as applicable).

"Rule 701" shall mean Rule 701 under the Securities Act (or any successor Rule).

"Sale" shall mean any Transfer for value.

"Securities Act" shall mean the Securities Act of 1933, as in effect from time to time.

"Shares" shall mean all HTM Shares, SMTC Shares, Pensar Shares, Qualtron Shares and Management Shares.

"SMTC" shall have the meaning set forth in the Recitals.

"SMTC - Canada" shall have the meaning set forth in the Preamble.

"SMTC Investors" shall have the meaning set forth in the Preamble.

- 17 -

"SMTC Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, an SMTC Investor, whenever issued, including, without limitation, all shares of Common Stock issued pursuant to the exercise of any Convertible Securities and (b) all Convertible Securities originally granted or issued to an SMTC Investor. As to any particular SMTC Shares, such shares shall cease to be SMTC Shares when (w) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (x) such securities shall have been Transferred pursuant to Rule 144 or Rule 701, (y) subject to the provisions of Section 9, such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e), (f) and (h) of Rule 144) or (z) such securities shall have ceased to be outstanding. Except as otherwise provided in this Agreement, Convertible Securities shall be treated as a number of Shares equal to the number of Equivalent Shares represented by such Convertible Securities in all cases where it is necessary to calculate the number of Shares held by any holder of SMTC Shares.

"Stockholders" shall mean the HTM Investors, the SMTC Investors, the Managers, the Pensar Investors and the Qualtron Investors.

"Transfer" shall mean any sale, pledge, assignment, encumbrance or other transfer or disposition of any Shares to any other Person, whether directly, indirectly, voluntarily, involuntarily, by operation of law, pursuant to judicial process or otherwise.

13. MISCELLANEOUS.

13.1. Expenses of EMSICon Transfers. In connection with any Transfer of Shares by EMSICon to the Beneficial Owner of such Shares, the Company will pay, or cause one of its subsidiaries to pay, on behalf of EMSICon or any such Beneficial Owner, all fees payable to governmental authorities relating to securities regulation and anti-trust enforcement in connection with, or resulting from, such Transfer.

13.2. Authority; Effect. Each party hereto represents and warrants to and agrees with each other party that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized on behalf of such party and do not violate any agreement or other instrument applicable to such party or by which its assets are bound. This Agreement does not, and shall not be construed to, give rise to the creation of a partnership among any of the parties hereto, or to constitute any of such parties members of a joint venture or other association.

- 18 -

13.3. Notices. Any notices and other communications required or permitted in this Agreement shall be effective if in writing and (a) delivered personally or (b) sent (i) by FederalExpress, DHL or UPS or (ii) by registered or certified mail, postage prepaid, in each case, addressed as follows:

If to the Company to it:

c/o EMSIcon

with a copy to:

SMTC Manufacturing Corporation of Canada
625 Hood Road
Markham, Ontario L3R 4N6
Canada
Attention: President

If to EMSIcon, to it:

c/o Bain Capital, Inc.
Two Copley Place, 7th Floor
Boston, MA 02116
Attention: Stephen G. Pagliuca
Ian K. Loring

with copies to:

Celerity Management Co., Inc.
11111 Santa Monica Boulevard, Suite 1127
Los Angeles, CA 90025
Attention: Stephen E. Adamson

and

Ropes & Gray
One International Place
Boston, Massachusetts 02110
Attention: Alfred O. Rose, Esq.

and

Brownstein, Hyatt & Farber, P.C.
410 Seventeenth Street
22nd Floor
Denver, CO 80202-4437
Attention: Jacquelyn Kilmer, Esq.

- 19 -

If to any other holder of Shares, to him at the address set forth in the stock record book of the Company.

Notice to the holder of record of any shares of capital stock shall be deemed to be notice to the holder of such shares for all purposes hereof.

Unless otherwise specified herein, such notices or other communications shall be deemed effective (a) on the date received, if personally delivered, (b) two business days after being sent by Federal Express, DHL or UPS and (c) three business days after deposit with the U.S. Postal Service, if sent by registered or certified mail. Each of the parties hereto shall be entitled to specify a different address by giving notice as aforesaid to each of the other parties hereto.

13.4. Binding Effect, Etc. Except for restrictions on Transfer of Shares set forth in other agreements, plans or other documents, this Agreement constitutes the entire agreement of the parties with respect to its subject matter, supersedes all prior or contemporaneous oral or written agreements or discussions with respect to such subject matter, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns. Upon execution by any party, this Agreement shall become a valid and binding obligation of such party notwithstanding the failure of any Stockholder to execute this Agreement.

13.5. Descriptive Headings. The descriptive headings of this Agreement are for convenience of reference only, are not to be considered a part hereof and shall not be construed to define or limit any of the terms or provisions hereof.

13.6. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one instrument.

13.7. Severability. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

14. GOVERNING LAW, ETC.

14.1. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

14.2. Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the exclusive jurisdiction of the state courts of the United States District Court for the District of Delaware for the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based

- 20 -

upon this Agreement or relating to the subject matter hereof, (b) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, and agrees not to allow any of its subsidiaries to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (c) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this agreement, the court in which such litigation is being heard shall be deemed to be included in clause (a) above. Each party hereto hereby consents to service of process in any such proceeding in any manner permitted by Delaware law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 13.3 is reasonably calculated to give actual notice.

14.3. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 14.3 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 14.3 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO

TRIAL BY JURY.

14.4. Exercise of Rights and Remedies. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any such delay, omission nor waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver

- 21 -

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement (or caused this Agreement to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first above written.

THE COMPANY: SMTC CORPORATION

By /s/ Paul Walker

Name: Paul Walker
Title: President

THE STOCKHOLDERS: EMSICON INVESTMENTS, LLC

By /s/ Stephen Adamson

Name: Stephen Adamson
Title: Managing Member

BAIN CAPITAL FUND VI, L.P.

By: Bain Capital Partners VI, L.P.,
its general partner

By: Bain Capital Investors VI, Inc.,
its general partner

By /s/ Paul B. Edgerley

Name: Paul B. Edgerley
Title: Authorized Signatory

SANKATY HIGH YIELD ASSET PARTNERS, L.P.

By /s/ Diane J. Exter

Name: Diane J. Exter
Title: Executive Vice President & Portfolio
Manager

BAIN CAPITAL V MEZZANINE FUND, L.P.

By: Bain Capital V Mezzanine Partners, L.P.,
its general partner

By: Bain Capital Investors V, Inc.,
its general partner

By /s/ Paul B. Edgerley

Name: Paul B. Edgerley
Title: Authorized Signatory

BCM CAPITAL PARTNERS, L.P.

By: Bain Capital V Mezzanine Partners, L.P.,
its general partner

By: Bain Capital Investors V, Inc.,
its general partner

By /s/ Paul B. Edgerley

Name: Paul B. Edgerley
Title: Authorized Signatory

BCIP ASSOCIATES II
BCIP TRUST ASSOCIATES II
BCIP ASSOCIATES II-B
BCIP ASSOCIATES II-C
By: Bain Capital, Inc.,
their Managing Partner

By /s/ Paul B. Edgerley

Name: Paul B. Edgerley
Title: Authorized Signatory

CELERITY EMSICON, LLC

By /s/ Stephen Adamson

Name: Stephen Adamson
Title: An Authorized Person

P.N. WALKER CONSULTING INC.

By /s/ Paul Walker

Name: Paul Walker
Title: President

NICHAL INC.

By /s/ Derrick D'Andrade

Name: Derrick D'Andrade
Title: President

KILMER ELECTRONICS GROUP LIMITED

By /s/ Michael Griffiths

Name: Michael Griffiths
Title: Secretary-Treasurer

/s/ Gary Walker

Gary Walker

/s/ Philip Woodard

Philip Woodard

/s/ Paul Walker

Paul Walker

/s/ Derrick D'Andrade

Derek D'Andrade

THE QUALTRON INVESTORS:

/s/ Cillian Feiritear

Cillian Feiritear

/s/ Patrick Dunne

Patrick Dunne

/s/ Patrick Moore

Patrick Moore, by his duly authorized
attorney, Cillian Feiritear

ENTERPRISE EQUITY (IRL) LIMITED

By /s/ Conor O'Connor

Name: Conor O'Connor
Title: Chief Executive/Company Secretary

EXHIBIT 10.1.7

FIRST AMENDMENT

FIRST AMENDMENT, dated as of November 17, 2000 (this "Amendment"), to

the Amended and Restated Credit and Guarantee Agreement, dated as of July 27,
2000, as may be further amended, supplemented or otherwise modified from time to
time (the "Credit Agreement"), among SMTC Corporation ("Holdings"), HTM

Holdings, Inc. (the "U.S. Borrower"), SMTC Manufacturing Corporation of Canada

(the "Canadian Borrower"; together with the U.S. Borrower, the "Borrowers"), the

several banks and other financial institutions or entities from time to time
parties thereto (the "Lenders"), Lehman Brothers Inc., as advisor, lead arranger

and book manager (in such capacity, the "Arranger"), The Bank of Nova Scotia, as

syndication agent (in such capacity, the "Syndication Agent"), Lehman Commercial

Paper Inc., as general administrative agent (in such capacity, the "General

Administrative Agent"), The Bank of Nova Scotia, as Canadian administrative

agent (in such capacity, the "Canadian Administrative Agent"), Lehman Commercial

Paper Inc., as collateral monitoring agent (in such capacity, the "Collateral

Monitoring Agent"), and General Electric Capital Corporation, as documentation

agent (in such capacity, the "Documentation Agent").

WITNESSETH

WHEREAS, Holdings and the Borrowers have requested that the Lenders
amend certain of the provisions of the Credit Agreement upon the terms and
subject to the conditions set forth below; and

WHEREAS, the Required Lenders have agreed to amend the Credit
Agreement in the manner and upon the terms and subject to the conditions set
forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. As used herein, terms defined in this Amendment or

in the Credit Agreement are used herein as so defined.

2. Amendment to Section 11.2 of the Credit Agreement. Section 11.2

of the Credit Agreement is hereby amended by (a) deleting the word "and" at the
end of paragraph (p); (b) deleting the period at the end of paragraph (q); (c)
inserting"; and"; and (d) inserting the following new paragraph (r) at the end
of such Section:

"(r) Indebtedness of the U.S. Borrower to the Canadian Borrower in an
aggregate amount not to exceed U.S. \$50,000,000 at any one time
outstanding."

3. Effectiveness. The Amendment shall become effective on the date

(the "First Amendment Effective Date") of satisfaction of the following

conditions precedent:

(a) The General Administrative Agent shall have received counterparts of this Amendment, duly executed and delivered by Holdings and each of the Borrowers.

(b) The General Administrative Agent shall have received executed Lender Consent Letters, substantially in the form of Exhibit A hereto ("Lender Consent Letters"), from Lenders constituting the Required Lenders -----
and the Required Prepayment Lenders.

(c) The General Administrative Agent shall have received an executed Acknowledgment and Consent, in the form set forth at the end of this Amendment, from each Loan Party other than Holdings and the Borrowers.

(d) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in form and substance to the General Administrative Agent.

4. Representations and Warranties. After giving effect to the -----
amendment contained herein, on the First Amendment Effective Date, Holdings and each of the Borrowers hereby confirms, reaffirms and restates the representations and warranties set forth in Section 8 of the Credit Agreement; provided that each reference in such Section 8 to "this Agreement" shall be -----
deemed to be a reference both to this Amendment and to the Credit Agreement as amended by this Amendment.

5. Continuing Effect; No Other Amendments. Except as expressly -----
amended or waived hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect. The amendments contained herein shall not constitute an amendment or waiver of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein.

6. No Default. No Default or Event of Default shall have occurred -----
and be continuing as of the First Amendment Effective Date after giving effect to this Amendment.

7. Counterparts. This Amendment may be executed in any number of -----
counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED -----
AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

SMTC CORPORATION

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

LEHMAN COMMERCIAL PAPER INC., as
General Administrative Agent

By: /s/ Jeffrey Goodwin

Name: Jeffrey Goodwin
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
Collateral Monitoring Agent and as a Lender

By: /s/ Jeffrey Goodwin

Name: Jeffrey Goodwin
Title: Authorized Signatory

4

THE BANK OF NOVA SCOTIA, as Canadian
Administrative Agent

By: /s/ Paul Phillips

Name: Paul Phillips
Title: Director

THE BANK OF NOVA SCOTIA, as Syndication
Agent and as a Lender

By: /s/ M. Van Otterloo

Name: M. Van Otterloo
Title: Managing Director

GENERAL ELECTRIC CAPITAL
CORPORATION, as Documentation Agent and as
a Lender

By: /s/ John Goodwin

Name: John Goodwin
Title: Duly Authorized Signatory

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned parties to the Amended and Restated Guarantee and Collateral Agreement, dated as of July 27, 2000, as amended, supplemented or otherwise modified from time to time, made by the undersigned in favor of Lehman Commercial Paper Inc., as General Administrative Agent, for the benefit of the Lenders, hereby (a) consents to the transactions contemplated by the foregoing Amendment to the Amended and Restated Credit and Guarantee Agreement and (b)

acknowledges and agrees that the guarantees and grants of security interests contained in such Amended and Restated Guarantee and Collateral Agreement and in the Security Documents are, and shall remain, in full force and effect after giving effect to this Amendment and all prior modifications to the Amended and Restated Credit and Guarantee Agreement.

SMTC CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF TEXAS

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF CALIFORNIA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF NORTH CAROLINA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MEX HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF COLORADO

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF MASSACHUSETTS

By: /s/ Richard Smith

Title: Chief Financial Officer

PENSAR CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

EXHIBIT A
LENDER CONSENT LETTER

HTM HOLDINGS, INC.
SMTC MANUFACTURING CORPORATION OF CANADA
AMENDED AND RESTATED
CREDIT AND GUARANTEE AGREEMENT
DATED AS OF JULY 27, 2000

To: Lehman Commercial Paper Inc.,
as General Administrative Agent
3 World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000, as may be further amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among HTM

Holdings, Inc. (the "U.S. Borrower"), SMTC Corporation ("Holdings"), SMTC

Manufacturing Corporation of Canada (the "Canadian Borrower"; together with the

U.S. Borrower, the "Borrowers"), the several banks and other financial

institutions or entities from time to time parties thereto (the "Lenders"),

Lehman Commercial Paper Inc., as general administrative agent (in such capacity, the "General Administrative Agent"), and others. Unless otherwise defined

herein, capitalized terms used herein and defined in the Credit Agreement are used herein as therein defined.

The Borrowers have requested that the Lenders consent to amend the Credit Agreement on the terms described in the First Amendment to which a form of this Lender Consent Letter is attached as Exhibit A (the "First Amendment").

Pursuant to Section 15.1 of the Credit Agreement, the undersigned Lender hereby consents to the execution by the General Administrative Agent of the First Amendment.

Very truly yours,

(NAME OF LENDER)

By: _____
Name:
Title:

Dated as of November __, 2000

EXHIBIT 10.1.8

SECOND AMENDMENT

SECOND AMENDMENT, dated as of December 28, 2000 (this "Amendment"), to

the Amended and Restated Credit and Guarantee Agreement, dated as of July 27,
2000, (as amended by the First Amendment, dated as of November 17, 2000, and as
may be further amended, supplemented or otherwise modified from time to time,
the "Credit Agreement"), among SMTC Corporation ("Holdings"), HTM Holdings, Inc.

(the "U.S. Borrower"), SMTC Manufacturing Corporation of Canada (the "Canadian

Borrower"; together with the U.S. Borrower, the "Borrowers"), the several banks

and other financial institutions or entities from time to time parties thereto
(the "Lenders"), Lehman Brothers Inc., as advisor, lead arranger and book

manager (in such capacity, the "Arranger"), The Bank of Nova Scotia, as

syndication agent (in such capacity, the "Syndication Agent"), Lehman Commercial

Paper Inc., as general administrative agent (in such capacity, the "General

Administrative Agent"), The Bank of Nova Scotia, as Canadian administrative

agent (in such capacity, the "Canadian Administrative Agent"), Lehman Commercial

Paper Inc., as collateral monitoring agent (in such capacity, the "Collateral

Monitoring Agent"), and General Electric Capital Corporation, as documentation

agent (in such capacity, the "Documentation Agent").

WITNESSETH

WHEREAS, Holdings and the Borrowers have requested that the Lenders
amend certain of the provisions of the Credit Agreement upon the terms and
subject to the conditions set forth below; and

WHEREAS, the Required Lenders have agreed to amend the Credit
Agreement in the manner and upon the terms and subject to the conditions set
forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. As used herein, terms defined in this Amendment or

in the Credit Agreement are used herein as so defined.

2. Amendment to Section 11.5 of the Credit Agreement. Section 11.5

of the Credit Agreement is hereby amended by (a) deleting the word "and" at the
end of paragraph (l); (b) deleting the period at the end of paragraph (m); (c)
inserting "; and" and (d) inserting the following new paragraph (n) at the end
of such Section:

"(n) the sale by the U.S. Borrower and/or any of its Subsidiaries to
the Canadian Borrower of Accounts owing to any of them by third parties in an
aggregate amount not to exceed U.S. \$12,800,000, in consideration for the
assignment of Indebtedness owing by

3. Amendment to Section 11.6 of the Credit Agreement. Section 11.6

of the Credit Agreement is hereby amended by (a) deleting the word "and" at the end of paragraph (f); (b) deleting the period at the end of paragraph (g); (c) inserting "; and" and (d) inserting the following new paragraph (h) at the end of such Section:

"(h) the Canadian Borrower may make Restricted Payments to SMTC Nova Scotia Company and SMTC Nova Scotia may make Restricted Payments to Holdings in the form of receivables owing to the Canadian Borrower from Holdings or the U.S. Borrower in an aggregate amount not to exceed the paid-up capital of SMTC Nova Scotia Company (estimated to be U.S. \$19,415,000)."

4. Effectiveness. The Amendment shall become effective on the date

(the "Second Amendment Effective Date") of satisfaction of the following

conditions precedent:

(a) The General Administrative Agent shall have received counterparts of this Amendment, duly executed and delivered by Holdings and each of the Borrowers.

(b) The General Administrative Agent shall have received executed Lender Consent Letters, substantially in the form of Exhibit A hereto ("Lender Consent Letters"), from Lenders constituting the Required Lenders

and the Required Prepayment Lenders.

(c) The General Administrative Agent shall have received an executed Acknowledgment and Consent, in the form set forth at the end of this Amendment, from each Loan Party other than Holdings and the Borrowers.

(d) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in form and substance to the General Administrative Agent.

5. Representations and Warranties. After giving effect to the

amendment contained herein, on the Second Amendment Effective Date, Holdings and each of the Borrowers hereby confirms, reaffirms and restates the representations and warranties set forth in Section 8 of the Credit Agreement; provided that each reference in such Section 8 to "this Agreement" shall be

deemed to be a reference both to this Amendment and to the Credit Agreement as amended by this Amendment.

6. Continuing Effect; No Other Amendments. Except as expressly

amended or waived hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect. The amendments contained herein shall not constitute an amendment or waiver of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein.

3

7. No Default. No Default or Event of Default shall have occurred

and be continuing as of the Second Amendment Effective Date after giving effect to this Amendment.

8. Counterparts. This Amendment may be executed in any number of

counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED

AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

SMTC CORPORATION

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

LEHMAN COMMERCIAL PAPER INC., as
General Administrative Agent

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
Collateral Monitoring Agent and as a Lender

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

THE BANK OF NOVA SCOTIA, as Canadian
Administrative Agent

By: /s/ Paul Phillips

Name: Paul Phillips
Title: Director

THE BANK OF NOVA SCOTIA, as Syndication
Agent and as a Lender

By: /s/ Jon Burckin

Name: Jon Burckin
Title: Managing Director

GENERAL ELECTRIC CAPITAL
CORPORATION, as Documentation Agent and as
a Lender

By:

Name:
Title:

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned parties to the Amended and Restated Guarantee and Collateral Agreement, dated as of July 27, 2000, as amended by the First Amendment, dated as of November 17, 2000 and as amended, supplemented or otherwise modified from time to time, made by the undersigned in favor of Lehman Commercial Paper Inc., as General Administrative Agent, for the benefit of the Lenders, hereby (a) consents to the transactions contemplated by the foregoing Amendment to the Amended and Restated Credit and Guarantee Agreement and (b) acknowledges and agrees that the guarantees and grants of security interests contained in such Amended and Restated Guarantee and Collateral Agreement and in the Security Documents are, and shall remain, in full force and effect after giving effect to this Amendment and all prior modifications to the Amended and Restated Credit and Guarantee Agreement.

SMTC CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF TEXAS

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF CALIFORNIA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF NORTH CAROLINA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MEX HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF COLORADO

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF MASSACHUSETTS

By: /s/ Richard Smith

Title: Chief Financial Officer

PENSAR CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

EXHIBIT A
LENDER CONSENT LETTER

HTM HOLDINGS, INC.
SMTC MANUFACTURING CORPORATION OF CANADA
AMENDED AND RESTATED
CREDIT AND GUARANTEE AGREEMENT
DATED AS OF JULY 27, 2000

To: Lehman Commercial Paper Inc.,
as General Administrative Agent
3 World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000, as amended by the First Amendment, dated as of November 17, 2000 and as may be further amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among HTM Holdings, Inc.

(the "U.S. Borrower"), SMTC Corporation ("Holdings"), SMTC Manufacturing

Corporation of Canada (the "Canadian Borrower"; together with the U.S. Borrower,

the "Borrowers"), the several banks and other financial institutions or entities

from time to time parties thereto (the "Lenders"), Lehman Commercial Paper Inc.,

as general administrative agent (in such capacity, the "General Administrative

Agent"), and others. Unless otherwise defined herein, capitalized terms used

herein and defined in the Credit Agreement are used herein as therein defined.

The Borrowers have requested that the Lenders consent to amend the Credit Agreement on the terms described in the Second Amendment to which a form of this Lender Consent Letter is attached as Exhibit A (the "Second Amendment").

Pursuant to Section 15.1 of the Credit Agreement, the undersigned Lender hereby consents to the execution by the General Administrative Agent of the Second Amendment.

Very truly yours,

AMMC, CDO I, LIMITED (American Money Management
Corp. as Collateral Manager)

(NAME OF LENDER)

By: /s/ David P. Meyer

Name: David P. Meyer
Title: Vice President

AMMC, CDO II, LIMITED (American Money Management
Corp. as Collateral Manager)

(NAME OF LENDER)

By: /s/ David P. Meyer

Name: David P. Meyer
Title: Vice President

COMERICA BANK

(NAME OF LENDER)

By: /s/ Monica Lewis

Name: Monica Lewis
Title: International Lending Officer

ROYAL BANK OF CANADA

(NAME OF LENDER)

By: /s/ Stephanie Babich

Name: Stephanie Babich
Title: Senior Manager

Dated as of December __, 2000

EXHIBIT 10.1.9

THIRD AMENDMENT

THIRD AMENDMENT, dated as of February 6, 2001 (this "Amendment"), to

the Amended and Restated Credit and Guarantee Agreement, dated as of July 27,
2000, (as amended by the First Amendment and the Second Amendment thereto, and
as may be further amended, supplemented or otherwise modified from time to time,
the "Credit Agreement"), among SMTC Corporation ("Holdings"), HTM Holdings, Inc.

(the "U.S. Borrower"), SMTC Manufacturing Corporation of Canada (the "Canadian

Borrower"; together with the U.S. Borrower, the "Borrowers"), the several banks

and other financial institutions or entities from time to time parties thereto
(the "Lenders"), Lehman Brothers Inc., as advisor, lead arranger and book

manager (in such capacity, the "Arranger"), The Bank of Nova Scotia, as

syndication agent (in such capacity, the "Syndication Agent"), Lehman Commercial

Paper Inc., as general administrative agent (in such capacity, the "General

Administrative Agent"), The Bank of Nova Scotia, as Canadian administrative

agent (in such capacity, the "Canadian Administrative Agent"), Lehman Commercial

Paper Inc., as collateral monitoring agent (in such capacity, the "Collateral

Monitoring Agent"), and General Electric Capital Corporation, as documentation

agent (in such capacity, the "Documentation Agent").

W I T N E S S E T H

WHEREAS, Holdings and the Borrowers have requested that the Lenders
amend certain of the provisions of the Credit Agreement upon the terms and
subject to the conditions set forth below; and

WHEREAS, the Required Lenders have agreed to amend the Credit
Agreement in the manner and upon the terms and subject to the conditions set
forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. As used herein, terms defined in this Amendment

or in the Credit Agreement are used herein as so defined.
2. Amendment to Section 10.1 of the Credit Agreement. Clause (c)

of Section 10.1 of the Credit Agreement is hereby amended by deleting the number
"45" and inserting in lieu thereof "30".
3. Amendment to Section 10.2 of the Credit Agreement. Clause (f)

of Section 10.2 of the Credit Agreement is hereby deleted in its entirety and
the following new clauses (f) and (g) inserted in lieu thereof:

"(f) as soon as available, but in any event not later than (i) 30
days after the end of each month (other than the third, sixth, ninth and twelfth
such months) occurring during each fiscal year of Holdings, a schedule setting
forth all Capital Expenditures that the Borrower and its Subsidiaries have made,
agreed to or arranged for during that month; (ii) 45 days after the end of each
of the first three quarterly periods of each fiscal year of Holdings, a schedule

setting forth all Capital Expenditures that the Borrower and its Subsidiaries have made, agreed to or arranged for during that quarter; and (iii) 45 days after the end of each fiscal year of Holdings, a schedule of setting forth all Capital Expenditures that the Borrower and its Subsidiaries have made, agreed to or arranged for during that year; and

(g) promptly, such additional financial and other information as any Lender may from time to time reasonably request."

4. Amendment to Section 10.3 of the Credit Agreement. Section 10.3

of the Credit Agreement is hereby amended by (1) deleting the word "and" at the end of clause (b), (2) deleting the "." at the end of clause (c) and substituting in lieu thereof, the following: "; and" and (3) adding thereto the following new clause (d):

"(d) without limiting the generality of the foregoing, to the Collateral Monitoring Agent, not later than March 31, 2001, a completed audit of the Accounts and Inventory of the Borrower and its Subsidiaries performed by an entity reasonably acceptable to the Collateral Monitoring Agent.

5. Amendment to Section 11.7 of the Credit Agreement. Section 11.7

of the Credit Agreement is hereby amended by deleting the amount "\$14,000,000" (set forth opposite fiscal year 2000) and inserting in lieu thereof, the amount "\$27,000,000". The amendment effected by this paragraph 5 shall be given retroactive effect to December 31, 2000.

6. Effectiveness. The Amendment shall become effective on the date

of satisfaction of the following conditions precedent (the "Third Amendment Effective Date"):

(a) The General Administrative Agent shall have received counterparts of this Amendment, duly executed and delivered by Holdings and each of the Borrowers.

(b) The General Administrative Agent shall have received executed Lender Consent Letters, substantially in the form of Exhibit A hereto ("Lender Consent Letters"), from Lenders constituting the Required Lenders.

(c) The General Administrative Agent shall have received an executed Acknowledgment and Consent, in the form set forth at the end of this Amendment, from each Loan Party other than Holdings and the Borrowers.

3

(d) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in form and substance to the General Administrative Agent.

(e) The General Administrative Agent shall have received from Holdings, for the account of each Lender that has executed a Lender Consent Letter granting its consent to this Agreement on or prior to 5:00 p.m., New York City time on February 9, 2001, an amendment fee equal to 0.10% of such Lender's Aggregate Total Outstandings and aggregate undrawn Commitments.

7. Representations and Warranties. After giving effect to the

amendment contained herein, on the Third Amendment Effective Date, Holdings and each of the Borrowers hereby confirms, reaffirms and restates the representations and warranties set forth in Section 8 of the Credit Agreement; provided that each reference in such Section 8 to "this Agreement" shall be

deemed to be a reference both to this Amendment and to the Credit Agreement as amended by this Amendment.

8. Continuing Effect; No Other Amendments. Except as expressly

amended or waived hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect. The amendments contained herein shall not constitute an amendment or waiver of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein.

9. No Default. No Default or Event of Default shall have occurred

and be continuing as of the Third Amendment Effective Date after giving effect to this Amendment.

10. Counterparts. This Amendment may be executed in any number of

counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

11. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

4

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

SMTC CORPORATION

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Richard Smith

Name: Richard Smith
Title: Chief Financial Officer

LEHMAN COMMERCIAL PAPER INC., as
General Administrative Agent

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorised Signatory

LEHMAN COMMERCIAL PAPER INC., as
Collateral Monitoring Agent and as a Lender

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorised Signatory

5

THE BANK OF NOVA SCOTIA, as Canadian

Administrative Agent

By: /s/ Paul Phillips

Name: Paul Phillips
Title: Director

THE BANK OF NOVA SCOTIA, as Syndication
Agent and as a Lender

By: /s/ Liz Hanson

Name: Liz Hanson
Title: Director

GENERAL ELECTRIC CAPITAL
CORPORATION, as Documentation Agent and as
a Lender

By: /s/ John Goodwin

Name: John Goodwin
Title: Duly Authorized Signatory

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned parties to the Amended and Restated Guarantee and Collateral Agreement, dated as of July 27, 2000, as amended by the First Amendment and the Second Amendment thereto, and as amended, supplemented or otherwise modified from time to time, made by the undersigned in favor of Lehman Commercial Paper Inc., as General Administrative Agent, for the benefit of the Lenders, hereby (a) consents to the transactions contemplated by the Third Amendment to the Amended and Restated Credit and Guarantee Agreement and (b) acknowledges and agrees that the guarantees and grants of security interests contained in such Amended and Restated Guarantee and Collateral Agreement and in the Security Documents are, and shall remain, in full force and effect after giving effect to the Third Amendment and all prior modifications to the Amended and Restated Credit and Guarantee Agreement.

SMTC CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

HTM HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF TEXAS

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF CALIFORNIA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF NORTH CAROLINA

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MEX HOLDINGS, INC.

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF COLORADO

By: /s/ Richard Smith

Title: Chief Financial Officer

SMTC MANUFACTURING CORPORATION
OF MASSACHUSETTS

By: /s/ Richard Smith

Title: Chief Financial Officer

PENSAR CORPORATION

By: /s/ Richard Smith

Title: Chief Financial Officer

EXHIBIT A
LENDER CONSENT LETTER

HTM HOLDINGS, INC.
SMTC MANUFACTURING CORPORATION OF CANADA
AMENDED AND RESTATED
CREDIT AND GUARANTEE AGREEMENT
DATED AS OF JULY 27, 2000

To: Lehman Commercial Paper Inc.,
as General Administrative Agent
3 World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000, as amended by the First Amendment and the Second Amendment thereto, and as may be further amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among HTM

Holdings, Inc. (the "U.S. Borrower"), SMTC Corporation ("Holdings"), SMTC

Manufacturing Corporation of Canada (the "Canadian Borrower"; together with the

U.S. Borrower, the "Borrowers"), the several banks and other financial

institutions or entities from time to time parties thereto (the "Lenders"),

Lehman Commercial Paper Inc., as general administrative agent (in such capacity, the "General Administrative Agent"), and others. Unless otherwise defined

herein, capitalized terms used herein and defined in the Credit Agreement are

used herein as therein defined.

The Borrowers have requested that the Lenders consent to amend the Credit Agreement on the terms described in the Third Amendment to which a form of this Lender Consent Letter is attached as Exhibit A (the "Third Amendment").

Pursuant to Section 15.1 of the Credit Agreement, the undersigned Lender hereby consents to the execution by the General Administrative Agent of the Third Amendment.

Very truly yours,

LEHMAN COMMERCIAL PAPER INC.

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

THE BANK OF NOVA SCOTIA

By: /s/ Paul Phillips

Name: Paul Phillips
Title: Director

THE BANK OF NOVA SCOTIA

By: /s/ Liz Hanson

Name: Liz Hanson
Title: Director

AMMC CDO II, LIMITED

(American Money Management Corp., as Collateral Manager)

By: /s/ David P. Meyer

Name: David P. Meyer
Title: Vice President

COMERICA BANK

By: /s/ Pamela R. Horne Eidt

Name: Pamela R. Horne Eidt
Title: Assistant Vice President

IBM CREDIT CORPORATION

By: /s/ Thomas S. Curcio

Name: Thomas S. Curcio
Title: Manager of Credit

ROYAL BANK OF CANADA

By: /s/ Stephanie Babich

Name: Stephanie Babich
Title: Senior Manager

Dated as of February 9, 2001

SMTC CORPORATION
625 Hood Road
Markham, Ontario L3R 4N6

July 27, 2000

Mr. Stanley C. Plzak
c/o Pensar Corporation
2222 E. Pensar Drive
Appleton, WI 54911

Re: Employment Agreement

Dear Mr. Plzak:

This letter sets forth the terms and conditions of your employment with SMTC Corporation, a Delaware corporation (the "Company") to be effective as of the date of closing of the transactions (the "Effective Date") described in the Stock Purchase Agreement dated as of May 23, 2000 among Pensar Corporation, a Wisconsin corporation ("Pensar"), the Company, you and the other stockholders of the Company (the "Stock Purchase Agreement"). This Agreement is entered into in connection with the transactions described in the Stock Purchase Agreement pursuant to which you, as a stockholder of Pensar, will receive certain cash payments and common stock of the Company upon the purchase of your shares of common stock of Pensar.

1. Employment and Services. You shall be employed as Executive Vice President, Pensar Corporation for the period beginning on the Effective Date and ending on December 31, 2001 or on such earlier date as your employment is terminated pursuant to paragraph 4 hereof (the "Employment Period"). The Employment Period shall automatically be extended for successive one-year terms on December 31 of each year beginning with December 31, 2001, unless (i) either party has given written notice of non-renewal to the other party at least 90 days prior to the scheduled expiration date of the Employment Period or (ii) your employment has been terminated pursuant to paragraph 4 hereof.

During the Employment Period, you shall render such services of a senior executive nature to the Company and its subsidiaries, including Pensar Corporation (collectively, the "SMTC Group"), and shall have such powers, duties and responsibilities as may from time to time be prescribed by the Company's Board of Directors (the "Board"). You shall perform

Pensar Employee
Employment Agreement
July 27, 2000

and discharge, faithfully, diligently and competently such services, duties and responsibilities. You shall devote all of your business time and attention and your best efforts and ability to the business and affairs of the SMTC Group and shall not engage in other business activities (whether or not compensated) during the Employment Period without prior written consent of the Board. You agree to serve, if elected or appointed thereto, in one or more positions as an officer or director of any one or more current or future members of the SMTC Group or any of their affiliates, or as an officer, trustee, director or other fiduciary of any pension or other employee benefit plan of any member of the SMTC Group. Service in such additional positions will be without additional compensation except for reimbursement of reasonably related business expenses on the same terms as provided elsewhere in this Agreement.

2. Compensation. As compensation for your services performed under this Agreement during the Employment Period, the Company shall pay you a base salary at the rate of \$275,000 per year, subject to such increases as the Board may approve in its sole discretion ("Base Salary"). Such compensation shall be payable in installments in accordance with the Company's regular payroll practices.

3. Benefits.

a. Participation in Benefit Plans. During the Employment Period, you shall be entitled to participate in or receive benefits under any life insurance plan, health and accident insurance plan, retirement plan and all other benefit arrangements generally available to the executive officers and employees of the Company (other than severance plans or arrangements) as in effect from time to time, except to the extent these benefit plans are duplicative of benefits otherwise provided to you under this agreement. Participation in these benefit plans shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company, and (iii) the discretion of the Board or any administrative or other committee provided for in or contemplated by such plan.

b. Business Expenses. The Company will reimburse your reasonable out-of-pocket expenses incurred in connection with the performance of your services hereunder, in each case subject to and consistent with the policies of the Company.

c. Vacation. During the Employment Period you shall be entitled to forty paid vacation days in every fiscal year, to be taken at such times and intervals as shall be determined by you in your reasonable discretion and as consented to by the Board, which consent shall not be unreasonably withheld. You shall also be entitled to all paid holidays given by the Company to its employees. Your paid vacation days shall be prorated for any period of service hereunder less than a full year. You will not be entitled to cash compensation for any vacation time not taken during the term hereof.

-2-

Pensar Employee
Employment Agreement
July 27, 2000

d. Other Allowances. You shall be entitled to annual allowances of (i) \$15,000 per annum for a company car, (ii) \$2,000 per annum for tuition reimbursement, and (iii) \$1,000 per annum for third-party financial planning services. You shall also be entitled to a one-time \$1,000 allowance for the purchase of a computer, to be repaid over 18 months through payroll deductions.

e. Stock Option. On the Effective Date, the Company shall grant you a stock option to purchase _____ shares of Common Stock, \$0.001 par value, of the Company at an exercise price of \$16.00 per share. Such stock option shall be pursuant to the Company's 2000 Stock Option Plan as in effect from time to time and any applicable stock grant agreement and the Stockholders Agreement dated as of July 27, 2000, by and among the Company and certain of its stockholders.

4. Termination and Severance. The Employment Period shall terminate prior to its scheduled expiration date on the first to occur of (i) your death or permanent disability (defined as your actual inability to perform normal duties for a period of 90 consecutive days or for a total of 120 days in any two-year period or your prospective inability to perform such duties for such period as determined in good faith by the Board), (ii) a vote of the Board directing such termination for Cause, (iii) a vote of the Board directing such termination without Cause, or (iv) termination by you for Good Reason (which termination shall in any event be upon not less than 30 days' prior written notice). In the event of termination of the Employment Period pursuant to clauses (iii) or (iv) above and so long as you comply with the restrictions set forth in paragraphs 5 and 6 below, the Company shall continue to pay your Base Salary until the date which is one year following the date of such termination or until December 31, 2001, whichever is later. Except as set forth in this paragraph 4, you shall not be entitled to any compensation or other payment from the Company or any current or future member, or affiliate of any such member, of the SMTC Group in connection with the termination of your employment. For purposes of this Agreement, (x) "Cause" shall mean (i) your willful and repeated failure to comply with the lawful directives of the Board, (ii) any criminal act or act of dishonesty, disloyalty, misconduct or moral turpitude by you that is injurious to the property, operations, business or reputation of any member of the SMTC Group, or (iii) your material breach of this Agreement that is not cured within 30 days after written notice thereof to you by the Company (provided, however,

that the Company shall be required to allow only one such cure period in each twelve-month period), and (y) "Good Reason" shall mean (i) the Company's material breach of this Agreement that is not cured within 30 days after written notice thereof to the Company by you or (ii) a reduction in your responsibilities and authority such that you no longer function as Executive Vice President, Pensar Corporation, provided however, that if you do not terminate within 30 days after the Company has provided you notice of any such reduction in responsibilities (provided, however, that the Employee shall be required to allow only one such cure period in each twelve-month period), then you shall be deemed to have waived your right to terminate for Good Reason based on such reduction.

-3-

Pensar Employee
Employment Agreement
July 27, 2000

5. Confidential Information. You acknowledge that by reason of the transactions described in the Stock Purchase Agreement and by reason of your employment by Pensar Corporation (during the term prior to the Employment Period) and the Company, you have acquired and will acquire information concerning the business or affairs of members of the SMTC Group (collectively, the "Confidential Information"). You further acknowledge that the Confidential Information is the property of the SMTC Group. You shall not at any time during or after the Employment Period without the prior written consent of the Board, disclose to any unauthorized person or use for your own account or for the account of any person other than the SMTC Group or its affiliates any Confidential Information, except to the extent necessary to comply with (i) applicable law or regulation or (ii) an order of a court or governmental authority acting within its jurisdiction.

Notwithstanding anything contained in this Agreement to the contrary, the term "Confidential Information" shall not include information that (i) becomes generally available to the public other than as a result of a disclosure by you or anyone to whom you transmit Confidential Information; (ii) was available to you on a nonconfidential basis prior to acquiring such information in connection with your employment by Pensar Corporation or the Company or otherwise from Pensar Corporation, the Company or another member of the SMTC Group (including during the term prior to the Employment Period); (iii) during or after the Employment Period becomes available to you on a nonconfidential basis from a source other than the Company or another member of the SMTC Group who, to your knowledge, is not bound by a confidentiality agreement or other obligation of secrecy with the Company with respect to such information; or (iv) was known to you or in your possession prior to the date you acquired such information in connection with your employment by Pensar Corporation or the Company or otherwise from Pensar Corporation, the Company or by another member of the SMTC Group (including during the term prior to the Employment Period).

Upon termination of the Employment Period or at the request of the Board at any time, you shall deliver to the Board all documents containing Confidential Information or relating to the business or affairs of the SMTC Group or their affiliates that you may then possess or have under your control.

6. Non-Competition; Non-Solicitation.

a. Non-Competition. You acknowledge that you are and will be in possession of Confidential Information, that your services are of unique and great value to the SMTC Group, and that some restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the SMTC Group. Accordingly, during the Employment Period and for the period thereafter during which you receive continued payments of your Base Salary pursuant to Section 4 or, in the case of termination of your employment for Cause pursuant to Section 4(ii), for a period of

-4-

Pensar Employee
Employment Agreement

July 27, 2000

one year following the date of termination of your employment (the "Non-Compete Period"), you shall not, directly or indirectly, own, manage, control, participate in, consult with, render services to, or in any manner engage in, any enterprise engaged in the design, development, manufacture or assembly of printed circuit boards or other electronic manufacturing services within any geographical area in which the SMTC Group or its affiliates do business on the date of termination of your employment. Such geographical area shall include but not be limited to North America (including Mexico). Nothing herein shall prohibit you from being a passive owner of not more than 5% of any publicly-traded class of capital stock of any entity engaged in a competing business.

b. Non-Solicitation of Employees, Suppliers and Customers. During the Non-Compete Period, you shall not (i) interfere with the relationship between the SMTC Group or any of its affiliates on the one hand, and any of their employees on the other hand, or induce or attempt to induce any employee of the SMTC Group or its affiliates to terminate his or her employment, (ii) hire directly or through another entity any person who was an employee of the SMTC Group or any of its affiliates at any time during the Employment Period (other than a former employee of the SMTC Group who left his or her employment without any inducement by you), (iii) induce or attempt to induce any independent contractor providing services to the SMTC Group or any of its affiliates to terminate or diminish its relationship with the SMTC Group or its affiliates, (iv) induce or attempt to induce any customer, supplier, licensee or other business relation of the SMTC Group or its affiliates to cease doing business with such entity, or (v) in any way interfere in any material respect with the relationship between any such customer, supplier, licensee or business relation and the SMTC Group or its affiliates.

c. Scope of Restriction. If, at the time of enforcement of this paragraph 6, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, you agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area.

d. Necessity of Restraints. You acknowledge that the restraints imposed by this paragraph 6 and by paragraph 5 above are reasonable and necessary for the protection of the SMTC Group and its affiliates, and that any such entity would be irreparably harmed by a breach by you of these provisions, and that the SMTC Group have the right and remedy to seek specific performance and accounting.

e. Enforceability of Covenants Under Stock Purchase Agreement. Notwithstanding anything to the contrary in this Agreement, nothing herein shall limit or impair in any way the separate and independent enforceability of the non-competition and confidentiality covenants set forth in Sections 7 and 8 of the Stock Purchase Agreement, which covenants shall be and remain separate and independent covenants enforceable in accordance with their terms.

-5-

Pensar Employee
Employment Agreement
July 27, 2000

7. Withholding; Currency. All payments made by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under any applicable law or legal requirement. All amounts set forth in this Agreement are denominated in US Dollars.

8. Prior Agreements. Except as expressly provided herein, all prior agreements, arrangements or understandings, written or oral, with respect to your employment with the Company or any subsidiary or affiliate thereof are superseded by this Agreement and shall be of no further force and effect.

9. Survival. The provisions of paragraphs 4, 5 and 6 hereof will survive any termination of this Agreement in accordance with their respective terms.

10. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by the laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

11. Notices. All notices, requests and demands to or upon the parties hereto to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (i) delivery by hand, (ii) one business day after being sent by overnight courier; or (iii) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties as follows (or to such other address as either party shall designate by giving like notice of such change to the other party):

If to you, at the address first stated above.

If to the Company:

Pensar Corporation
2222 E. Pensar Drive
Appleton, WI 54911

with a copy to:

SMTC Corporation
635 Hood Road
Markham, Ontario
L3R 4N6

-6-

Pensar Employee
Employment Agreement
July 27, 2000

and:

Ropes & Gray
One International Place
Boston, MA 02110
Attention: Alfred O. Rose
Facsimile: 617-951-7050

12. Amendment; Waiver. No provision of this Agreement may be amended modified, waived or discharged unless such amendment waiver, modification or discharge is approved by the Board and agreed to in writing signed by you and such officer as may be specifically authorized by the Board in connection with such approval. No waiver of any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Assignment. This Agreement shall inure to the benefit of and be binding upon (i) you, your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees and (ii) the Company and its successors (including, without limitation, by means of reorganization, merger, amalgamation, consolidation or liquidation) and permitted assigns. The Company may assign this Agreement to any member of the SMTC Group or to any successor of the Company by reorganization, merger, consolidation or liquidation and any transferee of all or substantially all of the business or assets of the Company or of any division or line of business of the Company with which you are associated. The Company and the members of the SMTC Group require your personal services hereunder and you may not assign this Agreement.

* * * * *

-7-

Pensar Employee
Employment Agreement
July 27, 2000

Please execute the extra copy of this letter Agreement in the space below and return it to the undersigned at the address set forth above to confirm your understanding and acceptance of the agreements contained herein.

Very truly yours,

SMTC Corporation

By: /s/ Paul Walker

Name: Paul Walker
Title: President

Accepted and agreed to:

/s/ Stanley C. Plzak

Stanley C. Plzak

CLASS N COMMON STOCK REDEMPTION AGREEMENT

This Class N Common Stock Redemption Agreement (the "Agreement") is made as of July 26, 2000 by and among SMTC Corporation, a Delaware corporation (the "Company"), and each holder of shares of the Class N Common Stock, par value \$0.001 ("Class N Shares"), of the Company set forth on Schedule 1 hereto (each, a "Holder", and collectively, the "Holders").

Recitals

WHEREAS, each Holder holds the number of Class N Shares set forth on Schedule 1 hereto;

WHEREAS, the number of Class N Shares held by each Holder corresponds to the number of Class L exchangeable shares (the "Class L Shares"), as applicable of SMTC Manufacturing Corporation of Canada, an Ontario corporation and a subsidiary of the Company ("SMTC-Canada"), held by such Holder, and such Class N Shares were issued to the Holders solely to provide the Holders with the right to vote together with the holders of all other classes of common stock of the Company;

WHEREAS, except for the voting rights set forth in Article 4.4.3 of the Amended and Restated Certificate of Incorporation of the Company as in effect on the date hereof, the Holders enjoy no rights or economic benefits as shareholders of the Company in their capacity as holders of the Class N Shares;

WHEREAS, prior to the consummation of the initial public offering of the Company's common stock and of the exchangeable shares (the "Exchangeable Shares") of SMTC-Canada, the Class L Shares held by the Holders shall be converted into Exchangeable Shares (the "Conversion") and the Company shall issue one share of special voting stock which will be held by a trustee for the benefit of the holders of the Exchangeable Shares and will provide the holders of the Exchangeable Shares with substantially equivalent voting rights as will be enjoyed by the holders of the Company's common stock; and

WHEREAS, the Company and the Holders desire that immediately prior to the Conversion the Company shall redeem all of the Class N Shares in exchange for the consideration set forth herein, which consideration is equal to the par value of the Class N Shares to be redeemed hereunder;

NOW, THEREFORE, in consideration of the premises and the mutual representations hereinafter set forth, the parties hereto hereby agree as follows:

1. The closing of the redemption contemplated hereby (the "Closing") shall occur immediately prior to, and shall be contingent upon, the Conversion. The Closing shall take

place at the offices of McMillan Binch, Royal Bank Plaza, South Tower, Suite 3800, Toronto, Ontario. At the Closing (i) the Company shall redeem all of the Class N Shares held by each Holder, and as consideration therefor the Company shall pay to each Holder in cash the amount set forth opposite the name of such Holder on Schedule 1 hereto, and (ii) each Holder shall deliver to the Company the certificate or certificates evidencing all of the Class N Shares held by such Holder.

2. Each Holder agrees to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

3. This Agreement contains the entire agreement among the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings among the parties with respect thereto. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same agreement. This Agreement will be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or

conflicting provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied.

[Remainder of this page intentionally left blank.]

-2-

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as of the date first above written.

SMTC CORPORATION

By /s/ Paul Walker

Name: Paul Walker
Title:

P.N. WALKER CONSULTING INC.

By /s/ Paul Walker

Name: Paul Walker
Title:

NICHAL INC.

By /s/ Derrick D'Andrade

Name: Derrick D'Andrade
Title:

/s/ Philip Woodard

PHILIP WOODARD

KILMER ELECTRONICS GROUP, LIMITED

By /s/ Michael Griffiths

Name: Michael Griffiths
Title: Secretary-Treasurer

-3-

SCHEDULE 1

Holder	Redemption Class N Shares	Consideration
-----	-----	-----
P.N. Walker Consulting Inc.	23,092.4669	U.S. \$23.09
Nichal Inc.	23,092.4669	U.S. \$23.09
Philip Woodard	4,437.6957	U.S. \$4.44
Kilmer Electronics Group Limited	39,692.7625	U.S. \$39.69

Exhibit 10.23
LEASE AGREEMENT between
THE HAVERDYNE COMPANY, LLC
("Landlord")

and

QUALTRON, INC.
("Tenant")

- ARTICLE 1 TERM
- ARTICLE 2 FIXED RENT, ADDITIONAL RENT & DEPOSIT
- ARTICLE 3 ADJUSTMENTS TO FIXED RENT
- ARTICLE 4 TAXES, ASSESSMENTS & CHARGES
- ARTICLE 5 INSURANCE
- ARTICLE 6 REPAIRS
- ARTICLE 7 COMPLIANCE WITH LAW AND REGULATIONS
- ARTICLE 8 ALTERATIONS AND IMPROVEMENTS
- ARTICLE 9 MECHANICS' LIENS
- ARTICLE 10 WASTE
- ARTICLE 11 INSPECTION BY LANDLORD
- ARTICLE 12 ASSIGNMENT AND SUBLETTING
- ARTICLE 13 UTILITIES
- ARTICLE 14 HOLD HARMLESS AND INDEMNIFICATION
- ARTICLE 15 CASUALTY
- ARTICLE 16 CONDEMNATION/EMINENT DOMAIN
- ARTICLE 17 BANKRUPTCY/INSOLVENCY AND DEFAULT OF TENANT
- ARTICLE 18 NOTICES
- ARTICLE 19 LESSER AMOUNT OF RENT
- ARTICLE 20 QUIET ENJOYMENT
- 1-
- ARTICLE 21 LIMITATION OF LANDLORD'S LIABILITY
- ARTICLE 22 ESTOPPEL NOTICES
- ARTICLE 23 REMEDIES
- ARTICLE 24 UNAVOIDABLE DELAYS
- ARTICLE 25 SUBORDINATION
- ARTICLE 26 NOTICES OF DEFAULT
- ARTICLE 27 NOTICE OF LEASE
- ARTICLE 28 USE
- ARTICLE 29 CONDITION OF PREMISES

ARTICLE 30 LATE CHARGES

ARTICLE 31 MISCELLANEOUS

ARTICLE 32 GUARANTY OF LEASE

ARTICLE 33 WAIVER OF SUBROGATION RIGHTS

ARTICLE 34 SURRENDER OF PREMISES

ARTICLE 35 RESTRICTION OF USE

ARTICLE 36 INVALIDITY OF PROVISIONS

ARTICLE 37 HAZARDOUS SUBSTANCES

-2-

LEASE AGREEMENT

THIS AGREEMENT, made this 12 day of May, 1998 by and between:

THE HAVERDYNE COMPANY, LLC, a Massachusetts Limited Liability Company, having an address of PO Box 8283, Haverhill MA 01835, (hereinafter referred to as "Landlord"),

and QUALTRON, INC. a corporation organized under the laws of the Commonwealth of Massachusetts, having an address of Jefferson Office Park, 800 Turnpike, Suite 300, N. Andover, MA 01845 (hereinafter referred to as "Tenant").

WITNESSETH

THAT Landlord for and in consideration of the rentals and covenants hereinafter mentioned on the part of Tenant, its successors and assigns, to be performed, is constructing a 45,000(+/-) square foot building (hereinafter "the building"), and associated improvements upon a certain parcel of land, consisting of 4.29 acres (+/-) and shown on the site plan attached to this Lease (Exhibit "A") situated in Haverhill Massachusetts at 135 Ward Hill Avenue, which building, improvements and land are collectively referred to in the lease as the "PROPERTY", and has leased, and by these presents does Lease, unto Tenant, and Tenant does hereby take and hire from Landlord upon and subject to the conditions hereinafter expressed premises consisting of a portion of the building and improvements now or hereafter erected thereon situated in Haverhill, Massachusetts which Premises are described as set forth in Exhibit "A" and shown outlined in red annexed hereto and made a part hereof, which a portion of the building and improvements, including all permitted improvements, alterations or additions thereto, is collectively referred to in this Lease as the "PREMISES".

TO HAVE AND TO HOLD THE PREMISES unto Tenant, its successors and assigns, for a term of three (3) years commencing on the Commencement Date as provided in Article 1, infra, and terminating at noon on the day which shall be exactly three (3) years thereafter.

IT IS FURTHER understood and agreed by and between the parties hereto as follows:

ARTICLE 1.

TERM

The term of this Lease shall be three (3) years commencing on June 15, 1998 (which date is hereinafter referred to as the Commencement Date) and ending at noon on June 15, 2001. Tenant shall have the option to extend this lease for one two (2) year period subject to the terms and conditions specified in Article 3.

ARTICLE 2.

FIXED RENT, ADDITIONAL RENT AND DEPOSIT

Tenant covenants to pay to Landlord for each Lease year of the term hereof a net annual basic rental of (see Rental Schedule attached hereto as Exhibit "B") (\$86,679.60), in equal

-1-

monthly installments of Seven thousand two hundred twenty three and 30/100 (\$7,223.30), (hereinafter referred to as the "Fixed Rent") as follows: Fixed Rent shall be payable in advance on the first day of each and every calendar month of the term hereof (hereinafter sometimes referred to as "Rents Days") in lawful money of the United States of America at The Haverdyne Company, LLC, PO Box 8283, Haverhill, MA 01835 or at such other place as may hereafter be designated by Landlord. Fixed Rent for any period of less than one month shall be adjusted pro-rata.

Fixed Rent shall be paid to Landlord, without notice or demand and without deduction, set-off or other charge therefrom or against the same, except for such payments as Tenant may make of Landlord's obligations in accordance with Article 25 hereof, or except as provided in Articles 15 or 16 hereof, so that this Lease shall yield to Landlord Fixed Rent on a net basis, for and during each and every Lease year of the term of this Lease.

Tenant shall also pay, monthly in advance, "Additional Rent" consisting of all taxes, assessments, charges, utility costs, insurance premiums, repair costs and expenditures of Landlord as set forth in Articles 4, 5, 6, 7, 13 and 17, or in any other part of this Lease. In the event of Tenant's default in payment, Landlord shall have (in addition to any remedies granted Landlord hereunder for Fixed Rent) all legal, equitable or other remedies provided by law for non-payment of rent.

A total of \$27,870.90 representing the first month's and last month's rent and a security deposit, shall be paid by Tenant to Landlord upon the execution of this lease.

ARTICLE 3.

ADJUSTMENTS TO FIXED RENT

The Fixed Rent described above will remain in effect for the first year of the initial term of this Lease. Commencing with the beginning of the second year of the Lease Term, the Fixed Rent will be increased by an amount equal to 100% of the cumulative increase of the Consumer Price Index as published by the Department of Labor for the Boston, Massachusetts area during the previous year, or the Base Year. The Base Year in this instance will be established as the first full year of the Lease Term. The Fixed Rent will be increased in each subsequent year by an amount equal to 100% of the cumulative increase of the Consumer Price Index during the previous year, throughout the term of the Lease or any extensions or options thereof, except as specified below. Once adjusted as provided herein, Fixed Rent shall not be adjusted again until the following year.

Tenant has the option to extend the Lease for one two (2) year period. Six months prior written notice from Tenant is required to exercise the option period, unless at least sixty (60) days prior to the expiration of the second year of the term Landlord notifies Tenant in writing of Landlord's need for additional tenant space, in which case Tenant is required to provide twelve (12) months prior written notice. If Tenant exercises the option as set forth herein, the Fixed

* See Exhibit "B" attached hereto and made a part hereof.

-2-

Rent for the first year of the option period shall be the Fixed Rent in effect as of the end of the initial term, as adjusted in the manner described in the

paragraph immediately preceding, and the Fixed Rent for the second year shall be adjusted in like manner.

If publication of the Consumer Price Index shall be discontinued, the parties hereto shall thereafter accept comparable statistics on the cost of living in Boston, Massachusetts, as they shall be computed and published by an agency of the United States or by a responsible financial periodical or recognized authority then to be selected by the parties hereto or, if the parties cannot agree upon a selection, by arbitration conducted under the auspices of the American Arbitration Association. In the event of (1) use of comparable statistics in place of the Index figure at other than monthly intervals, there shall be made in the method of computation herein provided for such revisions as the circumstances may require to carry out the intent of this Article, and any dispute between the parties as to the making of such adjustment shall be determined by arbitration conducted under the auspices of the American Arbitration Association.

ARTICLE 4.

TAXES, ASSESSMENTS & CHARGES

Tenant shall pay monthly to the Landlord as Additional Rent, a pro-rata share of all real estate taxes and assessments or substitutes therefore or supplements, thereto, upon, applicable, attributable or reasonably allocable to the PREMISES or any part thereof of any tax year or other tax period or partial tax year or period during the term hereof. Tenant shall also pay to the Landlord the amount of all assessments, impositions and taxes made, levied or assessed against or imposed upon any and all property of Tenant.

Upon receipt of each bill for, real estate taxes assessed against the PREMISES, Tenant shall pay all real estate taxes which are assessed or imposed upon the PREMISES or any part thereof, or become payable during the term of this Lease. The Tenant shall furnish to the Landlord for its inspection, within thirty (30) days after the date any amount is payable by the Tenant, as provided in this Article 4, certified receipts of the appropriate taxing authority or other proof satisfactory to the Landlord evidencing payment. Without limitation, Tenant shall also pay as Additional Rent any and all water and sewer rates, fees, rents and charges, energy charges, other utility charges, sprinkler standby charges and the like (if any), which shall during the term hereof be laid, assessed, levied or imposed upon the PREMISES or which may be allocable to or which become due and payable with respect to the PREMISES of any part thereof. Tenant shall pay the amount of all utility use charges and energy use charges directly to the appropriate suppliers thereof and shall, upon demand, provide Landlord with proof of payment thereof. Tenant shall also pay prior to the due date thereof the amount of any and all assessments which shall or may be laid, assessed, levied or imposed upon the PREMISES for public improvements or benefits commenced or completed during the term hereof and shall, upon demand, provide Landlord with proof of payment thereof.

All obligations referred to in this Lease shall be pro-rated by the parties, to account for any fiscal period which does not coincide with the Lease terms.

-3-

In addition, Landlord shall cooperate with Tenant tax abatement, but all costs and expenses are to be born by Tenant.

If the PREMISES are not separately taxed or if water and sewer rates, fees, rents and charges, energy charges, other utility charges, sprinkler standby charges and the like (if any) are not separately billed for the PREMISES or if assessments for public improvements or benefits are not separately laid, assessed, levied or imposed upon the PREMISES, then in any of such events Landlord shall apportion the taxes, charges or assessments attributable to the PREMISES on a pro-rata basis, established as 32.95% of such taxes and/or other amounts payable with respect to the entire Property at the commencement of the lease term and bill the TENANT for such amount. Landlord shall pay such taxes, utility charges and the like which are not separately taxed or metered to Tenant, and upon request from Tenant from time to time shall provide to Tenant evidence of such payment. Landlord shall be entitled to project the annual cost of any taxes, assessments or charges and to bill TENANT monthly for same.

Landlord's good faith projection of any such amounts shall be final and binding upon Tenant, and Tenant shall pay the amount billed by Landlord within fifteen (15) days after Landlord sends the bill to Tenant. It is intended by this procedure that, to the fullest extent possible, all taxes, charges or assessments will be paid by Tenant in advance. The initial projections which Landlord has been able to make as of the commencement of this lease are set forth in Exhibit "B", which is attached hereto and made a part hereof. After the end of each lease year, Landlord shall provide Tenant a summary bill for the prior year and with documentation verifying the actual cost of any projected items already billed and for those not billed but due from Tenant. Tenant shall pay the amount billed within thirty (30) days after Landlord sends bill to Tenant. Any amount previously paid by Tenant which is in excess of the actual cost to Landlord shall be, at Landlord's option, refunded to Tenant or credited against the next payment of taxes, assessments and charges due from Tenant.

If at any time during the term of this Lease the methods of taxation prevailing at the execution hereof shall be changed or altered so that in lieu of or a supplement to or a substitute for the whole or any part of the real estate taxes or assessment now or from time to time hereafter levied, assessed or imposed by applicable taxing authorities, there shall be imposed (i) a tax, assessment, levy, imposition or charge, wholly or partially as a capital levy or otherwise, on the rents received from the PREMISES, or (ii) a tax, assessment, levy (including but not limited to any municipal, state or federal levy), imposition or charge measured by or based in whole or in part upon the PREMISES and imposed upon Landlord, or (iii) a license fee measured by the rent payable under this Lease, then all such taxes, assessments, levies, imposition and/or charges, or the part thereof so measured or based shall be deemed to be included in the general real estate taxes and assessments payable by Tenant pursuant hereto, to the extent that such taxes, assessments, levies, impositions and charges would be payable if the PREMISES were the only property of Landlord subject thereto, and Tenant shall pay and discharge the same as herein provided in respect of the payment of general real estate taxes and assessments. Tenant shall not, however, be obligated to pay any portion of any net income or tax on the privilege of doing business tax imposed on Landlord. Items payable by Tenant pursuant to the provisions of this Article are sometimes referred to in this Lease as "impositions."

-4-

ARTICLE 5.

INSURANCE

Section 1. Landlord shall procure and maintain throughout the term of this Lease the following insurance with respect to the PROPERTY:

- (a) comprehensive single limit general public liability insurance against claims for personal injury, death, or property damage occurring upon, in or about the PROPERTY, or in or about the adjoining streets, sidewalks, parking areas and passageways, such insurance to afford protection to the limit of not less than One Million (\$1,000,000.00) Dollars;
- (b) casualty and fire insurance policies with full extended coverage provisions with respect to the PROPERTY in an amount not less than 100% of the replacement cost of the buildings and improvements therein, but in no event less than the amount sufficient to avoid the effect of the co-insurance provisions of the applicable policy or policies; and
- (c) if the PROPERTY are in a flood hazard area, flood hazard insurance in the amount of the full replacement cost of the building thereof or if such amount of insurance is not obtainable, in the maximum amount which is so obtainable.

Tenant shall pay, as Additional Rent, the portion of the cost of such insurance as is attributable to the Premises, as set forth in Section 2 below. Landlord may, at its option, maintain insurance in addition to the insurance referred to above (for example, at higher levels), but Tenant shall not be obligated to pay anything toward the cost of such additional insurance maintained by Landlord.

Section 2. All policies required under the provisions of Section 1 of this Article 5 shall name Landlord and Tenant as an insured, and Landlord shall provide to Tenant evidence of the maintenance of such insurance. Landlord will

bill Tenant for tenant's pro rata share of the costs of the insurance set forth in Section 1 above, namely 32.95% thereof and Tenant shall pay on a monthly basis one twelfth of such pro-rata share of premiums. It is intended by this procedure that all insurance costs will be paid by Tenant in advance of the effective date of the insurance policy in question. After the end of each lease year, Landlord shall verify to Tenant the actual insurance costs for such year and any deficiency or overage shall be paid by Tenant, or credited to Tenant, in the manner of the year-end reconciliation of taxes provided in Article 4 above.

Section 3. Neither Landlord, its servants, agents or employees nor any mortgagee, of the PROPERTY, shall be liable or responsible for, and Tenant hereby releases Landlord, its servants, agents or employees and each mortgagee of the PROPERTY from all liability and responsibility to Tenant and any person claiming by, through or under Tenant, for any injury, loss or damage to any person or property in or around the PROPERTY or PREMISES to Tenant's business irrespective of the cause of such injury, loss or damage, except for the grossly negligent or intentionally wrongful acts of the Landlord. Notwithstanding the foregoing, Tenant retains the right to claim that Landlord has breached its obligations under this lease but has

-5-

hereby released Landlord from liability for the type of injuries specified herein resulting therefrom.

Section 4. Tenant shall procure and maintain, at Tenant's cost and expense, throughout the term of this Lease the following insurance with respect to the PREMISES:

- (a) comprehensive single limit general public liability insurance against claims for personal injury, death, or property damage occurring upon, in or about the PREMISES, such insurance to afford protection to the limit of not less than One Million (\$1,000,000.00) Dollars;
- (b) casualty and fire insurance policies with full extended coverage provisions with respect to Tenant's property located with the PREMISES in an amount not less than 100% of the replacement cost thereof, but in no event less than the amount sufficient to avoid the effect of the co-insurance provisions of the applicable policy or policies, which policies may include provisions for retained risk or deductible damages not to exceed \$50,000.

All policies required under the provisions of Section 4 of this Article 5 shall name Landlord and Tenant as an insured, and Tenant shall provide to Landlord evidence of the maintenance of such insurance.

ARTICLE 6.

REPAIRS

Section 1. Landlord, throughout the original or extended term of this lease, shall maintain the building, and the adjacent sidewalks and parking areas in good order and tenantable condition, and shall have the exclusive right to make repairs to the interior of the PREMISES. Tenant, however, shall be responsible for the cost and expense of all necessary repairs to the PREMISES, or replacements thereof, interior and exterior, structural and non-structural, ordinary as well as extraordinary, foreseen as well as unforeseen, except repairs and replacements necessitated by damage by fire or other insured casualty or condemnation (which shall be governed by the provisions of Article 15 and 16 of this Lease). When used in this Article, the term "repairs" shall include replacements or renewals when necessary. Notwithstanding the Landlord's right and undertaking to maintain the building and its adjacent sidewalks and parking areas, and to make necessary repairs to the interior of the PREMISES, Tenant shall nonetheless itself keep the PREMISES in good tenantable order and condition, and shall suffer no waste or injury thereto. Tenant shall maintain all equipment which is part of the PREMISES in good and operable condition, except for ordinary wear and tear, unavoidable casualties, and except for those conditions and casualties caused by the negligent or intentionally wrongful acts of the Landlord, (for which Landlord will reimburse Tenant). Tenant shall notify Landlord promptly of the need for any repairs of the PREMISES.

Section 2. Landlord shall arrange for all work and materials

contemplated by Section 1 above which relate to the PREMISES and any other part of the building as well, such as, for example, a new roof, and Tenant shall be responsible on a pro-rata basis for the cost of necessary

-6-

repairs to the building. Landlord shall then apportion the costs of such work and materials attributable to the PREMISES on a pro-rata basis, namely 32.95% thereof, and bill tenant for such amount. Tenant shall pay the bill submitted by Landlord within fifteen (15) days after Landlord sends the bill to the Tenant. It is intended by this procedure that all repair costs will be paid by Tenant in advance of the performance of any repair work. After the end of each lease year, Landlord shall verify to Tenant the actual repair costs for such year and any deficiency or overage shall be paid by Tenant, or credited to Tenant, in the manner of the year-end reconciliation of taxes provided in Article 4 above.

Section 3. Landlord shall not be responsible to Tenant or to any other party whatsoever for any loss of or damage to property, or injury to persons occurring in or about the PREMISES by reason of any existing or future condition, defect, matter of thing in the PREMISES, except to the extent occasioned by the intentional misconduct or negligence of Landlord, its servants, agents or employees, or any mortgagee, and not covered by applicable policies of insurance required to be maintained by Tenant pursuant to this Lease. In the event that Tenant shall fail or neglect to make any necessary repairs as and to the extent required of Tenant pursuant to this Lease, then Landlord or its agents may, without any obligation so to do, after thirty (30) days notice to Tenant and upon Tenant's failure to cure the same within said thirty (30) days, enter the PREMISES and make said repairs at the cost and expense of Tenant, and in case of Tenant's failure to pay therefor, the said cost and expense shall be added to the next month's rent together with interest at fifteen percent (15%) per annum (or the maximum amount permitted by law, whichever shall be less), as Additional Rent and shall be due and payable as such.

ARTICLE 7.

COMPLIANCE WITH LAW AND REGULATIONS

Tenant throughout the term of this Lease, at Tenant's sole cost and expense, shall promptly comply with all laws and ordinances and the orders, rules, regulations and requirements of all federal, state and municipal governments or authorities and appropriate departments, commissions, boards and officers thereof and the orders, rules and regulations of any Board of Fire Underwriters or similar body or agency where the PREMISES are situated, or any body, now or hereafter constituted, exercising similar functions, foreseen or unforeseen, ordinary or extraordinary, relating to the specific nature of Tenant's use and occupancy of the PREMISES.

Tenant hereby acknowledges that the building containing the PREMISES has been financed by tax exempt bonds issued by the Massachusetts Industrial Finance Agency (hereafter "MIFA") which require that the building, including the PREMISES, be used for manufacturing purposes and which impose restrictions on the amount of non-manufacturing space permitted. Tenant represents, warrants and covenants that for the entire duration of its Tenancy, it shall use the PREMISES for manufacturing purposes and that the amount of non-manufacturing space contained therein shall not be permitted to exceed twentyfive hundred (2,500) square feet. The failure of Tenant to comply with the requirements and restrictions set forth herein shall constitute a non-waivable breach of this lease.

-7-

Tenant will observe and comply with the requirements of the carriers of any policy of insurance respecting the building, PROPERTY or PREMISES and the requirements of all policies of public liability, fire, casualty and all other policies of insurance at any time in force with respect to same, provided that Landlord notifies Tenant of the requirements of said policies.

In the event that Tenant shall fail or neglect to comply with any of the aforesaid obligations, then Landlord without any obligation so to do, after thirty (30) days notice to Tenant and upon Tenant's failure to cure the same

within said thirty (30) days, may enter the PREMISES and effect compliance at the cost and expense of Tenant, and in case of Tenant's failure to pay therefor, the said cost and expense shall be added to the next month's rent, together with interest at fifteen (15%) percent per annum, (or the maximum amount permitted by law, whichever shall be less) as Additional Rent and shall be due and payable as such.

ARTICLE 8.

ALTERATIONS AND IMPROVEMENTS

Tenant shall have the right during the term of this Lease to make such alterations or additions to the PREMISES as Tenant shall deem necessary or desirable in connection with the requirements of its business, which alterations and additions shall be made in all cases subject to the following conditions which Tenant shall observe and perform:

- (a) No signage shall be fixed to any building or located in or about the PREMISES Landlord's prior written consent, which shall be expressed in a letter delivered at the time of the execution of this lease.
- (b) No alteration or addition deemed structural or capital in nature shall be undertaken until Tenant has obtained Landlord's prior written approval which the Landlord shall not unreasonably withhold.
- (c) No alteration or addition shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required from time to time, all permits and authorizations of the various governmental agencies having jurisdiction thereover. Landlord agrees to join in the application for such permits or authorizations whenever such action is necessary.
- (d) All alterations and additions when completed shall be of such as character as not to reduce, or otherwise adversely affect, the value of the PREMISES, nor to reduce the size of the building, the cubic content thereof, nor change the character of the PREMISES. Tenant shall make all repairs to and replacements of such alterations and additions made by it in and to the PREMISES.
- (e) All work done by Tenant shall be done promptly, in a good and workmanlike manner, and in compliance with the building and zoning laws of the municipality in which the PREMISES are located and in compliance with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and authorities and the appropriate departments, commissions, boards and officers thereof, and in accordance with the orders, rules and regulations of the Board of Fire

-8-

Underwriters where the PREMISES are situated or any other body exercising similar functions and having jurisdiction thereof; said alterations or additions shall be constructed and completed free of liens for labor and material supplied or claimed to have been supplied to the PREMISES.

- (f) Tenant shall, at Tenant's sole cost and expense, at all times when any work is in process in connection with any alterations or additions, maintain Builders Risk casualty insurance policy coverage in the amount of the full replacement cost thereof, and statutory Workmen's Compensation Insurance covering all persons employed in connection with the work and with respect to whom death or injury claims could be asserted against Landlord, Tenant or the PREMISES, general liability insurance for the mutual benefit of Tenant and Landlord by obtaining policies of insurance with the same limitations of coverage as set forth in Article 5, during the period of such construction. All such insurance will be issued by a company or companies authorized to do business in the Commonwealth of Massachusetts and reasonably satisfactory to Landlord, and all such policies (or certificates therefor) shall be delivered to Landlord and shall provide for at least twenty (20) days prior written notice to Landlord of cancellation.
- (g) All alterations and additions made or installed by Tenant shall be and become the property of Landlord without payment therefor by Landlord, and shall be surrendered to Landlord upon the expiration or sooner termination of the term of this Lease, unless Tenant elects to remove the same or Landlord requires Tenant to remove the same at Tenant's expense prior to the expiration or sooner termination of the Lease (and Landlord shall notify Tenant at the time of Landlord's approval as to whether or not such

removal will be required) and in such event Tenant shall restore the PREMISES to the condition it was in prior to the installation of the said improvements or alterations and additions. Provided that Tenant shall not be in default of any of its obligations under this Lease and all prior defaults shall have been fully cured at the termination of the term hereof, Tenant shall have the right to remove its trade fixtures and personal property from the PREMISES provided, however, that Tenant shall, at its own cost and expense, repair any damage caused by such removal and shall have restored the PREMISES to the condition that it was in prior to the installation of Tenant's said trade fixtures and personal property.

Except as above specifically contemplated, Tenant shall not in any manner make or suffer to be made any additions or alterations to or of the PREMISES.

Notwithstanding anything in the foregoing to the contrary, Tenant shall be free at all times to bring its own furniture, fixtures, equipment, machinery, tools, tooling and other personal property on the PREMISES prior to the termination or expiration of this Lease.

-9-

ARTICLE 9.

MECHANICS' LIENS

Tenant shall not suffer or permit any liens, mechanics' liens, mechanics' notices of intention, or the like to be filed against the PREMISES or any part thereof by reason of work, labor, services, equipment or materials supplied or claimed to have been supplied to or on behalf of Tenant or anyone holding the PREMISES or any part thereof through Tenant. Before any persons or entities perform any work or supply any materials to the PREMISES which could form the basis for a mechanic's lien, Tenant shall require such persons or entities to waive their mechanic's lien rights, said waiver to be done in writing and conspicuously. If any such lines, mechanics' liens, mechanics' notices of intention, or the like shall at any time be filed against the PREMISES, Tenant shall cause the same to be discharged of record within thirty (30) days after the date of filing the same, or if Landlord shall by written agreement with Tenant, permit same to remain undischarged, Tenant shall post an insurance company surety bond providing for and securing due payment thereof and holding Landlord harmless and indemnifying it with respect thereto. Tenant shall not have any right whatsoever to subject the interests of Landlord in the PREMISES or in the fee simple title thereto to any mechanics' liens or other liens whatsoever and nothing contained in this Lease shall be deemed to operate as an express or implied consent to Tenant to subject the interests of Landlord to any such lien or liens.

ARTICLE 10.

WASTE

Tenant covenants not to permit the PREMISES to fall into disrepair or to do or suffer any waste or damage, disfigurement or injury to any building or improvement now or hereafter on the PREMISES, or any material portion thereof, or to permit or suffer any stationary overloading of the floors thereof. Tenant covenants to keep that portion of the PREMISES outside of any building in a neat and attractive condition, free of accumulations of trash and debris.

ARTICLE 11.

INSPECTION BY LANDLORD

Section 1. Tenant agrees to permit Landlord and the authorized representative of Landlord to enter the PREMISES during usual business hours of Tenant (a) for the purpose of inspecting the same and (b) if Landlord so elects, but without any obligation so to do, and if Tenant has failed to do so within a reasonable time*, for the purpose of making any necessary repairs to the

PREMISES and performing any work therein which may be reasonably necessary to comply with any laws, ordinances, rules, regulations or requirements of any public authority or of the Board of Fire Underwriters or any similar body, or which may be reasonably necessary to prevent waste or deterioration in connection with the PREMISES. Nothing herein shall imply

* After 30 day period as called for in Article 7 has expired.

-10-

any duty upon the part of Landlord to do any work which, under any provision of this Lease, Tenant may be required to perform and the performance thereof by Landlord shall not constitute a waiver by Landlord of Tenant's default in failing to perform the same. Landlord may, during the progress of any such work in the PREMISES, keep and store upon the PREMISES all necessary materials, tools and equipment. Landlord shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business or other damage to Tenant by reason of making such repairs or the performance of any such work in the PREMISES, or on account of bringing materials, supplies and equipment into or through the PREMISES during the course thereto and the obligations of Tenant under this Lease shall not thereby be affected in any manner whatsoever; provided always, however, that to the extent that Landlord elects to perform or is obligated to perform any such repairs pursuant to the provisions of this Lease, Landlord agrees that (to the extent reasonably practicable under the circumstances) Landlord shall use its best efforts to cause such repairs to be performed in such a way as to cause a minimum of inconvenience to Tenant in the operation of Tenant's business in the PREMISES and to cause the said work to be accomplished in as expeditious a manner as is reasonably practicable.

Section 2. During the final six (6) months of the term, Landlord is hereby given the right at any time during usual business hours and upon prior notice to Tenant to enter the PREMISES and to exhibit the same for the purposes of sale and/or Lease. Landlord shall be entitled to show PREMISES to potential buyers and/or prospective tenants and to display on the PREMISES in such manner as not unreasonably to interfere with Tenant's business the usual "For Sale" or "To Let" signs and Tenant agrees that such signs may remain, unmolested, upon the PREMISES.

Section 3. During any such inspection, Landlord agrees to preserve the confidentiality of Tenant's materials, and agrees to indemnify Tenant against negligent or intentionally wrongful act while on the PREMISES.

ARTICLE 12.

ASSIGNMENT AND SUBLETTING

Section 1. Unless Landlord shall have given its prior written consent thereto, Tenant may not assign this Lease or sublet the PREMISES. Under no circumstances shall Tenant be permitted to assign or sublet to anyone failing to meet the MIFA requirements for use and occupancy as set forth in Article 7. In the event that this Lease shall be assigned or the PREMISES sublet, then and in that event one-half of the net proceeds (after deducting Tenant's reasonable costs incurred in connection with such assignment or subletting), avails and profits of any such assignment or subletting shall be paid to and shall constitute the sole and exclusive property of the Landlord herein.

Section 2. Should Tenant at any time during the term hereof desire to assign this Lease or sublet the PREMISES, Tenant shall furnish Landlord with thirty (30) days or more advance written notice (prior to the date of such proposed assignment) specifying therein the date of such proposed assignment or subletting, the name and address of the proposed assignee or subtenant, and if a corporation or partnership, its principals and the nature of the business proposed to be conducted in the PREMISES by said assignee or subtenant. If Tenant assigns this

-11-

Lease or sublets the PREMISES without previously obtaining Landlord's consent as foreshaid, Landlord, by giving notice to the Tenant within thirty (30) days after

receipt of notice thereof, shall have the option to cancel and terminate this Lease effective as of the date of such assignment or subletting or as of the last day of the thirty (30) day notice period mentioned in this sentence, whichever date shall be later. Landlord's failure to exercise its option as contemplated by this Section 2 shall NOT be deemed to constitute Landlord's consent to Tenant's proposed assignment of this Lease of the PREMISES or any part thereof.

Section 3. Without limiting any of the provisions of Article 17, if pursuant to the Federal Bankruptcy Code (or any similar law hereafter enacted having the same general purpose) Tenant is permitted to assign this Lease or sublet the PREMISES notwithstanding the restrictions contained in this Lease, adequate assurance of future performance by an assignee or subtenant expressly permitted under such Code shall be deemed to mean the deposit of cash security in an amount equal to the sum of one year's Fixed Rent plus an amount equal to the Additional Rent for the Lease year preceding the year in which such assignment or subletting is intended to become effective, which deposit shall be held by Landlord for the balance of the Term, without interest, as security for the full performance of all Tenant's obligations under this Lease.

ARTICLE 13.

UTILITIES

Section 1. Tenant agrees, at its own sole cost and expense, to pay, or cause to be paid immediately when due, all charges for gas, electricity, light, heat, power, sewer, water, sprinkler stand-by fees, telephone or other communication service and all other utilities used, rendered to, or supplied upon and/or in connection with the PREMISES throughout the term of this Lease, or ordered or used by Tenant prior or subsequent thereto, and to indemnify the Landlord and save it harmless against any liability therefor or damages on such account. Landlord shall not in any event be liable to Tenant or responsible to Tenant for any stoppage or interruption in any utility service furnished to the PREMISES, or for the failure to obtain or inability to obtain any energy source or fuel of any type or nature whatsoever, unless such condition(s) is caused by the negligent or intentionally wrongful acts of the Landlord. No such stoppage or inability of Tenant to obtain any such energy source or fuel shall operate to constitute a constructive eviction of Tenant or relieve Tenant of its obligations to pay rent under this Lease, unless such condition(s) is caused by the negligent or intentionally wrongful acts of the Landlord.

Section 2. In the event that Tenant shall fail or neglect to pay for any utilities, then Landlord, without any obligation so to do, after ten (10) days notice to Tenant and upon Tenant's failure to pay the same within said ten (10) days may pay the same and the said cost and expense shall be added to the next month's rent as Additional Rent, together with interest at fifteen (15%) percent per annum, (or the maximum amount permitted by law, whichever shall be less) and shall be due and payable as such.

-12-

ARTICLE 14.

HOLD HARMLESS AND INDENEIMCATION

Section 1. This Lease is made upon the express condition that Tenant agrees to save Landlord harmless from and indemnify it against all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments arising by reason of any injury in or about the PREMISES to any person or persons, including without limitation, Tenant, its servants, agents and employees, and damage in or about the PREMISES to any property of any kind whatsoever, and to whomsoever belonging, including without limitation, damage to property of Tenant, its servants, agents and employees, and other parties, which such injury to persons or damage to property occurs as a result of or from any cause or causes whatsoever, including, without limitation, damage from water and/or steam leakage into or upon the PREMISES, or its appurtenances, or damage or injury occurring on or about the sidewalks or parking areas adjacent thereto, during the term of this Lease or any occupancy hereunder, except to the extent occasioned solely by the intentional misconduct or gross negligence of Landlord,

its servants, agents or employees, or any mortgagee, and not covered by policies of insurance required to be maintained by Tenant pursuant to this Lease.

Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives all claims against Landlord for damages to goods, equipment, improvements, wares and merchandise in, upon or about the PREMISES and for injuries to Tenant, its servants, agents, employees or third persons in or about the PREMISES from any cause arising at any time, except to the extent occasioned solely by the intentional misconduct or negligence of Landlord, its servants, agents or employees, or any mortgagee, and not covered by applicable policies of insurance required to be maintained pursuant to this Lease.

Section 2. If Landlord is made a party defendant to any litigation concerning this Lease or the PREMISES and concerning a claim whereon Tenant has some duty to hold Landlord free and harmless from and to indemnify Landlord as set forth in paragraph 1, then Tenant shall hold Landlord harmless from all costs including, but not limited to, reasonable attorneys' fees, and liability by reason thereof incurred by Landlord in connection with such litigation and all taxable court costs regardless of whether any such claim is meritorious or lacking in merit.

Section 3. Tenant's obligations under this Article 14 are conditioned on Landlord's giving written notice to Tenant of any claim or demand by a third party which Landlord has determined has given rise to or could reasonably give rise to a claim for indemnification pursuant to this Article 14. Tenant shall then have a reasonable time (not to exceed thirty (30) days) after receipt of such written notice from Landlord in which to retain counsel reasonably satisfactory to Landlord to defend such third party claim or demand on behalf of Landlord. In such case, Landlord shall make available to Tenant and its agents and representatives all records and other materials which are reasonably required in the defense of such third party claim or demand and shall otherwise cooperate with and assist Tenant in the defense of such third party claim or demand. So long as Tenant is defending such third party claim or demand in good faith, Landlord shall not settle or compromise such third party claim or demand. In the event of any third party claim or demand for which Landlord is entitled to indemnification hereunder, Tenant

-13-

shall pay all reasonable legal fees and other costs and expenses incurred by Tenant as the same become due, and Tenant shall pay on demand any nonappealable judgment or other resulting obligation of such third party claim or demand.

Section 4. Landlord's right to indemnification pursuant to this Article 14 is subject to the limitation that Landlord shall not be entitled to assert any right of indemnification hereunder after the seventh anniversary date of the expiration of this Lease, except that if there shall then be pending any dispute, claim, proceeding or action involving an indemnification claim under this Lease, Landlord shall continue to have the right to be indemnified with respect thereto.

ARTICLE 15.

CASUALTY

Section 1. If the building containing the PREMISES shall be totally destroyed by fire, explosion (except for such fire or explosion caused by the negligent or wrongful acts of Tenant) or the elements, this Lease shall immediately terminate. Total destruction for this purpose shall be such damage or destruction to the building as would require the razing of entire sidewalls of the building before reconstruction would be practicable. Any rent or other payment unearned at the date of such total destruction which was therefor paid in advance by the Tenant shall be refunded to it by the Landlord, subject to the other provisions of this Lease.

Section 2. *If the part of the building containing the PREMISES, or any part thereof shall be partially destroyed or damaged by fire, explosion, the elements, or other insured cause, the Landlord shall repair the same as speedily as possible, utilizing the proceeds of the insurance carrier on said building and paid for by the Tenant. Until the portion of the building containing the PREMISES so partially destroyed or damaged shall have been restored to its pre-

existing condition, there shall be a reasonable abatement of rent and other charges due and payable during the term of restoration, the amount of such abatement of rent depending upon the character and extent of damage and loss of use to the Tenant.

Nothing in this Agreement and Lease contained shall obligate the Landlord to use the proceeds of insurance payable to the Owner to replace or repair the personal property of any type or description of the Tenant.

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* Notwithstanding any other provisions contained in this Article 15, Section 2., Tenant shall have the option to terminate this Lease if (a) the damage to the PREMISES is such that, in Tenant's and Landlord's reasonable estimation, restoration will not be completed within three (3) months after the date of the casualty or (b) restoration has not, in fact been completed within five (5) months after the date of such casualty. If this Lease shall not be terminated as provided in this Article 15, Section 2., Landlord shall act diligently to restore the PREMISES to its pre-existing condition.

-14-

ARTICLE 16.

CONDEMNATION/EMINENT DOMAIN

Section 1. This Lease shall terminate: (1) if the entire building containing the PREMISES shall be taken by condemnation or eminent domain; or (2) at the option of Tenant (exercisable by notice given to Landlord within thirty (30) days after the date of any such taking) if a material part of the PREMISES shall be taken in any condemnation or eminent domain proceeding(s). A taking of a "material part" as such quoted words are used herein, shall mean the condemnation or taking by eminent domain in excess of 10% of the ground floor area of the building or in excess of 25% of the vacant land area of the parking area.

Upon the termination of this Lease by reason of condemnation or eminent domain, Tenant shall be liable only for the payment of Fixed Rent, additional rent, impositions and other charges herein, pro-rated to the date of such termination, and Landlord shall refund any payment in excess thereof to Tenant.

Section 2. Tenant may, if permitted by law, make any application for any award which might be independently payable to it in connection with Tenant's moving expenses, business dislocation damages of for the taking of Tenant's leasehold improvements, provided that no such application or any award rendered pursuant thereto shall operate to diminish any award which would otherwise be payable to Landlord. Tenant waives its right to and agrees that it shall not (i) make any other claim in or with respect to any condemnation or eminent domain proceedings whatsoever or otherwise, or (ii) make any claim against Landlord in any other action for the value of the unexpired portion of this Lease or the term hereof. Except as above specifically provided, the total amount of all condemnation awards shall be the sole and exclusive property of the Landlord, and Tenant shall not participate therein or in the negotiation thereof or have any rights whatsoever with respect to the awards or the proceeds of any such proceedings.

Section 3. In the event that any part of the PREMISES is taken in any condemnation or eminent domain proceedings and this Lease is not terminated pursuant to Section 1 hereof, then this Lease shall remain in full force and effect as to such remaining portion. Subject to the availability of the proceeds of any award for reconstruction and restoration, Landlord shall promptly reconstruct and restore the portion of the building upon the PREMISES remaining after such taking to the same condition as initially demised hereunder. In no event shall Landlord be obligated to expend any sums for such rebuilding or restoration in excess of the amount of money actually paid to and received by Landlord from any condemning authority, net of all expenses, which expenses shall include any payments required to be made to any mortgagee of the PREMISES to whom any such award may have been paid by such authority. The payment of any award by any condemning authority to Landlord's mortgagee and the application of such payment on account of Landlord's mortgage shall be deemed to constitute receipt or constructive receipt of payment by Landlord. The balance

of any such proceeds shall, after completion of restoration and reconstruction, be retained by Landlord.

-15-

ARTICLE 17.

BANKRUPTCY/INSOLVENCY AND DEFAULT OF TENANT

Section 1. If, during the term of this Lease, Tenant shall default in performance of any of the covenants of this Lease (other than the covenants for the payment of Fixed Rent and/or Additional Rent), or if the PREMISES become vacant or deserted, or if Tenant shall fail to move into or take possession of the PREMISES within fifteen (15) days after the Commencement Date, or if any executions or attachments shall be issued against Tenant or any of Tenant's property whereupon the PREMISES shall be taken or occupied by someone other than Tenant, then in any such event Landlord may give to Tenant notice of any default or of the happening of any contingency in this Article referred to, and if at the expiration of thirty (30)* days after receipt of such notice the default or the contingency upon which said notice was based shall continue to exist, Landlord, at his option, may terminate this Lease, and upon such termination Tenant shall quit and surrender the PREMISES to Landlord, but Tenant shall nonetheless remain liable under the terms and conditions hereof as herein provided.

Section 2. If Tenant shall default in the payment of the Fixed Rent and/or Additional Rent, or any part of the same, and if such default shall continue for ten (10) days, and if Landlord gives to Tenant notice thereof, and if at the end of five (5) business days after receipt of such notice the default shall continue to exist, Landlord may immediately thereafter terminate this Lease, but Tenant shall nonetheless remain liable under the terms and conditions hereof as herein provided.

Section 3. Upon any termination of this Lease, Landlord or Landlord's agents and/or servants may immediately or at any time thereafter re-enter the PREMISES and remove all persons and all or any property therefrom either by summary disposes proceedings or by any suitable action or proceedings at law and may repossess said PREMISES together with all additions and alterations thereto, without such re- entry and repossession working a forfeiture or waiver of the rents to be paid and the covenants to be performed by Tenant during the full term hereof. In the event of termination of this Lease by reason of the occurrence of any of the events described in this Article, or in the event of the termination of this Lease by summary disposes proceedings or under provisions of law now or at any time hereafter in force by reason of or based upon or arising out of a default under or breach of this Lease on the part of Tenant or upon Landlord's recovering possession of the PREMISES in any circumstances whatsoever, whether with or without legal proceedings, by reason of or based upon or arising out of a default under or breach of this Lease on the part of Tenant, Landlord may, at its option, at any time and from time to time relet the PREMISES, or any part or parts thereof for the account of Tenant or otherwise, and receive and collect the rents therefor, applying the same first to the payment of such expenses as Landlord may have incurred in recovering possession of the PREMISES, including the legal expenses and reasonable attorneys' fees, and expenses of putting the same into good order or condition or preparing or altering the same for re-rental and all other expenses, commissions and charges paid, assumed or incurred by Landlord in reletting the PREMISES or

* Unless such default is of a nature that it would take more than thirty (30) days to cure and the Tenant has commenced to cure said default within the thirty (30) day period.

-16-

in connection with a termination of this Lease by reason of Tenant's default and then to the fulfillment of the covenants of Tenant hereunder. Any such reletting herein provided for may be, at Landlord's option, for the remainder of the term of this Lease or for a longer or shorter period and/or for a higher or lower rent and/or with the granting of concessions. Landlord shall use reasonable

efforts to lease the PREMISES and obtain a reasonable rent and otherwise to mitigate its damages. In any such case and whether or not the PREMISES, or any part thereof be relet, Tenant shall pay to Landlord the Fixed Rent and all other charges required to be paid by Tenant pursuant to this Lease up to the time of such termination of this Lease, or of such recovery of possession of the PREMISES by Landlord, as the case may be, together with such expenses as Landlord may incur for attorneys' fees, brokerage fees and the cost of putting the PREMISES in good order or for preparing same for re-rental, and thereafter Tenant covenants and agrees if required by Landlord, to pay to Landlord until the expiration date of the term of this Lease, as herein provided, as and for liquidated damages the equivalent of the amount of all the Fixed Rent reserved herein, Additional Rent and all other charges required to be paid by Tenant, less the net avails of reletting, if any, and the same shall be due and payable by Tenant to Landlord on each of the Rent days herein provided. In computing such liquidated damages there shall be added to the deficiency such expenses as Landlord may incur in connection with re-letting, such as legal expenses, reasonable attorneys' fees, brokerage, advertising, and for keeping the PREMISES in good order or for preparing the same for re-letting. Landlord shall be entitled to retain any overage received as a result of its reletting of the PREMISES.

Section 4. No expiration or termination of the Lease term pursuant to the provisions of this Article or by operation of law, or otherwise, (except as expressly provided herein), and no repossession of the PREMISES or any part thereof pursuant to this Article, or otherwise shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession.

Section 5. If Tenant fails to pay any sums due Landlord pursuant to the provisions of this Lease, or to perform any other act on its part to be made or performed, as in this Lease provided, except as specifically provided to the contrary herein, then Tenant shall be deemed in default and Landlord may (but shall not be obligated to do so) terminate this Lease if such default shall continue for more than thirty (30)* days after written notice thereof from Landlord, without waiving or releasing Tenant from any obligation of Tenant in this Lease contained, and/or Landlord may make payment or perform any other act on the part of Tenant to be made and performed, as in this Lease provided, in such manner and to such extent as Landlord may deem desirable, and in exercising any such rights Landlord may pay necessary and incidental and reasonable costs and expenses, employ counsel and incur and pay reasonable attorneys' fees. All sums so paid by Landlord and all necessary and incidental costs and expenses incurred by Landlord in connection with the performance of any such act by Landlord, together with interest computed thereon at the rate of fifteen (15%) percent per annum (or the maximum legal rate of interest applicable to such obligations, if any, then prevailing, whichever shall be less), from the date of the making of such expenditure by Landlord shall be deemed Additional Rent hereunder and, unless otherwise expressly provided, shall be payable to Landlord upon demand or at the

* Unless such default is of a nature that it would take more than thirty (30) days to cure and the Tenant has commenced to cure said default within the thirty (30) day period.

-17-

option of Landlord, may be added to Fixed Rent or additional rent then due or thereafter becoming due under this Lease, and Tenant covenants to pay any such sum or sums, with interest as aforesaid, and Landlord shall have, in addition to any other right or remedy, the same rights and remedies in the event of nonpayment thereof by Tenant as in the case of default by Tenant in the payment of Fixed Rent.

Section 6. If this Lease shall terminate by reason of the occurrence of any default of Tenant or any contingency mentioned in this Article, Landlord shall at its option and election be entitled, notwithstanding any other provision of this Lease, or any present or future law, to recover from Tenant or Tenant's estate (in lieu of all monetary claims against Tenant for damages, additional rents, impositions and other charges) as damages for loss of the bargain and not as a penalty, a lump sum which at the time of such termination of this Lease equals the then present worth of the Fixed Rent and all other charges payable by Tenant hereunder that were unpaid or would have accrued for the balance of the term, less the fair and reasonable rental value of the

PREMISES for the balance of such term, such lump sum being discounted to the date of termination at the rate of ten (10%) percent per annum, unless any statute or rule of law governing the proceeding in which such damages are to be proved shall limit the amount of such claim capable of being so proved, in which case Landlord shall be entitled to prove as and for liquidated damages by reason of such breach and termination of the Lease, the maximum amount which may be allowed by or under any such statute or rule of law. Nothing herein contained shall limit or prejudice Landlord's right to prove and obtain as liquidated damages arising out of such breach or termination the maximum amount to be allowed by or under any such statute or rule of law which may govern the proceedings in which such damages are to be proved.

Section 7. No receipt of payment by Landlord from Tenant, after the termination of this Lease, as herein provided, shall reinstate, continue or extend the term or operate as a waiver of the right of Landlord to recover possession of the PREMISES, it being agreed that, upon termination, any and all payments collected shall be on account of Tenant's obligations hereunder.

ARTICLE 18.

NOTICES

All notices, demands and requests which may or are required to be given by either party to the other shall be in writing and shall be served by personal service or by first class or certified mail, return receipt requested, or by Federal Express or similar overnight delivery service. Service shall be deemed made when sent or tendered for delivery to the party for whom delivery was intended. All notices, demands and requests by Landlord to Tenant shall be sent or delivered to Tenant at the PREMISES, with a copy to Peabody & Brown, 101 Federal Street, Boston, MA 02110, Attention: Brian J. Crush, P.C., or at such other place as Tenant may from time to time designate in a written notice to Landlord.

All notices, demands, and requests by Tenant to the Landlord shall be sent to Landlord at PO Box 8283, Haverhill, MA 01835, Attention: Christopher Lewis or at such other place or to such other parties as Landlord may from time to time designate in a written notice to Tenant.

-18-

ARTICLE 19.

LESSER AMOUNT OF RENT

No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Fixed Rent and Additional Rent herein stipulated shall be deemed to be other than on account of the earliest Fixed Rent or Additional Rent, nor shall any endorsement or statement on any check or any lettering accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease or at law provided.

ARTICLE 20.

QUIET ENJOYMENT

Section 1. Landlord covenants and agrees that it has and will have at the commencement of the term of this Lease the full right and power to execute and perform this Lease and to grant the estate demised herein.

Section 2. Landlord covenants and warrants that Tenant, upon paying the Fixed Rent, additional rent and all charges herein provided for and observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, shall lawfully and quietly hold, occupy and enjoy the PREMISES during the term of the Lease, without hindrance or molestation of Landlord or any person or persons claiming under Landlord, and Landlord covenants and agrees

that it will defend Tenant in such peaceful and quiet use and possession of the PREMISES against the claims of all such persons.

ARTICLE 21.

LIMITATION OF LANDLORD'S LIABILITY

The term "Landlord" as used in this Lease, so far as covenants and/or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the fee of the building and in the event of any transfer or transfers of the title to such fee Landlord herein named (and in the case of any subsequent transfers or conveyances the then grantor) shall be automatically freed and relieved from and after the date of such conveyance or transfer or all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed, provided that any funds in the hands of such Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be turned over to the grantee and any amount then due and payable to Tenant by Landlord or the then grantor under any provisions of this Lease, shall be paid to Tenant. Further, in the event of any transfer or transfers of title of such fee, whether by Liquidation or otherwise, then, as a pre-condition to the validity of any such transfer, the transferee shall expressly assume and accept all of the obligations of Landlord herein, and the transferor shall, prior to the effective date of any such transfer, provide Tenant with an original counterpart of such assumption and assignment signed by the transferee.

-19-

ARTICLE 22.

ESTOPPEL NOTICES

Tenant agrees at any time and from time to time upon not less than twenty-one (21) days prior written request by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications), the Commencement Date of the term hereof and the dates to which the Fixed Rent and other charges have been paid in advance, if any, it being intended that any such statement delivered pursuant to this Article may be relied upon by any prospective purchaser of Landlord's interests herein.

ARTICLE 23.

REMEDIES

The specified remedies to which Landlord and Tenant may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord or Tenant may be lawfully entitled in case of any breach or threatened breach of any provisions of this Lease. This failure of Landlord or Tenant to insist in any one or more cases upon the strict performance of any of the covenants of the Lease or to exercise any option herein contained shall not be construed as a waiver or a relinquishment for the future of such covenant or option. A receipt by Landlord of rent with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord or Tenant of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord or Tenant (as the case may be). In addition to the other remedies in this Lease provided, Landlord or Tenant shall be entitled to the restraint by injunction of the violation or attempted or threatened violation, of any of the covenants or other provisions of this Lease.

ARTICLE 24.

UNAVOIDABLE DELAYS

In the event that Landlord or Tenant shall be delayed or prevented from performing any of its obligations pursuant to the provisions of this Lease (other than Tenant's obligation to pay money) due to governmental action, or lack thereof, or due to shortages of or unavailability of materials and/or supplies, labor disputes, strikes, slow downs, job actions, picketing, secondary boycotts, fire or other casualty, delays in transportation, acts of God, failure to comply or inability to comply with any orders or request of any governmental agencies or authorities, acts of declared or undeclared war, public disorder, riot or civil commotion, or due to any other cause beyond the reasonable control of such party, then such party shall in any or all such events be excused from its obligation to perform and comply with such provisions of this Lease for a period of time commensurate with any delay so caused, without any liability to the other party therefor whatsoever, and all times periods provided for herein for performance of any such obligations shall be extended for a period of time commensurate with any such delay.

-20-

ARTICLE 25.

SUBORDINATION

Tenant covenants that its rights under this Lease are now and will be subordinate to the operation and effect of any existing Mortgage and/or any subsequent mortgage hereafter existing (all of which may be referred to in this Lease as "Mortgage") upon the PREMISES or any part or portion thereof without any further written document from Tenant; however, Tenant agrees to execute any instrument required by Landlord in furtherance of the provisions hereof.

1. In the event of any default by Landlord under any mortgage affecting the PREMISES, Tenant shall have the right, but shall have no obligation, to pay or cause to be paid any such indebtedness according to its terms and to deduct and set off any such payment from any amounts payable hereunder to Landlord.

2. Upon the request of the Landlord or any holder of a mortgage on the PREMISES, Tenant shall enter into an attornment agreement with such mortgagee.

ARTICLE 26.

NOTICES OF DEFAULT

Tenant agrees that any default notice served upon Landlord shall also be served upon any mortgagee of the PREMISES, the name(s) of which Landlord shall have furnished to Tenant theretofore. Tenant further agrees that Landlord's mortgagee(s) shall have and be deemed to have the same opportunity to cure any of Landlord's defaults pursuant to the provisions of this Lease as Landlord shall be granted pursuant to the provisions of this Lease.

ARTICLE 27.

NOTICE OF LEASE

Upon request of either of the parties hereto, the parties agree to execute a Notice of Lease of this Lease Agreement for purposes of recording in the County in which the PREMISES are located. Said Notice of Lease shall not amend, alter or modify any of the terms, covenants or conditions of this Lease. The purpose of such Notice of Lease shall be to furnish notice of the existence of this Lease to any prospective purchasers or mortgagees of the PREMISES or assignees of the interests of either party hereto or to any other party having an interest in the PREMISES.

ARTICLE 28.

USE

It is specifically understood and agreed that no part of the PREMISES shall, at any time, be used for any purpose which shall emit or produce load noises, vibrations, noxious fumes or odors or for any purpose which shall constitute a nuisance or be unlawful.

-21-

ARTICLE 29.

CONDITION OF PREMISES

The PREMISES are being leased by Landlord to Tenant, and shall be delivered to Tenant, in their present condition "as is" and Landlord shall not be obligated to perform any additional work of any type or nature whatsoever in connection with said PREMISES in order to prepare same for Tenant's use or occupancy. Tenant shall, at its own sold cost and expense, obtain any and all zoning and other governmental permits required in connection with the operation of its business in the PREMISES for the use(s) herein specified or permitted.

ARTICLE 30.

LATE CHARGES

In the event that any installment of Fixed Rent, or additional rent for impositions or the like shall be delinquent and overdue for a period in excess of ten (10) days, a "late charge" of five cents (\$.05) for each dollar (\$1.00) so delinquent and overdue may be charged to Tenant by the Landlord for the purpose of defraying and the Landlord's expenses incident to handling such delinquent payment. This charge shall be in addition to, and not in lieu of, any other remedy which the Landlord may have and is in addition to any reasonable fees and charges of any attorney which the Landlord may employ to enforce the Landlord's remedies in connection with any default hereunder, whether such remedy(ies) shall be authorized herein, or by law.

Such "late charges", if not previously paid, shall, at the option of the Landlord, be added to and become a part of the succeeding monthly installment of Fixed Rent to be made under the Lease.

ARTICLE 31.

MISCELLANEOUS

(a) The covenants and agreements herein contained shall bind and inure to the benefit of Landlord and Tenant, their heirs, executors, administrators, successors and assigns.

(b) Whenever herein the singular number is used, the same shall include the plural, and the masculine gender shall include the feminine and the neuter genders.

(c) The enumeration anywhere in this Lease of any right or remedy of either party shall not be construed as an exclusion or substitution of any other rights or remedies conferred under this Lease or applicable by law.

(d) This Lease shall not be modified or canceled except by a writing subscribed to by the parties.

(e) The submission of this Lease for examination does not constitute a reservation of or option for the PREMISES and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant.

-22-

(f) This Lease shall be governed by and in accordance with the laws of the Commonwealth of Massachusetts.

ARTICLE 32.

GUARANTY OF LEASE

Tenant shall provide Landlord with a duly executed Guarantee by Qualtron Teoranta, a foreign corporation, organized under the laws of Ireland guaranteeing the prompt performance by Tenant of all of the conditions and covenants set forth herein. A copy of said Guarantee is attached hereto as Exhibit "C" and is made a part here.

ARTICLE 33.

GUARANTY OF SUBROGATION RIGHTS

The Tenant waives all rights of recovery against the Landlord or Landlord's agents, employees or other representatives, for any loss, damages or injury of any nature whatsoever to property or persons for which the Tenant is insured. The Tenant shall obtain from the Tenant's insurance carriers, and will deliver to the Landlord, waivers of the subrogation rights under the respective policies to the extent such are available at commercially reasonable rates.

ARTICLE 34.

SURRENDER OF PREMISES

At the expiration of the term, the Tenant shall quit and surrender possessions of the said PREMISES to the Landlord. The Landlord shall have the right during the last ninety (90) days of the term hereof to make a comprehensive inspection of the PREMISES. In the event any repairs must be made by Tenant the same shall be made prior to the expiration of the lease term.

ARTICLE 35.

RESTRICTION ON USE

The PREMISES shall be used and occupied only and for no other purposes than the manufacturing of communications equipment* and related products and office uses incidental thereto as permitted by Article 7 above. In addition, Tenant represents, warrants and covenants that prior to the expiration of the initial three (3) year term of this lease it shall not make capital expenditures within the PREMISES in excess of \$1,000,000 and Tenant acknowledges that such restriction and limitation is a requirement of the tax-exempt MIFA bonds used to finance the construction of the building . For purposes hereof "Capital Expenditures" means both new expenditures made within the PREMISES and expenditures made within three (3) years prior to the, commencement date of the term of this lease for equipment used within the PREMISES.

*and light electronics

-23-

ARTICLE 36.

INVALIDITY OF PROVISIONS

If any term or provision of this Lease or the application hereof to any person or circumstance shall, to any extent, be invalid or unenforceable, or subsequently become invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law, except that in the event such

invalidity or unenforceability has the effect of increasing Landlord's obligations or decreasing Landlord's benefits, including but not limited to Fixed Rent or any additional rent, then Landlord shall have the option of terminating this Lease.

ARTICLE 37.

HAZARDOUS SUBSTANCES

Hazardous Substances: As used herein, "Hazardous Substance" means any substance that is toxic, ignitable, reactive or corrosive and that is regulated by any local government, the State of Massachusetts or the United States government. "Hazardous substance" includes any and all material or substances that are defined as "hazardous waste", "extremely hazardous waste", or a "hazardous substance" pursuant to state, federal or local government law. "Hazardous Substance" includes, but is not limited to, asbestos, polychlorobiphenyls ("PCBs") and petroleum products.

Tenant represents, warrants and covenants that it shall not bring, use or store any HAZARDOUS SUBSTANCES within or outside of the PREMISES.

The Tenant agrees to indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, cost liabilities or losses (including without limitation, any and all sums paid for settlement of claims, reasonable attorney fees, consultant and expert fees) arising during or after the lease term from or in connection with the Tenant's use, storage or disposal of hazardous substances in or on the PREMISES, and shall include any and all costs incurred due to any investigation of the site or any cleanup, removal or restoration mandated by a Federal, State or Local Agency or Political Subdivision, in the event such HAZARDOUS SUBSTANCES are found to be present as a result of the negligence, misconduct or other acts of the Tenant or Tenant's Agents, Employees, Contractors or Invitees. This indemnification shall specifically include any and all costs due to hazardous substances that flow, diffuse, migrate or percolate into, onto or under the PREMISES after the lease term commences that become present as a result of the negligence, misconduct or other acts of the Tenant, Tenant's Agents, Employees, Contractors, or Invitees. Tenant agrees to furnish Landlord with a current list of any such HAZARDOUS SUBSTANCES used in its operation at any time said list is requested Landlord.

ENVIRONMENTAL NOTICES AND LIENS. Tenant further warrants and represents that during the Lease Term, Tenant will promptly give Landlord notices of any Environmental Claim or Lien threatened, asserted or about to be attached or placed against the Tenant or the property.

-24-

TENANT'S OBLIGATION TO REMEDY. If Tenant shall violate this Section or in any way conduct Tenant's operations on the PREMISES or permit the PREMISES to be used or maintained so as to subject the Landlord, the Tenant, or the PREMISES to a claimed violation, Tenant shall immediately remedy and fully cure such condition at its own cost and expense and shall indemnify and save the Landlord harmless from any and all damages, remedial orders, judgments or decrees and all costs and expenses related thereto or arising therefrom, including, but not limited to, attorneys' and consultants' fees, cleanup, removal and restoration costs and lost rentals. It is expressly understood and agreed that in the event there are any obligations or Tenant with respect to payment or performance as required under the terms and conditions of this Section that shall not have been performed or paid prior to the expiration of termination of this Lease, such obligations, any such condition at its sole cost and expense and to indemnify Landlord as foreshaidd, shall survive the expiration of termination of this Lease and surrender of the Leased Premises by the Tenant to the Landlord.

TENANT'S HAZARDOUS WASTE INDEMNITY COVENANT. If any lien shall be filed against the Property or claim, demand, equitable proceeding or suit shall be made, asserted or commenced against Landlord of the Property by any government agency or any other person to pay for, or recover the cost or estimated cost of removing hazardous waste from the Property arising from an intentional or unintentional act or omission of Tenant resulting in the releasing, spilling, pumping, pouring, emitting, emptying or dumping of "Hazardous Waste", then Tenant shall, within thirty (30) days from the date that such environmental lien or claim either:

Massachusetts Corporation (the "Obligor") in connection with said Lease, Qualtron Teoranta, a foreign corporation organized under the laws of Ireland, having an address of Jefferson Office Park, 800 Turnpike, Suite 300, North Andover, MA 01845 (hereafter "the undersigned" and guarantor), hereby unconditionally guarantees due payment, performance and fulfillment to the Lessor of all liabilities, obligations and undertakings of Obligor to the Lessor whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising or acquired, sole, joint or several, and whether consisting of obligations to pay money or to perform the Obligor's obligations to the Lessor under the Lease (the "Obligations") .

The liability of the undersigned hereunder shall be limited to \$500,000.

This agreement shall operate as a continuing and absolute guaranty and shall remain in full force and effect until receipt by the Lessor of written notice of the revocation of this guaranty or any notice of the possible insolvency of, or transfer of substantial assets by, the undersigned. Such notice shall not affect any obligations of the undersigned existing the time such notice is received, and, if after any such revocation, notice of possible insolvency or transfer, but prior to the Lessor's receipt of such notice thereof, the Lessor grants any loan or extension to, or accepts any assignment of indebtedness of, the Obligor or takes other action in reliance upon this guaranty, the undersigned hereby agrees to indemnify the Lessor against, and save it harmless from, all loss, cost, liability, and expense which it may incur or suffer by reason of such action.

Notice of the acceptance of this guaranty and notices of transactions entered into in reliance hereon are hereby waived. The undersigned consents to any renewal, extension or postponement of the time of payment of any of the Obligations or to any other forbearance of indulgence with respect thereto and consents to any substitution, exchange, modification or release of any security therefor or the release of any other person primarily or secondarily liable on any of the Obligations, whether or not notice thereof shall be given to the undersigned, and agrees to the provisions of any instrument, security or other writing evidencing or securing any of the obligations, and the enforcement hereof shall not be affected by the delay, neglect or failure of the Lessor to take any action with respect to any security, right, obligation, endorsement, guaranty or other means of collecting the Obligations which it may at any time hold, including perfection or enforcement thereof, or by any change with respect to the Obligor in the form or manner of doing business, whether by incorporation, consolidation, merger, partnership formation or change in membership, or otherwise, it being hereby agreed that the undersigned shall be and remain bound upon this guaranty irrespective of any action, delay or omission by the Lessor in dealing with the Obligor, any of the Obligations, any collateral therefor, or any person at any time liable with respect thereto.

-29-

On any default by the Obligor, the liability of the Undersigned hereunder shall be effective immediately and the undersigned waives all requirements of notice, demand, presentment or protest and any right which the undersigned might otherwise have to require Lessor first to proceed against the Obligor or against any other guarantor or any other person or first to realize on any security held by it before proceeding against the undersigned for the enforcement of this guaranty. The undersigned shall not assert any right arising from payment or other performance hereunder, whether by set-off or counterclaim, or claim of indemnity or reimbursement, or otherwise, until the undersigned's liability hereunder shall have been discharged in full and all of Obligations shall have been fulfilled.

The undersigned guarantees to the Lessor the payment of any and all expenses paid or incurred by the Lessor (including reasonable attorneys' fees) in connection with the collection of all sums and obligations guaranteed hereunder, whether such collection be from the Obligor or from the undersigned.

If for any reason the Obligor has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any amounts included in the Obligations shall have become not recoverable from the Obligor by operation of law or for any other reason, or if any security or other guaranty shall be found invalid, the undersigned shall nonetheless be and remain bound upon this guaranty.

Any deposits or other sums at any time credited by or due from the Lessor

to the undersigned, and any securities or other property of the undersigned at any time held by the Lessor may at all times be held and treated as security for all obligations of the undersigned hereunder. Regardless of the adequacy of security, the Lessor may apply or set off such deposits or other sums against such obligations at any time.

This instrument, and all rights and remedies of the parties, shall be determined as to their validity, construction, effect and enforcement, and in all other respects of the same or different nature, by the laws of Massachusetts; and the undersigned hereby submits itself and its property to the exclusive jurisdiction of the Massachusetts courts in all matters relating to this guaranty, or to its enforcement. No provision of this guaranty may be amended or waived except in writing signed by the Lessor.

This guaranty is intended to take effect as a sealed instrument, shall inure to the benefit of the Lessor and its successors and assigns, and shall be binding upon the undersigned and the legal representatives, successors and assigns of the undersigned.

TERMINATION AGREEMENT

This Termination Agreement (this "Agreement") is entered into as of the 27th day of July, 2000 by and between SMTC Corporation, a Delaware corporation (the "Company"), Bain Capital Partners VI, L.P., a Delaware limited partnership ("Bain"), Celerity Management Co., Inc., a Delaware corporation ("Celerity") and Kilmer Electronics Group Limited, an Ontario corporation ("KEGL" and collectively with Bain and Celerity, the "Service Providers").

WHEREAS, the Company and the Service Providers are party to a Management Agreement dated as of July 30, 1999 (the "Management Agreement");

WHEREAS, in connection with the initial public offering of common stock of the Company and exchangeable shares of SMTC Manufacturing Corporation of Canada (the "IPO"), the Company and the Service Providers desire to discontinue the provision of services by the Service Providers to the Company and the Company's payment of fees to the Service Providers for such services, each as described in the Management Agreement; and

WHEREAS, the Company may agree in the future to retain one or more of the Service Providers or their affiliated or associated entities to provide certain management and advisory services to the Company in connection with certain transactions;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS. Capitalized terms used but not defined in this Agreement shall have the definitions set forth in the Management Agreement.
2. TERMINATION. The Company and each of the Service Providers hereby agree that:
 - (a) the Management Agreement is hereby terminated, effective as of the closing of the IPO;
 - (b) the Company shall pay Bain the sum of Seven Hundred Twenty Thousand Dollars (\$720,000), Celerity the sum of Seven Hundred-Twenty Thousand Dollars (\$720,000), and KEGL the sum of Three Hundred Sixty Thousand Dollars (\$360,000) upon the effectiveness of this Agreement;
 - (c) notwithstanding the foregoing: Sections 4, 5, 7, 9 and 10 of the Management Agreement shall survive the termination of the Management Agreement and are hereby incorporated by reference herein, mutatis mutandis, for all purposes to have the same effect as if fully set forth herein, with appropriate modifications as the context may require; and
 - (d) notwithstanding the provisions of this Agreement, the Company may agree in the future to retain any of the Service Providers or their respective affiliates to provide certain management and advisory services to the Company, on terms mutually satisfactory to each party in the discretion thereof.
3. FREEDOM TO PURSUE OPPORTUNITIES. Without limiting the generality of the foregoing Section 2(c) as it relates to Section 7(a) of the Management Agreement, in consideration of the agreements of the Service Providers set forth herein and of the agreement of certain individuals affiliated or otherwise associated with the Service Providers to serve on the Board of Directors of the Company, the Company and the Service Providers hereby agree that in anticipation that the Company and one or more of the Service Providers (or one or more of their respective affiliates, associated investment funds or portfolio companies, clients or individuals associated with any of the foregoing including, without limitation, certain individuals who may from time to time serve as directors, officers, employees of, or consultants to, the Company) may engage in the same or

similar activities or lines of business and have an interest in the same areas of corporate opportunities, except as any Service Provider may otherwise agree in writing (solely as to itself), after the date hereof:

- (a) each Service Provider shall have the right to, and shall have no duty (contractual or otherwise) not to, directly or indirectly: (i) engage in the same or similar business activities or lines of business as the Company, including those competing with the Company and (ii) do business with any client or customer of the Company;
- (b) No Service Provider nor any officer, director, employee, partner, affiliate or associated person or entity thereof shall be liable to the Company or its affiliates for breach of any duty (contractual or otherwise) by reason of any such activities of or of such person's participation therein; and
- (c) In the event that any Service Provider acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both the Company and one or more Service Providers or any other person, such Service Provider shall have no duty (contractual or otherwise) to communicate or present such corporate opportunity to the Company and, notwithstanding any provision of this Agreement to the contrary, shall not be liable to the Company or its affiliates for breach of any duty (contractual or otherwise) by reason of the fact

-2-

that such Service Provider directly or indirectly pursues or acquires such opportunity for itself, directs such opportunity to another person, or does not present such opportunity to the Company.

- 4. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.
- 5. AMENDMENTS AND WAIVERS. No amendment or waiver of any term, provision or condition of this Agreement shall be effective as against any party, unless in writing and executed such party. No waiver on any one occasion shall extend to or effect or be construed as a waiver of any right or remedy on any future occasion. No course of dealing of any person nor any delay or omission in exercising any right or remedy shall constitute an amendment of this Agreement or a waiver of any right or remedy of any party hereto.
- 6. MERGER/ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior communication or agreement with respect thereto.
- 7. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of this page intentionally left blank]

3

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf as an instrument under seal as of the date first above written by its officer or representative thereunto duly authorized.

The Company: SMTC CORPORATION

By /s/ Paul Walker

Title: President

Bain: BAIN CAPITAL PARTNERS VI, L.P.

By Bain Capital Investors VI, Inc.,
its general partner

By /s/ [signature appears here]

Title: Authorized signatory

Celerity: CELERITY MANAGEMENT CO., INC.

By /s/ Stephen Adamson

Title: President

KEGL: KILMER ELECTRONICS GROUP LIMITED

By /s/ Michael Griffiths

Title: Secretary-Treasurer

Exhibit 10.25

This SHARE PURCHASE AGREEMENT is made on the 26th day of July, 2000, between SMTC NOVA SCOTIA COMPANY (the "PURCHASER"), Gary Elwood Walker (the "VENDOR") and SMTC CORPORATION ("SMTC-US").

RECITALS

- A. The Vendor is the registered and beneficial owner of 23,092.4669 Class Y Shares (the "TRANSFERRED SHARES").
- B. The Vendor wishes to sell, and the Purchaser wishes to purchase, the Transferred Shares as of the Effective Time on the terms and conditions set out in this Agreement.
- C. On the date hereof, there are no dividends that have been declared or that, in accordance with the Class Y Share Provisions, should have been declared on the Transferred Shares that have not been paid.
- D. SMTC-US is the sole shareholder of the Purchaser.

FOR VALUE RECEIVED, the parties agree as follows:

1. DEFINITIONS.

- (a) In this Agreement, the following terms shall have the meanings set out below:
 - (i) CERTIFICATE has the meaning given to it in section 6;
 - (ii) CLASS Y SHARE PROVISIONS means the rights, privileges, restrictions and conditions attaching to the Class Y Shares as set out in the Corporation's articles of amalgamation dated August 31, 1994, as amended to the date of this Agreement;
 - (iii) CLASS Y SHARES means the Class Y non-voting preferred shares in the capital of the Corporation;
 - (iv) CLOSING means the closing of the Initial Public Offering;
 - (v) CORPORATION means SMTC Manufacturing Corporation of Canada;
 - (vi) EFFECTIVE DATE means the day immediately preceding the Closing;
 - (vii) EFFECTIVE TIME means 11:59 p.m. on the Effective Date;
 - (viii) INITIAL PUBLIC OFFERING means the offering of exchangeable shares by the Corporation pursuant to a prospectus dated July 20, 2000 and the offering by SMTC-US of shares of common stock pursuant to a registration statement dated July 20, 2000;

2 SHARE PURCHASE AGREEMENT

- (ix) SHARE PAYMENT has the meaning given to it in section 4;
 - (x) SMTC-US means SMTC Corporation, a corporation existing under the laws of Delaware;
 - (xi) SMTC-US CLASS L SHARE means one share of Class L common stock, par value US\$0.001, of SMTC-US; and
 - (xii) TRANSFERRED SHARES has the meaning given to it in recital A above.
- (b) Unless the context indicates otherwise, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Class Y Share Provisions.
2. PURCHASE AND SALE OF SHARES. Subject to the terms and conditions of this Agreement, effective as of the Effective Time, the Vendor shall sell to the

Purchaser, and the Purchaser shall purchase from the Vendor, the Transferred Shares.

3. PURCHASE PRICE FOR TRANSFERRED SHARES. The purchase price for each Transferred Share shall be an amount equal to, the fair market value of one SMTC-US Class L Share on the business day immediately preceding the Effective Date.
4. SATISFACTION OF PURCHASE PRICE. The Purchaser shall satisfy the purchase price for the Transferred Shares by delivering or causing to be delivered to the Vendor one SMTC-US Class L Share for each Transferred Share (the "SHARE PAYMENT").
5. SMTC-US TO ISSUE SHARES. SMTC-US shall issue on behalf of the Purchaser the shares constituting the Share Payment registered in the name of the Vendor upon receipt of the Vendor's certificate representing his Class Y shares, duly endorsed for transfer to the Purchaser.
6. SECTION 116 CERTIFICATE. Forthwith after the Effective Date, the Vendor shall provide notice to Canada Customs and Revenue Agency of the sale of the Transferred Shares in accordance with subsection 116(3) of the Income Tax Act (Canada) and shall obtain a certificate from Canada Customs and Revenue Agency issued by the Canada Customs and Revenue Agency under subsection 116(4) of the Income Tax Act (Canada) (the "CERTIFICATE").
7. VENDOR'S REPRESENTATIONS. The Vendor represents and warrants to the Purchaser and SMTC-US as follows:
 - (a) the Vendor legally and beneficially owns all of the Transferred Shares with a good and marketable title thereto free and clear of any liens, pledges, charges, mortgages, encumbrances and other security interests or claims of others;
 - (b) the Vendor has the power and capacity to execute and deliver this Agreement and to perform his obligations hereunder; and

3 SHARE PURCHASE AGREEMENT

- (c) this Agreement has been duly and validly executed and delivered by the Vendor and is a valid and legally binding obligation of the Vendor enforceable against him in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
8. PURCHASER'S REPRESENTATIONS. The Purchaser represents and warrants to the Vendor and SMTC-US as follows:
 - (a) the Purchaser has the corporate power and capacity to execute and deliver this Agreement and to perform its obligations hereunder;
 - (b) the execution and delivery of this Agreement, and the performance by the Purchaser of its obligations hereunder have been duly and validly authorized by it and no other corporate proceedings or approvals on its part or on the part of its directors or shareholders (if necessary) are required to authorize this Agreement; and
 - (c) this Agreement has been duly and validly executed and delivered by the Purchaser and is a valid and legally binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
9. SMTC-US'S REPRESENTATIONS. SMTC-US represents and warrants to the Vendor and the Purchaser as follows:
 - (a) SMTC-US has the corporate power and capacity to execute and deliver this Agreement and to perform its obligations hereunder;

- (b) the execution and delivery of this Agreement, and the performance by SMTC-US of its obligations hereunder have been duly and validly authorized by it and no other corporate proceedings or approvals on its part or on the part of its directors or shareholders (if necessary) are required to authorize this Agreement;
- (c) this Agreement has been duly and validly executed and delivered by SMTC-US and is a valid and legally binding obligation of SMTC-US enforceable against SMTC-US in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity; and
- (d) the shares constituting the Share Payment, upon issuance in accordance with the terms of this Agreement, shall be duly authorized and validly issued, fully paid and non-assessable shares.

4 SHARE PURCHASE AGREEMENT

10. GENERAL.

- (a) The representations and warranties of the parties contained in this Agreement shall survive the completion of the transactions contemplated by this Agreement.
- (b) Each of the parties shall, from time to time, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may, in the reasonable opinion of the other party, be necessary or advisable to give effect to this Agreement.
- (c) Time shall be of the essence in this Agreement.
- (d) No party may assign this Agreement without the written consent of the other parties. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- (e) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and understandings.
- (f) No provision may be amended or waived except in writing.
- (g) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware and each of the parties hereby irrevocably submits to the jurisdiction of state and federal courts sitting in Delaware.
- (h) Any provision of this Agreement which is invalid or unenforceable shall not affect any other provision and shall be deemed to be severable.

- SIGNATURE PAGE FOLLOWS -

5 SHARE PURCHASE AGREEMENT

IN WITNESS WHEREOF the parties have duly executed this Agreement.

SMTC CORPORATION

SMTC NOVA SCOTIA COMPANY

By: /s/ Richard Smith

By: /s/ Richard Smith

By: /s/ Paul Walker

By: Paul Walker

/s/ Gary Walker

GARY ELWOOD WALKER

Exhibit 10.26

This FUNDING AGREEMENT is made on the 26th day of July, 2000, between Gary Elwood Walker (the "VENDOR") and SMTC CORPORATION ("SMTC-US").

RECITALS

A. The Vendor, SMTC Nova Scotia Company (the "PURCHASER") and SMTC-US have entered into a share purchase agreement dated July 26, 2000 (the "SHARE PURCHASE AGREEMENT").

B. In accordance with the terms of the Share Purchase Agreement, the Transferred Shares have been transferred by the Vendor to the Purchaser.

C. The sale of the Transferred Shares to the Purchaser in exchange for the Share Payment in accordance with the terms of the Share Purchase Agreement will be a taxable event for the Vendor for both Canadian and United States income tax purposes.

D. SMTC-US has agreed to provide a series of loans to the Vendor in the manner contemplated in this Agreement in order to fund the Taxes owing by the Vendor as a result of the sale of the Transferred Shares.

FOR VALUE RECEIVED, the parties agree as follows:

1. DEFINITIONS.

(a) In this Agreement, the following terms shall have the meanings set out below:

(i) CALCULATION NOTICE has the meaning given to it in section 2(d);

(ii) CANADIAN TAXES has the meaning given to it in section 2(d);

(iii) CASH PROCEEDS has the meaning given to it in section 2(i);

(iv) CERTIFICATE has the meaning given to it in section 6 of the Share Purchase Agreement;

(v) CLASS Y SHARE PROVISIONS means the rights, privileges, restrictions and conditions attaching to the Class Y Shares as set out in the Corporation's articles of amalgamation dated August 31, 1994, as amended to the date of this Agreement;

(vi) CLASS Y SHARES means the Class Y non-voting preferred shares in the capital of the Corporation;

(vii) CLOSING means the closing of the Initial Public Offering;

2 FUNDING AGREEMENT

(viii) CORPORATION means SMTC Manufacturing Corporation of Canada;

(ix) EFFECTIVE DATE means the day immediately preceding the Closing;

(x) FINAL LOAN has the meaning given to it in section 2(g);

(xi) FIRST LOAN has the meaning given to it in section 2(b);

(xii) INDEPENDENT ACCOUNTANT means a mutually acceptable independent accounting firm;

(xiii) INITIAL PUBLIC OFFERING means the offering of exchangeable shares by the Corporation pursuant to a prospectus dated July 20, 2000 and the offering by SMTC-US of shares of common stock pursuant to a registration statement dated July 20, 2000;

(xiv) INTERIM LOAN has the meaning given to it in section 2(c);

- (xv) LOANS has the meaning given to it in section 2(g);
- (xvi) PLEDGED SHARES has the meaning given to in section 2(i);
- (xvii) RELEVANT PROPORTION means the proportion of shares of SMTC-US common stock ultimately received by the Vendor as a result of the exchange of Class Y Shares for Class L shares of SMTC-US under the Share Purchase Agreement, compared with the total number of shares of SMTC-US common stock that the Vendor holds on Closing;
- (xviii) SHARE PAYMENT has the meaning given to it in section 4 of the Share Purchase Agreement;
- (xix) SHARE PURCHASE AGREEMENT has the meaning given to it in recital A above;
- (xx) SMTC-US means SMTC Corporation, a corporation existing under the laws of Delaware;
- (xxi) TAXES means all taxes on income or profit imposed by a Canadian or US federal, provincial or state taxing authority and any interest or penalties thereon and TAX has a corresponding meaning;
- (xxii) TAXES AMOUNT has the meaning given to it in section 2(d);
- (xxiii) TAX AMOUNT PER SHARE means an amount equal to the Taxes Amount divided by the total number of shares of SMTC-US common stock that the Vendor holds on Closing;
- (xxiv) TRANSFERRED SHARES has the meaning given to it in recital A of the Share Purchase Agreement;

3 FUNDING AGREEMENT

(xxv) US DOLLAR EQUIVALENT means, in respect of an amount expressed in Canadian currency (the "CANADIAN CURRENCY AMOUNT") at any date, the product obtained by multiplying (i) the Canadian Currency Amount by (ii) the noon buying rate on such date for such Canadian currency expressed in U.S. dollars as certified for customs purposes by the Federal Reserve Bank of New York; and

(xxvi) US TAXES has the meaning given to it in section 2(c).

(b) Unless the context indicates otherwise, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Class Y Share Provisions and the Share Purchase Agreement.

2. LOANS FOR TAXES.

(a) The Vendor's obligation to sell the Transferred Shares and to deliver share certificates for the Transferred Shares to the Purchaser in accordance with the Share Purchase Agreement is conditional upon SMTC-US and the Vendor entering into this Agreement.

(b) The parties acknowledge that in order to obtain the Certificate, the Vendor will be required to (i) make a payment to the Canadian tax authorities on account of the Vendor's liability for Taxes under the Income Tax Act (Canada) or (ii) provide security of an equal amount in the form of a bank guarantee. On or before the day that is 28 days after the Effective Date, SMTC-US shall provide: (iii) a loan to the Vendor (the "FIRST LOAN") in the U.S. Dollar Equivalent of an amount equal to the amount the Vendor is required to pay to the Canadian tax authorities in order to obtain the Certificate or (iv) a bank guarantee equal to the amount in (iii) above to the Canadian tax authorities on the Vendor's behalf. The Purchaser shall be responsible for all costs and expenses related to any bank guarantee provided in accordance with

this section 2(b).

- (c) On or before each of September 5, 2000 and January 6, 2001, SMTC-US shall make a loan (each, an "INTERIM LOAN") to the Vendor in an amount equal to the US federal and state Taxes ("US TAXES") which must be paid by the Vendor in respect of the sale of the Transferred Shares on each of September 15, 2000 and January 16, 2001, respectively, in order to avoid incurring a penalty or interest charges for underpayment of such Taxes or instalments relating thereto. The determination of the US Taxes payable on each of the foregoing dates shall be made by the Vendor and the Vendor shall provide SMTC-US with written notification of such determinations in each case not later than five (5) business days prior to the last date on which the applicable Interim Loan is to be advanced.
- (d) On or before March 1, 2001 but not earlier than January 20, 2001, the Vendor shall deliver to SMTC-US a notice (the "CALCULATION NOTICE") specifying the total amount of Taxes payable by him as a consequence of the sale of the Transferred Shares to the Purchaser in accordance with the Share Purchase

Agreement (the "TAXES AMOUNT") and setting out in reasonable detail the basis upon which such amount was calculated. The Calculation Notice shall separately identify the amount of Canadian Taxes ("CANADIAN TAXES") and the amount of US Taxes included in the Taxes Amount.

- (e) Within five (5) business days after receipt by SMTC-US of the Calculation Notice, SMTC-US shall provide written notice to the Vendor stating that it (i) accepts the Taxes Amount set out in the Calculation Notice or (ii) disputes the amount set out in the Calculation Notice and elects to have the Taxes Amount calculated by an Independent Accountant in accordance with section 2(f). If SMTC-US fails to provide written notice to the Vendor in accordance with and within the time specified in this paragraph, SMTC-US shall be deemed to have accepted the Taxes Amount in the Calculation Notice.
- (f) If SMTC-US makes an election under section 2(e)(ii), the Independent Accountant shall calculate the Taxes Amount. The Independent Accountant's calculation of the Taxes Amount shall, in the absence of manifest error, be conclusive and binding.
- (g) If the Taxes Amount (as finally determined in accordance with sections 2(d)-(f) above) is less than the aggregate of all funds advanced by SMTC-US under the First Loan, if any, and the Interim Loans, if any, the Vendor shall forthwith repay such difference to SMTC-US on account of such loans. In all other cases, on or before April 5, 2001, SMTC-US shall make a loan (the "FINAL LOAN" and, together with the First Loan, if any, and each Interim Loan, if any, the "LOANS") to the Vendor in an amount equal to the excess of the Taxes Amount over the aggregate amount, if any, of the First Loan and the Interim Loans.
- (h) The Vendor shall use all proceeds from the Loans to pay the Taxes Amount;
- (i) The Loans made by SMTC-US to the Vendor in accordance with this section 2 shall be on the following terms and conditions:
 - (i) the Vendor shall deliver to SMTC-US on each date on which a Loan is made a promissory note, in the form attached hereto as Schedule "A", having a principal amount equal to the amount advanced under such Loan;
 - (ii) the Loans shall bear interest at the applicable federal rate; such interest shall be payable by the Vendor to SMTC-US on an annual basis or on such other basis as the parties may agree;

- (iii) the term of each Loan shall be twenty (20) years;
- (iv) the Loans shall be repayable at the option of the Vendor in whole or in part at any time or from time to time without notice or penalty;
- (v) as security for the Loans to be made hereunder, the Vendor shall, on the date of this Agreement, pledge all of the shares of SMTC-US that he holds,

5 FUNDING AGREEMENT

including those shares received in the Share Payment and substitutions therefor (the "PLEGGED SHARES") to SMTC-US, and the pledge shall be in the form attached hereto as Schedule "B";

- (vi) if the Vendor receives a refund of any amount paid to the Canadian or US tax authorities for or on account of Taxes payable by the Vendor as a consequence of the sale of the Transferred Shares to the Purchaser, the Vendor shall apply such refund within ten (10) business days of receipt thereof to the repayment of the Loans;
 - (vii) the Vendor shall be required to repay the First Loan in the event of a material breach or violation of section 6 of the Share Purchase Agreement;
 - (viii) on each sale or other transfer of a Pledged Share (including any securities substituted therefore) for proceeds which include cash or cash equivalents ("CASH PROCEEDS"), the Vendor will pay to SMTC-US, as a repayment of the Loans, on a pro rata basis or otherwise as SMTC-US in its discretion shall determine, an amount equal to the lesser of (A) the Tax Amount Per Share, (B) the after-Tax Cash Proceeds received by the Vendor and (C) the amount outstanding under the Loans immediately prior to such sale or other transfer. For greater certainty, the Vendor shall not be required under any circumstances to apply any proceeds received on a sale or other transfer of Pledged Shares (including any securities substituted therefore) which are not in the form of cash (or cash equivalents) to the repayment of the Loans; and
 - (ix) notwithstanding any other provision in this Agreement, SMTC-US shall not be required to provide Loans to the Vendor in an aggregate amount exceeding \$2,500,000.
 - (j) SMTC-US shall, in a timely manner, increase the compensation payable to the Vendor in his capacity as an employee of SMTC-US or any affiliate of SMTC-US by an amount sufficient to fund, on an after-Tax basis, the interest payable by the Vendor on the Loans under any applicable Canadian or US Tax law or the interpretation or administration thereof. If the Vendor ceases to be employed by SMTC-US or any affiliate of SMTC-US at any time the Loans, or any portion of the Loans, continue to be outstanding, SMTC-US shall fully indemnify the Vendor, on an after-Tax basis, for any such Taxes or interest amounts.
3. VENDOR'S REPRESENTATIONS. The Vendor represents and warrants to the Purchaser and SMTC-US as follows:
- (a) the Vendor legally and beneficially owns all of the Transferred Shares with a good and marketable title thereto free and clear of any liens, pledges, charges, mortgages, encumbrances and other security interests or claims of others;
 - (b) the Vendor has the power and capacity to execute and deliver this Agreement and to perform his obligations hereunder;

- (c) the Vendor represents and warrants that he is a resident of the United States of America; and
 - (d) this Agreement has been duly and validly executed and delivered by the Vendor and is a valid and legally binding obligation of the Vendor enforceable against him in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
4. PURCHASER'S REPRESENTATIONS. The Purchaser represents and warrants to the Vendor and SMTC-US as follows:
- (a) the Purchaser has the corporate power and capacity to execute and deliver this Agreement and to perform its obligations hereunder;
 - (b) the execution and delivery of this Agreement, and the performance by the Purchaser of its obligations hereunder have been duly and validly authorized by it and no other corporate proceedings or approvals on its part or on the part of its directors or shareholders (if necessary) are required to authorize this Agreement; and
 - (c) this Agreement has been duly and validly executed and delivered by the Purchaser and is a valid and legally binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
5. SMTC-US'S REPRESENTATIONS. SMTC-US represents and warrants to the Vendor and the Purchaser as follows:
- (a) SMTC-US has the corporate power and capacity to execute and deliver this Agreement and to perform its obligations hereunder;
 - (b) the execution and delivery of this Agreement, and the performance by SMTC-US of its obligations hereunder have been duly and validly authorized by it and no other corporate proceedings or approvals on its part or on the part of its directors or shareholders (if necessary) are required to authorize this Agreement; and
 - (c) this Agreement has been duly and validly executed and delivered by SMTC-US and is a valid and legally binding obligation of SMTC-US enforceable against SMTC-US in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
6. GENERAL.
- (a) The representations and warranties of the parties contained in this Agreement shall survive the completion of the transactions contemplated by this Agreement.

- (b) Each of the parties shall, from time to time, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may, in the reasonable opinion of the other party, be necessary or advisable to give effect to this Agreement.
- (c) Time shall be of the essence in this Agreement.
- (d) No party may assign this Agreement without the written consent of the other parties. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

- (e) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and understandings.
- (f) No provision in this Agreement may be amended or waived except in writing.
- (g) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware and each of the parties hereby irrevocably submits to the jurisdiction of the state or federal courts sitting in Delaware.
- (h) Any provision of this Agreement which is invalid or unenforceable shall not affect any other provision and shall be deemed to be severable.

- SIGNATURE PAGE FOLLOWS -

IN WITNESS WHEREOF the parties have duly executed this Agreement.

SMTC CORPORATION

By: Paul Walker

Paul Walker

By: /s/ Richard Smith

Richard J. Smith

/s/ Gary Walker

GARY ELWOOD WALKER

EXHIBIT 10.27

PROMISSORY NOTE

\$694,500

JULY 26, 2000

FOR VALUE RECEIVED, GARY ELWOOD WALKER, ("WALKER"), HEREBY PROMISES TO PAY to the order of SMTC CORPORATION, a Delaware corporation (together with its successors and assigns, the "HOLDER"), at such place as the Holder may designate, in lawful money of the United States, the principal amount of \$694,500 (SIX HUNDRED AND NINETY-FOUR THOUSAND FIVE HUNDRED DOLLARS) (the "LOAN"). The Loan shall bear interest at the rate prescribed in section 2(i) of the Funding Agreement (as defined below).

For the purposes of this promissory note:

- (a) "FUNDING AGREEMENT" shall mean the funding agreement entered into between Walker and the Holder on July 26, 2000;
- (b) "NOTE" shall mean this promissory note as originally executed or if later amended, modified, supplemented or replaced, then, as so amended, modified, supplemented or replaced;
- (c) "OBLIGATIONS" shall mean all principal, fees, charges, expenses, counsel fees and any other sum chargeable to Walker under this Note, and all principal due in respect of the Loan; and
- (d) "SECURITIES" shall have the meaning assigned to it in the share pledge agreement dated July 26, 2000 among Walker and the Holder.

1. PAYMENTS.

- (a) The principal amount of this Note is repayable at the option of Walker in whole or in part at any time or from time to time without notice or penalty, and is mandatorily repayable by Walker in accordance with the terms contained in Section 2(i) of the Funding Agreement and in any event by July 26, 2020.
- (b) Interest payable under this Note shall be paid under the terms and conditions set forth in section 2(i) of the Funding Agreement
- (c) All payments of principal and interest under this Note shall be in lawful money of the United States and in same day funds, without abatement, reduction, deduction, counterclaim recoupment, defence or set-off, to the Holder.

2. HOLDER'S RIGHTS. Upon demand for payment hereunder, the Holder is hereby authorized at any time and from time to time, subject to applicable law and the limitations set out in Section 2(i) of the Funding Agreement, to apply any and all indebtedness at any time owing by the Holder to or for the credit of the account of Walker which arises in respect

-2-

of the redemption by the Holder of any of the securities against any and all of the obligations of Walker now or hereafter existing under this Note. The Holder agrees to promptly notify Walker after any such application; provided that the failure to give such notice shall not affect the validity of such application. The rights of the Holder under this Section 2 are in addition to other rights and remedies which the Holder may have.

3. WAIVER. Except as otherwise provided for in this Note, and to the fullest extent permitted by applicable law, Walker waives: (a) presentment, notice, demand and protest, and notice of presentment, dishonour, intent to accelerate, acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of this Note at any time held by the Holder on which Walker may in any way be liable, and hereby ratifies and confirms whatever the Holder may do in this regard; (b) all rights to notice and a hearing prior to the Holder's taking possession or control of,

or to the Holder's replevy, attachment or levy upon, any property, real or personal, tangible or intangible of Walker or any bond or security which might be required by any court prior to allowing the Holder to exercise any of its remedies; and (c) the benefit of all valuation, appraisal and exemption laws. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver of such power, right or privilege, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4. SEVERABILITY. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.
5. COSTS AND EXPENSES. Walker agrees to pay on demand all costs and expenses, if any, including counsel fees and expenses, in connection with an enforcement (whether through negotiations, legal proceedings or otherwise) of this Note arising by reason of a breach by Walker of any of the terms hereunder.
6. GOVERNING LAW. This Note shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to its conflict of laws rules).
7. SUCCESSORS AND ASSIGNS. This Note shall be binding upon Walker and the successors and assigns of Walker and shall enure to the benefit of the Holder and its successors and assigns. For greater certainty, it is understood and agreed that this Note may be assigned by the Holder to any person or entity without the prior consent of Walker. This Note may not be assigned by Walker without the prior written consent of the Holder.

-3-

/s/ Gary Walker

Gary Elwood Walker

EXHIBIT 10.28

PLEDGE AGREEMENT

The following collateral is, in accordance with the terms and conditions set forth below, assigned as security for the present and future obligations of Gary Elwood Walker (hereinafter called the "PLEDGOR") to SMTC Corporation, a Delaware corporation (together with its successors and assigns, hereinafter called the "LENDER") under the funding agreement dated the date hereof between the Pledgor and the Lender (the "FUNDING AGREEMENT") and under the promissory note(s) given by the Pledgor in favour of the Lender to which reference is made in the Funding Agreement (the "NOTES"):

all of the shares of common stock of SMTC Corporation owned by Gary Elwood Walker (the "PLEDGED SHARES").

For valuable consideration, receipt whereof is hereby acknowledged, the above collateral and all renewals thereof, substitutions therefor and accretions thereto and all income from any of the foregoing (the whole hereinafter called the "SECURITIES") are, subject to the provisions in the immediately following paragraph, hereby assigned to and are to be held by the Lender as general and continuing collateral security for the fulfilment of all obligations, present or future, matured or not, of the Pledgor to the Lender under the Funding Agreement and the Notes (hereinafter called the "OBLIGATIONS") and the Pledgor hereby agrees that immediately upon request by the Lender and in confirmation of the security interests hereby created, he shall execute and deliver to the Lender such further instruments, deeds, transfers, assurances and agreements, in form and substance as the Lender shall reasonably request, including any financing statements and amendments thereto, or any other documents, as required or advisable under Delaware law and any other applicable law to protect the security interests created hereunder. The Pledgor hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in its own name, for the purpose of carrying out the terms of this Pledge Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Pledge Agreement without notice to or assent by the Pledgor including, without limitation, executing any endorsements, assignments or other instruments of conveyance or transfer with respect to the securities.

For greater certainty and notwithstanding any other provision in this Pledge Agreement with the exception of the immediately following sentence, the Pledgor shall, for so long as he is not in breach of any of the Obligations, be entitled to sell or otherwise transfer all or any portion of the securities and immediately prior to any such sale or transfer (a "DISPOSITION"), the subject securities shall be deemed to have been fully released as collateral security under this Pledge Agreement without further claim by the Lender. In order to sell or otherwise transfer all or any portion of the securities, the Pledgor shall:

-2-

- (a) provide the Lender with written notice of the disposition at least five business days in advance of the effective date of the disposition and receive proceeds from the disposition which have a fair market value that is substantially equivalent to that of the subject securities ("PROCEEDS");
- (b) assign to the Lender, as collateral security under this Pledge Agreement, any portion of the Proceeds which is not in the form of cash or cash equivalents; and
- (c) within two (2) business days of receipt or on such other terms as the Lender acting reasonably may require, pay to the Lender, as a repayment of the Notes, that portion of any Proceeds which are not referred to in paragraph (b) above as is required to be paid by the Pledgor in accordance with the terms of the Notes and the Funding

Agreement.

If the Pledgor fails to fulfil any of the Obligations, the Lender may:

- (a) from time to time, sell at a public or private sale or otherwise realize upon all or any of the securities for such price in money or other consideration and upon such terms and conditions as it deems best, the whole without advertisement or notice to the Pledgor or others;
- (b) without limiting the generality of paragraph (a), elect to accept the securities in satisfaction of the Obligations, and the Lender shall thereafter be entitled to the securities free from all rights and interests therein of any other person, and the Lender may thereafter, where applicable, surrender the securities for cancellation;
- (c) hold all income from the securities and the proceeds of any collection or realization of the securities, after deduction of all expenses thereof, which with interest shall be borne by the Pledgor, as security as aforesaid and/or applied against any of the Obligations as the Lender deems best;
- (d) compound, compromise, grant extensions, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Pledgor and others and the securities and other securities as it sees fit, without prejudice to any of its rights; and
- (e) exercise all rights and powers and perform all acts of ownership in respect of the securities to the same extent as the Pledgor might do and the Pledgor shall forthwith repay all consequent outlay and expense with interest.

The Lender need not present, protest, give any notice in connection with, prevent outlawry of, collect, enforce or realize any of the securities and need not protect or preserve them from, and is hereby released from all responsibility for, any depreciation in or loss of, value which they may suffer, and the Lender shall be bound to exercise in the keeping of the securities only the same degree of care as if they were the property of the Lender. All claims, present or future, of the Pledgor against any person liable upon or for the payment of any of the securities (the "ACCOUNT DEBTOR") are hereby assigned to the Lender. The Lender may, at any time, direct any Account Debtor to make payments on any of the securities (other than equity securities or

-3-

securities convertible into equity securities) to the Lender. The Lender is hereby appointed the irrevocable attorney of the Pledgor, with full powers of substitution, from time to time to endorse and/or transfer the securities or any of them to the Lender or its nominees.

Neither failure nor delay on the part of the Lender to exercise any right, remedy, power or privilege provided for herein or by statute or at law or in equity shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Neither this Pledge Agreement nor any provisions hereof may be amended, modified, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the amendment, modification, waiver, discharge or termination is sought.

This Pledge Agreement and the security hereunder are in addition to and not in substitution for any other security held by the Lender and shall not operate as a merger of any simple contract debt or suspend the fulfilment of, or affect the rights, remedies and powers of the Lender in respect of, the Obligations or any securities held by the Lender for the fulfilment thereof. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Wherever possible, each provision of this Pledge Agreement shall be interpreted in such manner as to be effective and valid under applicable law,

but if any provision of this Pledge Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Pledge Agreement.

This Pledge Agreement shall be a continuing agreement and shall have effect whenever and so often as any of the Obligations exist.

This Pledge Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to its conflict of laws rules).

This Pledge Agreement shall be binding upon the Pledgor and the successors and assigns of the Pledgor and shall enure to the benefit of the Lender and its successors and assigns.

The Pledgor hereby acknowledges a copy of this Pledge Agreement.

Dated at this 26th day of July, 2000.

-4-

SMTC CORPORATION

/s/ Paul Walker

By: Paul Walker

/s/ Richard Smith

By: Richard J. Smith

/s/ Gary Walker

Gary Elwood Walker

CLASS N COMMON STOCK REDEMPTION AGREEMENT

This Class N Common Stock Redemption Agreement (the "Agreement") is made as of July 26, 2000 by and among SMTC Corporation, a Delaware corporation (the "Company"), and Gary Walker a holder of shares of the Class N Common Stock, par value \$0.001 ("Class N Shares"), of the Company set forth on Schedule 1 hereto (the "Holder").

Recitals

WHEREAS, the Holder holds the number of Class N Shares set forth on Schedule 1 hereto;

WHEREAS, the number of Class N Shares held by the Holder corresponds to the number of Class Y preferred shares (the "Class Y Shares") of SMTC Manufacturing Corporation of Canada, an Ontario corporation and a subsidiary of the Company ("SMTC-Canada"), held by the Holder, and such Class N Shares were issued to the Holder solely to provide the Holder with the right to vote together with the holders of all other classes of common stock of the Company;

WHEREAS, except for the voting rights set forth in Article 4.4.3 of the Amended and Restated Certificate of Incorporation of the Company as in effect on the date hereof, the Holder enjoys no rights or economic benefits as shareholders of the Company in his capacity as a holder of the Class N Shares;

WHEREAS, prior to the consummation of the initial public offering of the Company's common stock and of the exchangeable shares (the "Exchangeable Shares") of SMTC-Canada, the Class Y Shares held by the Holder will be sold to SMTC Nova Scotia Company, a subsidiary of the Company in consideration for the issuance of the same number of shares of Class L Common Stock of the Company (the "Exchange"); and

WHEREAS, the Company and the Holder desire that simultaneously with the Exchange the Company shall redeem all of the Class N Shares in exchange for the consideration set forth herein, which consideration is equal to the par value of the Class N Shares to be redeemed hereunder;

NOW, THEREFORE, in consideration of the premises and the mutual representations hereinafter set forth, the parties hereto hereby agree as follows:

1. The closing of the redemption contemplated hereby (the "Closing") shall occur simultaneously with and shall be contingent upon, the Exchange. The Closing shall take place at the offices of McMillan Binch, Royal Bank Plaza, South Tower, Suite 3800, Toronto, Ontario. At the Closing (i) the Company shall redeem all of the Class N Shares held by the

Holder, and as consideration therefor the Company shall pay to the Holder in cash the amount set forth opposite the name of the Holder on Schedule 1 hereto, and (ii) the Holder shall deliver to the Company the certificate or certificates evidencing all of the Class N Shares held by the Holder.

2. The Holder agrees to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

3. This Agreement contains the entire agreement among the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings among the parties with respect thereto. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same agreement. This Agreement will be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflicting provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied.

[Remainder of this page intentionally left blank.]

-2-

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as of the date first above written.

SMTC CORPORATION

By /s/ Richard Smith

Name: Richard Smith

Title: Vice President, Finance & Administration

/s/ Gary Walker

GARY WALKER

-3-

SCHEDULE 1

Holder	Redemption	
	Class N Shares	Consideration
-----	-----	-----
Gary Walker	23,092.4669	U.S. \$23.09

-4-

REAL ESTATE SALE AGREEMENT

BETWEEN

FLEXTRONICS INTERNATIONAL USA, INC.
AS SELLER

AND

SMTC MANUFACTURING CORPORATION OF TEXAS
AS PURCHASER

DATED: FEBRUARY 23, 2001

TABLE OF CONTENTS

ARTICLE/ SECTION	TITLE	PAGE
-----	-----	----
ARTICLE 1.	BASIC INFORMATION AND DEFINITIONS.....	1
1.1	Defined Terms.....	1
1.2	Exhibits.....	2
ARTICLE 2.	TERMS OF SALE.....	2
2.1	Sale and Purchase.....	2
2.2	Initial Deposit.....	2
2.3	Independent Consideration.....	3
2.4	Purchase Price.....	3
2.5	Lease.....	3
2.6	Allocation of Purchase Price.....	3
ARTICLE 3.	TITLE STATUS AND INSPECTION.....	3
3.1	Title Commitment.....	3
3.2	Survey.....	4
3.3	Title Status.....	4
3.4	Inspection of Project.....	4
3.5	Procedure for Purchaser's Objections.....	5
3.6	Purchaser's Financing.....	5
3.7	Waiving of Purchaser's Right to Terminate.....	5
3.8	Certain Items to be Furnished to Purchaser by Seller....	6
ARTICLE 4.	CLOSING PROCEDURE.....	6
4.1	Closing.....	6
4.2	Seller's Closing Obligations.....	6
4.3	Purchaser's Closing Obligations.....	7
4.4	Closing Costs.....	7
4.5	Possession.....	7
4.6	Proration.....	7
ARTICLE 5.	DEFAULT AND REMEDIES.....	8
5.1	Purchaser's Default.....	8
5.2	Seller's Default.....	8
ARTICLE 6.	DISCLAIMER.....	9
6.1	Disclaimer of Warranties.....	9
6.2	Waiver of Claims.....	9
6.3	Deceptive Trade Practices.....	10
6.4	Indemnification.....	10

ARTICLE 7. DAMAGE, DESTRUCTION OR CONDEMNATION..... 10

7.1 Definitions..... 10

7.2 Material Events..... 11

7.3 Immaterial Event..... 11

7.4 Extension of Closing..... 11

ARTICLE 8. MISCELLANEOUS PROVISIONS..... 11

8.1 Merger..... 11

8.2 Successors and Assigns..... 12

8.3 Future Assurances..... 12

8.4 Governing Law and Construction..... 12

8.5 Severability..... 12

8.6 Notice..... 12

8.7 Brokerage Commission..... 13

8.8 Nonwaiver..... 13

8.9 Counterpart Execution..... 13

8.10 Recordation Prohibited..... 13

8.11 Costs of Enforcement..... 14

8.12 Time of Essence..... 14

8.13 Amendments..... 14

8.14 Effective Date..... 14

8.15 Controlling Agreement..... 14

8.16 Appraised Value of Property for 2001 Ad Valorem Taxes.. 14

REAL ESTATE SALE AGREEMENT

THIS REAL ESTATE SALE AGREEMENT ("Contract") is executed by Seller and Purchaser, to be effective as of the Effective Date.

1.
BASIC INFORMATION AND DEFINITIONS

<TABLE>
<CAPTION>

1.1 DEFINED TERMS.

- | | | |
|---------------------|------------|---|
| <S> | <C> | |
| (a) Seller: | | Flextronics International USA, Inc. |
| | Address: | 2090 Fortune Drive |
| | | San Jose, CA 95131 |
| | Contact: | Mr. Mike Carney |
| | Telephone: | 408.209.6925 |
| | Facsimile: | 408.428.4846 |
| ----- | | |
| (b) Purchaser: | | SMTC Manufacturing Corporation of Texas |
| | Address: | 15508 Bratton Lane |
| | | Austin, Texas 78728 |
| | Contact: | Mr. Rick Winter |
| | Telephone: | 512.310.4303 |
| | Facsimile: | 512.310.4301 |
| ----- | | |
| (c) Effective Date: | | See Section 7.14. |
| ----- | | |
| (d) Project: | | Collectively; the Land and the Improvements. |
| ----- | | |
| (e) Land: | | That certain tract or parcel or real property described in Exhibit "A" attached hereto, together with all rights and interests appurtenant thereto. |
| ----- | | |
| (f) Building: | | The office/manufacturing/warehouse facility situated on the Land. |

(g) Warranties: All transferable warranties and guaranties, if any, in

effect as of the Closing Date with respect to the
Improvements or any repairs, modifications, alterations, or
renovations to the Improvements.

(h) Property: Collectively, the Project and the Warranties.

(i) Independent

Consideration: One Hundred and No/100 Dollars (\$100.00).

</TABLE>

1

<TABLE>

<S>

<C>

(j) Improvements: The Buildings and all other improvements, structures, and

fixtures located on the Land.

(k) Purchase Price: Sixteen Million Three Hundred Thousand and No/100 Dollars (\$16,300,000.00).

(l) Earnest Money: The Initial Deposit and, if applicable, the Extension Deposit.

(m) Initial Deposit: One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00).

(n) Extension Deposit: Three Hundred Fifty Thousand and No/100 Dollars (\$350,000.00).

(o) Inspection Period: See Section 3.3.

(p) Closing Date: See Section 4.1.

(q) Title Company: Stewart Title Austin, Inc.

Address: 100 Congress Avenue, Suite 200

Austin, Texas 78701

Telephone: 512.472.9231

Facsimile: 512.476.1706

Escrow Officer: James B. Garrison, Jr.

(r) Lease: That certain Lease by and between Purchaser and Seller,
which is in form and content identical to the form of Lease
attached at Exhibit "C" to this Contract.

</TABLE>

1.2 EXHIBITS. The following exhibits are attached to this Contract

and are incorporated into this Contract by reference for all purposes:

Exhibit "A" - Land Description

Exhibit "B" - Special Warranty Deed

Exhibit "C" - Lease

Exhibit "D" - Assignment of Warranties and Guaranties

2.

TERMS OF SALE

2.1 SALE AND PURCHASE. For the consideration and upon and subject to

the terms, provisions and conditions hereinafter set forth in this Contract, Seller agrees to sell and convey the Property to Purchaser; and Purchaser agrees to purchase the Property from Seller.

2.2 INITIAL DEPOSIT. For the purpose of securing the performance of

Purchaser under this Contract and as a condition precedent to Seller's obligations hereunder, Purchaser shall,

2

deliver the Initial Deposit to the Title Company in cash or current funds contemporaneously with Purchaser's execution of this Contract. For purposes of this Contract, "current funds" shall mean wire transfers, certified funds or cashier's checks in a form acceptable to the Title Company which would permit the Title Company to immediately disburse such funds. If the sale of the Project is consummated in accordance with the terms of this Contract, the Initial Deposit shall be applied as a credit against the Purchase Price. If the sale of the Project is not consummated in accordance with the terms of this Contract, the Initial Deposit shall be delivered as provided in Section 3.5, Section 3.6, and/or in Article 5 of this Contract, whichever is applicable.

2.3 INDEPENDENT CONSIDERATION. As independent consideration for the

rights and benefits granted to Purchaser under this Agreement, Purchaser shall, in addition to depositing Earnest Money, deliver the Independent Consideration to Seller contemporaneously with Purchaser's execution of this Contract. The Independent Consideration shall be non-refundable.

2.4 PURCHASE PRICE.

-
- (a) The Purchase Price shall be paid to Seller in full in cash or current funds at the Closing.
 - (b) Purchaser shall secure financing of the Purchase Price, in whole or in part, through a sales/leaseback, leaseback, synthetic lease, or other financing arrangement involving a third-party source of financing to Purchaser (such third-party source financing being hereinafter referred to as "Purchaser's Lender"). Upon the request of Purchaser's Lender, the Special Warranty Deed to be delivered by Seller to Purchaser pursuant to the terms of this Contract shall reserve a vendor's lien in favor of Seller and provide for assignment of such vendor's lien to Purchaser's Lender.

2.5 LEASE. Purchaser and Seller are executing the Lease

contemporaneously with their respective execution of the Contract, in order to provide Purchaser with access to the Project prior to the Closing Date so that Purchaser may cause construction of modifications, alterations, renovations, and improvements to the existing tenant finishes and improvements within the Building prior to Closing. However, the Lease shall automatically terminate in the event that this Contract is terminated by either party (including, without limitation, a termination by Purchaser under the provisions of Section 3.4 and Section 3.6 below).

2.6 ALLOCATION OF PURCHASE PRICE. Seller and Purchaser shall report

this transaction for federal income tax purposes, based upon the following allocation of the Purchase Price:

Land	\$ 2,580,603.00
Building and other Improvements	\$13,719,397.00
Total Consideration	\$16,300,000.00

3.
TITLE STATUS AND INSPECTION

3.1 TITLE COMMITMENT. Purchaser shall, at Purchaser's expense, cause

the Title Company, as the issuing agent for Stewart Title Guaranty Company ("Title Insurer") to deliver a

3

commitment ("Title Commitment") for a Texas standard form Owner Policy of Title Insurance ("Title Policy") to Purchaser, in an amount equal to the Purchase Price, together with true, correct, and legible copies of all documents referred to in the Title Commitment ("Title Documents") and a tax certificate ("Tax Certificate") showing current outstanding ad valorem taxes due on the Project. A copy of the Title Commitment, Title Documents, and Tax Certificate shall also be delivered to Seller.

3.2 SURVEY. Purchaser may, at Purchaser's expense, secure an "as-built"

survey or update of the existing "as-built" survey ("Survey") of the Project, prepared by a Texas licensed engineer or surveyor acceptable to Purchaser. Prior to the execution of this Contract by the parties, Seller has provided Purchaser with a copy of the Seller's existing Survey of the Project, prepared by Randall Jones Engineering, Inc., dated October 5, 2000/revised October 24, 2000, under Plan No. 760-SUR.

3.3 TITLE STATUS. Purchaser shall have the right to review the Title

Commitment, the Title Documents, and the Survey. In the event that any exceptions to title appear in the Title Commitment or any matters appear on the Survey that Purchaser, acting in good faith, determines to be unacceptable to Purchaser, Purchaser shall, prior to the expiration of the Inspection Period, notify Seller in writing of such objections. Upon the expiration of the Inspection Period, Purchaser shall be deemed to have accepted all exceptions to title referenced in the Title Commitment and all matters reflected on the Survey, except for matters which are the subject of a notification made under the preceding sentence, and such accepted exceptions shall be deemed to be "Permitted Exceptions" for purposes of this Contract. In addition, "Permitted Exceptions" shall include (a) exceptions shown as standard printed exceptions and exclusions in the Title Policy (other than that the rights of parties in possession shall be deleted and the standard exception for taxes shall be limited to the year in which the Closing occurs, and subsequent years, and subsequent assessments for prior years due to change in land usage or ownership) and (b) any lien created by Purchaser at Closing in connection with Purchaser's acquisition of the Project. The agreed exceptions to title specified in the immediately preceding sentence, together with any title exceptions to which the Purchaser does not object in accordance with Section 3.4, shall be referred to as the "Permitted Exceptions" in this Contract. The Permitted Exceptions shall be described in Exhibit "B" to the Special Warranty Deed referred to in Section 4.2

3.4 INSPECTION OF PROJECT. The "Inspection Period" is the period

commencing on the Effective Date and ending on February 25, 2001. Purchaser and Purchaser's agents and representatives shall (a) have reasonable access to the Project and (b) have the right to physically inspect the Project and to conduct soil tests and other inspections during the Inspection Period. The costs and expenses of Purchaser's investigation shall be borne solely by Purchaser. In the event that the transaction contemplated by this Contract does not close for any reason, Purchaser shall restore the Project to its condition prior to Purchaser's entry and shall deliver to Seller copies of all tests, reports and inspections conducted by Purchaser with respect to the Project. Purchaser hereby indemnifies, agrees to defend, and holds Seller harmless from and against any claims, causes of action, damages and expenses (including reasonable attorney's fees) incident to, resulting from, or in any way arising out of Purchaser's, or Purchaser's agents or representatives, presence in, on, or about the Project, or out of any such tests or inspection conducted by Purchaser on the Project, whether or not such result was caused by the Purchaser's

4

negligent acts. Such indemnity shall survive the Closing or any termination of this Contract for a period of one (1) year from the Closing Date and shall not be merged herein. The foregoing indemnification by Purchaser is in addition to the other indemnification obligations of Purchaser under this Contract. Prior to any entry on the Project, Purchaser will provide evidence to Seller that

Purchaser has in full force and effect commercial general liability insurance with policy limits of not less than Two Million and No/100 Dollars (\$2,000,000.00), naming Seller as an additional insured under that policy.

3.5 PROCEDURE FOR PURCHASER'S OBJECTIONS. If, during the Inspection

Period, Purchaser notifies Seller of any objections to the status of Seller's title to the Project reflected in the Title Commitment or the Survey, or to the results of its inspections of the Project, Seller may, in its sole and absolute discretion, but shall not be obligated to nor be required to incur any expenses in doing so, cure such objections within ten (10) days from the date on which Seller receives Purchaser's objections ("Cure Period"), and the Inspection Period shall be extended by the Cure Period. Purchaser's objections shall be in writing and Purchaser shall use good faith in making objections permitted hereunder i.e., Purchaser's objections shall be specific and be limited to those matters which may have a material adverse effect on the Project). If Purchaser, in Purchaser's sole discretion is not satisfied with the results of any cure efforts by Seller, Purchaser may terminate this Contract by giving written notice of termination to Seller at any time within five (5) days from the expiration of the Cure Period. If Purchaser terminates this Contract pursuant to this Section 3.4, Purchaser shall deliver all reports and studies relating to the Project resulting from the inspection of the Project to Seller. Upon Seller's receipt of such reports, the Earnest Money shall be returned to Purchaser; the Lease shall automatically terminate; and neither party shall have any further rights or obligations to the other party under this Contract or the Lease, except for the indemnities set forth in Sections 3.3 and 6.4 of this Contract. If Purchaser does not terminate this Contract in the manner and within the time period specified in this Section, Purchaser shall be deemed to have waived the right to terminate this Contract pursuant to this Article 3 and shall be deemed and to have accepted and approved the Project and the Title Commitment, at which time the Earnest Money shall be non-refundable except as provided in Article 5.

3.6 PURCHASER'S FINANCING. During the Inspection Period, Purchaser

shall exert good faith efforts to secure a written commitment ("Financing Commitment") from a source of third-party financing to finance Purchaser's acquisition and/or renovation of the Project. If Purchaser is unable to secure a written financing commitment acceptable to Purchaser prior to the expiration of the Inspection Period, Purchaser may terminate this Contract by giving written notice of termination to Seller any time within the Inspection Period. If Purchaser terminates this Contract pursuant to this Section 3.6, the applicable provisions of Section 3.5 which relate to a termination of the Contract by Purchaser will be applicable.

3.7 WAIVING OF PURCHASER'S RIGHT TO TERMINATE. If Purchaser does not

terminate this Contract pursuant to Section 3.4 or Section 3.6 in the manner and within the time period specified, Purchaser shall be deemed to have waived the right to terminate this Contract pursuant to this Article 3 and shall be deemed to have accepted and approved the Project, the Title Commitment and the Survey, in which time the Initial Deposit shall be nonrefundable, except as provided in Section 5.2 below.

5

3.8 CERTAIN ITEMS TO BE FURNISHED TO PURCHASER BY SELLER. Within

fifteen (15) business days following the Effective Date, Seller shall deliver, or cause to be delivered, to Purchaser for its review, true copies of all currently effective Warranties covering any equipment, machinery, fixtures, or Building components (such as the roof), together with a schedule of all insurance coverages maintained by Seller with respect to the Project. All service, maintenance, or other contracts maintained by Seller relative to the Seller's ownership of the Project shall be terminated, at Seller's expense, as of the Effective Date; and Purchaser shall not be obligated to assume any service, maintenance, or other contracts of any nature relative to the Project otherwise approved in writing by Purchaser. During the period from the Effective Date through the Closing Date, Seller shall maintain the insurance coverages specified in the insurance schedule provided by Seller to Purchaser.

4.1 CLOSING. The sale and purchase of the Project provided for in this

Contract shall be consummated at a closing ("Closing") to be held at the office of the Title Company on May 31, 2001, or on such earlier date specified by Purchaser to Seller in writing or not less than five (5) business days advance notice to Seller ("Closing Date"); provided, however, that Purchaser may extend the Closing Date to a date not later than July 31, 2001, by delivering written notice of Purchaser's election to extend the term of this Contract ("Extension Notice"). In order to be effective, the Extension Notice must be accompanied by the contemporaneous delivery to the Title Company of the Extension Deposit. The Extension Deposit shall be in cash or current funds, or in the form of a letter of credit, which shall be in form and content and issued by a national or state bank of sufficient financial capability reasonably acceptable to Seller. The Extension Notice shall also specify a date, of not later than July 31, 2001, as the new Closing Date hereunder. The failure of Purchaser to deliver an Extension Notice in the manner and within the time period specified above and/or the failure of Purchaser to deliver the Extension Deposit to the Title Company as required herein, shall be deemed to constitute an irrevocable waiver by Purchaser of its right to extend the term of this Contract as provided in this Section 4.1. An extension of the Closing Date by Purchaser pursuant to this Section shall automatically affect an extension of the "Termination Date" of the Lease (as defined therein) so that the Closing Date, as extended, shall be the same as the Termination Date of the Lease, as extended. The Extension Deposit shall be nonrefundable except as provided in Section 5.2 below.

4.2 SELLER'S CLOSING OBLIGATIONS. At the Closing, Seller shall deliver

or cause to be delivered to Purchaser:

- (a) a Special Warranty Deed in the form of Exhibit "B", duly executed by Seller, in recordable form, and evidencing Seller's conveyance of title to the Project to Purchaser, subject only to the Permitted Exceptions;
- (b) an Assignment of Warranties and Guaranties in the form of Exhibit "D", duly executed by Seller, relative to all transfer of Warranties then in effect, if any, with respect to the Improvements or any repairs or renovations to such Improvements, if applicable;
- (c) a Certificate of Corporate Resolutions adopted by the board of directors of Seller and containing resolutions, authorizing Seller to close the transaction contemplated by this Contract;
- (d) an Incumbency Certificate with respect to the officers of Seller who are authorized to execute closing documents on behalf of Seller;
- (e) all keys and master keys to all locks located on the Project (to the extent that same are in Seller's possession), unless Purchaser and Seller shall make an alternative arrangement for the delivery of same;
- (f) all records and documents, if any, regarding the Project (such as plans and specifications but specifically excluding agreements and other documents regarding Seller's acquisition of the Project) to the extent any of those are in Seller's possession, unless Purchaser and Seller make an arrangement for the alternative delivery of same.

6

4.3 PURCHASER'S CLOSING OBLIGATIONS. At the Closing, Purchaser shall:

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- (a) pay the premium for the Title Policy and cause the Title Insurer to issue the Title Policy;
 - (b) deliver or cause to be delivered to Seller cash or current funds in the amount of the Purchase Price, due credit being

given for the Earnest Money, together with such additional funds as may be necessary to pay Purchaser's share of the closing costs and prorations hereunder; and

- (c) deliver to Seller a Certificate of Corporate Authority containing a certified resolution of the board of directors of Purchaser, authorizing Purchaser to close the transaction contemplated by this Contract, together with an Incumbency Certificate with respect to the officers of Purchaser, who are authorized to execute the closing documents on behalf of Purchaser.

4.4 CLOSING COSTS. Purchaser shall pay to the Title Company the premium

for the issuance of the Title Policy, as contemplated by Section 4.2 hereof, and shall pay all recordation fees and any sales or transfer taxes applicable to the subject transaction. Each party shall be responsible for paying its respective attorneys' fees incurred in connection with the transaction contemplated by this Contract. Purchaser shall also pay escrow fees and any other closing costs.

4.5 POSSESSION. Upon completion of the Closing, Purchaser shall have

the full and unrestricted right to possession of the Project, subject only to the Permitted Exceptions.

4.6 PRORATION. The following prorations shall be made effective as of

the Closing Date, shall be final as of the Closing, and shall not be adjusted after the Closing:

- (a) Ad valorem taxes and personal property taxes shall be prorated between Seller and Purchaser for the year in which the Closing is held based on the tax statements for such year; provided, however, that if such tax statements are not available as of the Closing Date, the tax proration between Seller and Purchaser shall be based on the actual

7

tax rate for the prior year applied to the most recent valuation of the Project; and any adjustments to be required by reason of a change of said assessed evaluation or applicable tax rate shall be made between Seller and Purchaser at the time that the tax rate for the current year shall be determined. The obligation to make such adjustment shall survive the Closing.

- (b) Charges for utilities serving the Project shall be determined as of the "Commencement Date" of the Lease; and Seller shall pay to the utility companies involved (or to Purchaser in the event Purchaser shall be responsible for the payment of same) such charges for the period or portion of the period prior to the said Commencement Date.
- (c) Any and all items of current revenue and expenses (including, without limitation, owner association assessments) relating to the Project shall be prorated as of the Closing Date.

5.
DEFAULT AND REMEDIES

5.1 PURCHASER'S DEFAULT. If Purchaser fails to consummate the purchase

of the Project for any reason other than termination of this Contract pursuant to a right granted to Purchaser to do so, then Seller, as its sole and exclusive remedy, shall have the right to terminate this Contract by giving Purchaser and the Title Company written notice of that election, in which event neither party hereto shall have any further rights, duties or obligations under this Contract and Seller shall be entitled to receive or retain, as liquidated damages (Seller and Purchaser acknowledging that the amount of damages resulting from breach of this Contract by Purchaser would be difficult or impossible to accurately

ascertain), the Earnest Money; and the Title Company shall immediately deliver the Earnest Money to Seller. By execution hereof, Purchaser acknowledges that the Title Company shall have no liability to Purchaser in the event it delivers the Earnest Money to Seller in accordance with the terms of this Section 5.1; and Purchaser agrees that the Title Company shall comply with the provisions of this Section 5.1 without the need for subsequent approval or authorization from Purchaser. Notwithstanding the foregoing, in the event of any other default by Purchaser under this Contract, including, without limitation, breach of any covenant, representation or indemnity, which survives the Closing, Seller shall have any and all rights and remedies available under the by reason of such Purchaser's default.

5.2 SELLER'S DEFAULT. If Seller wrongfully fails to close the

transaction contemplated by this Contract, Purchaser may, at Purchaser's sole option, either (a) terminate this Contract, at which time the Earnest Money shall be returned to Purchaser, as Purchaser's sole remedy; or (b) enforce specific performance of this Contract against Seller by commencing a lawsuit against Seller within forty-five (45) days from the Closing Date. The failure of Purchaser to commence a lawsuit against Seller, seeking specific performance of this Contract against Seller, within such forty-five (45) day period shall irrevocably be deemed to be an election by Purchaser to have the Earnest Money returned to Purchaser, as Purchaser's sole remedy hereunder, and as an irrevocable waiver of Purchaser's right to seek specific performance of this Contract. The remedies of a return of the Earnest Money or specific performance shall be Purchaser's sole remedies under the default by Seller under this Contract. By execution hereof,

8

Seller acknowledges that the Title Company shall have no liability to Seller in the event it delivers the Earnest Money to Purchaser in accordance with the terms of this Section 5.2; and Seller agrees that the Title Company shall comply with the provisions of this Section 5.2 without the need for subsequent approval or authorization from Seller. The delivery of the Earnest Money to Purchaser will be Purchaser's sole and exclusive remedy under this Contract. In no event shall Seller be liable to Purchaser for any other actual, punitive, speculative, or consequential damages, or damages for loss of opportunity or lost profit; nor shall Purchaser be entitled to enforce specific performance of this Contract.

6.
DISCLAIMER

6.1 DISCLAIMER OF WARRANTIES. EXCEPT AS OTHERWISE SPECIFICALLY STATED

IN THIS CONTRACT, OR IN THE SPECIAL WARRANTY DEED TO BE DELIVERED TO PURCHASER AT CLOSING, SELLER HEREBY SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, OR CONCERNING (a) THE NATURE AND CONDITION OF THE PROJECT, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL AND GEOLOGY, AND THE SUITABILITY THEREOF FOR ANY AND ALL ACTIVITIES AND USES WHICH PURCHASER MAY ELECT TO CONDUCT THEREON, AND THE EXISTENCE OF ANY ENVIRONMENTAL HAZARDS OR CONDITIONS THEREON (INCLUDING THE PRESENCE OF ASBESTOS) OR COMPLIANCE WITH ALL APPLICABLE LAWS, RULES OR REGULATIONS; (b) THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE, POSSESSION, LIEN, ENCUMBRANCE, LICENSE, RESERVATION, CONDITION OR OTHERWISE; AND (c) THE COMPLIANCE OF THE PROJECT OR ITS OPERATION WITH ANY LAWS, ORDINANCES OR REGULATIONS OF ANY GOVERNMENTAL AUTHORITY OR ENTITY OR OTHER BODY. PURCHASER ACKNOWLEDGES THAT IT WILL INSPECT THE PROJECT AND PURCHASER WILL RELY SOLELY ON ITS OWN INVESTIGATION OF THE PROJECT AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER, OTHER THAN THE REPRESENTATIONS OF SELLER SET FORTH IN THIS CONTRACT, IN THE SPECIAL WARRANTY DEED TO BE DELIVERED BY SELLER. THE SALE OF THE PROTECT IS MADE ON AN "AS IS" BASIS, AND PURCHASER EXPRESSLY ACKNOWLEDGES THAT IN CONSIDERATION OF THE AGREEMENTS OF SELLER AND EXCEPT AS OTHERWISE SPECIFIED IN THIS CONTRACT, OR IN THE SPECIAL WARRANTY DEED TO BE DELIVERED TO BY SELLER, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE, RELATIVE TO THE PROJECT.

6.2 WAIVER OF CLAIMS. Except as specifically set forth in this

Contract, Purchaser agrees that Seller shall not be responsible or liable to

Purchaser for any construction defect, errors, omissions, or on account of any other conditions affecting the Project, and that Purchaser is purchasing the Project AS-IS, WHERE-IS, and WITH ALL FAULTS. Purchaser hereby fully releases Seller, its executors, beneficiaries, representatives and agents from any and all claims that it may now have or hereafter acquire against Seller, its executors, beneficiaries, directors,

9

representatives and agents for any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any construction defects, errors, omissions, or other conditions affecting the Project (including, without limitation, any claim for contribution and/or cost recovery under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. (S) 9601, et seq. ("CERLA"), and the Texas Solid Waste Disposal Act, Tex. Health & Safety Code, Ch. 361 ("Texas Act"). Purchaser further acknowledges and agrees that this release shall be given full force and effect according to each of its expressed terms and provisions, including, but not limited to, those relating to unknown and unsuspected claims, damages and causes of action. This waiver and release of claims shall survive the Closing.

6.3 DECEPTIVE TRADE PRACTICES. TO THE EXTENT APPLICABLE AND PERMITTED

BY LAW (AND WITHOUT ADMITTING SUCH APPLICABILITY), PURCHASER HEREBY WAIVES THE PROVISIONS OF THE TEXAS DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, CHAPTER 17, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED).

6.4 INDEMNIFICATION. In addition to the indemnity provided in Section

3.3 hereof Purchaser hereby agrees to indemnify, protect, defend, save and hold harmless Seller, and Seller's executors, beneficiaries, representatives and agents, from and against (a) any and all debts, duties, obligations, liabilities, suits, claims, demands, causes of action, damages to persons or property, losses, costs and expenses (including, without limitation, attorneys' fees and expenses and court costs) in any way relating to, connected with, or arising out of the Project or the ownership, leasing, use, operation, maintenance and management of the Project which arise from and after the Closing Date and (b) any and all duties, obligations, liabilities, suits, claims, demands, causes of actions, damages to person or property, losses, costs, and expenses, (including without limitation, reasonable attorney's fees and expenses and court costs) in any way relating to, connected with, or arising out of the environmental condition of the Project or the existence of any environmental hazard or conditions on, in, or under the Project, arising after the Closing Date, and including, without limitation, any compensation and/or cost recovery claim under the CERCLA or the Texas Act.

7. DAMAGE, DESTRUCTION OR CONDEMNATION

7.1 DEFINITIONS. As used in this Article 7, the occurrence of any one

or more of the following events shall constitute occurrence of a "Material Event":

- (a) twenty-five percent (25%) or more of the total floor area of the Building is destroyed or rendered untenable by fire or other casualty or is taken under power of eminent domain;
- (b) fifteen percent (15%) or more of the floor area of the manufacturing, assembly, warehouse, and related portions of the Building (excluding specifically areas of the Building to be used for administrative and office purposes) is destroyed or rendered untenable by fire or other casualty or is taken under power of eminent domain;

10

- (c) truck access to the loading docks comprising part of the Building is materially impaired as a result of damage by fire or other casualty or as a result of a taking of all or a portion of the Property by eminent domain;

- (d) total vehicular (other than that described in subparagraph (c) above) or pedestrian access to the Building is denied as a result of a taking of all or a portion of the Property by eminent domain;
- (e) fifteen percent (15%) or more of the area of the unimproved portions of the Land is taken by eminent domain.

7.2 MATERIAL EVENTS. Upon occurrence of a Material Event prior to

Closing, Purchaser may elect to terminate this Agreement by giving written notice of its election to Seller within fourteen (14) days after receiving notice of such destruction or taking. If Purchaser does not give such written notice within such fourteen (14) day period, this transaction shall be consummated on the Closing Date and at the Purchase Price provided for in Section 1.1(k), and Seller shall assign to Purchaser the physical damage proceeds of any insurance policies payable to Seller, or Seller's portion of any condemnation award, and, if an insured casualty, pay to Purchaser or credit against the Purchase Price the amount of any deductible.

7.3 IMMATERIAL EVENT. Upon occurrence of damage or destruction to the

Property by casualty or a taking by eminent domain prior to Closing that does not constitute a Material Event, Purchaser shall close this transaction on the Closing Date and at the Purchase Price agreed upon in Section 1.1(k), and Seller shall assign to Purchaser the physical damage proceeds of any insurance policies payable to Seller, or Seller's portion of any condemnation award, and, if an insured casualty, pay to Purchaser or credit against the Purchase price the amount of any deductible.

7.4 EXTENSION OF CLOSING. In the event of fire or other casualty, or in

the event of a taking under power of eminent domain, the Closing Date shall be extended by the period of time necessary for repair and restoration of the Improvements as required by Purchaser's Lender as a condition to Lender's willingness to extend financing to Purchaser for consummation of the transaction contemplated by this Contract. Any extension of the Closing Date pursuant to this Section 7.4 shall operate to automatically extend the Termination Date of the Lease. In order to extend the term of this Contract and the Lease under this Section, Purchaser must provide Seller with an Extension Notice and must deliver the Extension Deposit to the Title Company as provided in Section 4.1 of this Contract.

8.
MISCELLANEOUS PROVISIONS

8.1 MERGER. THE PARTIES HERETO EXPRESSLY ACKNOWLEDGE AND AGREE THAT,

WITH REGARD TO THE SUBJECT MATTER OF THIS CONTRACT AND THE LEASE AND THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN (a) THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES HERETO; AND (b) THIS CONTRACT, TOGETHER WITH ALL EXHIBITS AND ADDENDA, IF ANY, ATTACHED HERETO, (i) EMBODIES THE FINAL AND COMPLETE AGREEMENT

11

BETWEEN THE PARTIES; (ii) SUPERSEDES ALL PRIOR AND CONTEMPORANEOUS NEGOTIATIONS, OFFERS, PROPOSALS, AGREEMENTS, COMMITMENTS, PROMISES, ACTS, CONDUCT, COURSE OF DEALING, REPRESENTATIONS, STATEMENTS, ASSURANCES AND UNDERSTANDINGS, WHETHER VERBAL OR WRITTEN, AND (iii) MAY NOT BE VARIED OR CONTRADICTED BY EVIDENCE OF ANY SUCH PRIOR OR CONTEMPORANEOUS MATTER OR BY EVIDENCE OF ANY SUBSEQUENT ORAL AGREEMENT OF PARTIES HERETO.

8.2 SUCCESSORS AND ASSIGNS. This Contract shall be binding upon, and

shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns; provided, however, no assignment by Purchaser of its rights and obligations under this Contract shall in any way relieve Purchaser of any obligations of Purchaser to Seller under this Contract or under the Lease. Prior to Closing, Purchaser may assign Purchaser's interest in this Contract, in whole or in part, to an entity with which Purchaser intends to consummate a leaseback, synthetic lease, or other transaction intended by Purchaser to facilitate the financing of Purchaser's

acquisition of the Property.

8.3 FUTURE ASSURANCES. In addition to the documents contemplated to be

executed and/or delivered by the parties hereunder, each party shall execute and/or deliver or cause to be executed and/or delivered at the Closing or after the Closing, any and all further documents as the other party to this Contract or the Title Company may reasonably require to consummate the transaction contemplated hereunder.

8.4 GOVERNING LAW AND CONSTRUCTION. This Contract shall be construed

under and in accordance with the laws of the State of Texas. The parties acknowledge that each party and its counsel have reviewed and revised this Contract, and the parties hereby agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Contract. The headings used throughout this Contract have been used for convenience only and do not constitute matter to be considered in interpreting this Contract.

8.5 SEVERABILITY. In case any one or more of the provisions contained

in this Contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof; and this Contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

8.6 NOTICE. Any notice to be given or to be served upon any party

hereto in connection with this Contract must be in writing, and may be given by certified or registered mail and shall be deemed to have been given and received three (3) days after a certified or registered letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States Mail, and if given otherwise than by certified or registered mail it shall be deemed to have been given when delivered to and received by the party to whom it is addressed. Such notice shall be given to Purchaser at Purchaser's address set forth in Section 1.1 of this Contract, and to Seller at the address set forth in Section 1.1(a) of this Contract. A copy of each notice to Seller shall be provided to Seller's legal counsel, Mr. Jerry D. Johnson, Arter & Hadden, L.L.P., 1717 Main Street, Suite 4100, Dallas, Texas 75201. A copy of each notice to

12

Purchaser shall be provided to Purchaser's legal counsel, Betty Hurst, Hurst & Vanderburg, L.L.P., 1401 West Avenue, Suite B, Austin, Texas 78701-1527. Any party hereto may, at any time, by giving written notice to the other party hereto, designate any other address in substitution of the foregoing address to which such notice shall be given.

8.7 BROKERAGE COMMISSION. It is understood and agreed that no brokers

have been involved in the negotiation and consummation of this Contract. Seller shall indemnify and hold harmless Purchaser from and against all liabilities, costs, damages and expenses (including reasonable attorneys' fees), arising from any claims for brokerage commissions or other similar fees in connection with the transactions covered by this Contract insofar as such claims shall be based upon alleged arrangements or agreements made by Seller or on its behalf. Purchaser shall indemnify and hold harmless Seller, from and against all liabilities, costs, damages and expenses (including reasonable attorneys' fees), arising from any claims for brokerage commissions or other similar fees in connection with the transactions covered by this Contract insofar as such claims shall be based upon alleged arrangements or agreements made by Purchaser or on Purchaser's behalf. Such indemnities shall survive the Closing or any termination of the Contract and not be merged therein.

8.8 NONWAIVER. Unless otherwise expressly provided herein, no waiver by

Seller or Purchaser of any provision hereof shall be deemed to have been made unless expressed in writing and signed by such party. No delay or omission in the exercise of any right or remedy accruing to Seller or Purchaser upon any breach under this Contract shall impair such right or remedy or be construed as

a waiver of any such breach therefore or thereafter occurring. The waiver by ,Seller or Purchaser of any breach of any term, covenant or condition herein stated shall not be deemed to be a waiver of any other breach, or of a subsequent breach of the same or any other term, covenant or condition herein contained. All rights, powers, options or remedies afforded to Seller or Purchaser either hereunder or by law shall be cumulative and not alternative, and the exercise of one right, power, option or remedy shall not bar other rights, powers, options or remedies allowed herein or by law, unless expressly provided to the contrary herein.

8.9 COUNTERPART EXECUTION. This Contract may be executed simultaneously

in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

8.10 RECORDATION PROHIBITED. In no event shall this Contract or any

memorandum hereof be recorded in the public records of the place in which the Project is situated, and any such recordation or attempted recordation shall constitute a breach of this Contract by the party responsible for such recordation or attempted recordation; provided, however, in addition to any reporting requirements imposed by any applicable state or federal law or regulation, whether presently existing, or hereafter enacted or amended, Seller shall have, and hereby expressly reserves, the absolute and unconditional right to disclose, report or otherwise communicate, at any time, and from time to time after Closing, any or all of the financial, business or legal terms or conditions of the transaction contemplated by this Contract to any person, entity, agency, department, etc., whether public or private, for such purposes or reasons as Seller shall deem necessary, proper, advisable or convenient, including, without limitation, the right to disclose the terms of sale to any appraiser, broker or other person under contract with Seller in connection

13

with the sale, lease, or other disposition of other real estate or personal property, wherever located.

8.11 COSTS OF ENFORCEMENT. Should either party employ an attorney or

attorneys to enforce any of the provisions hereof or to protect its interest in any manner arising under this Contract, or to recover damages for breach of this Contract, the non-prevailing party in any action pursued in a court of competent jurisdiction (the finality of which is not legally contested) agrees to pay to the prevailing party all reasonable costs, damages, and expenses, including attorney's fees, expended or incurred in connection therewith.

8.12 TIME OF ESSENCE. Time is of the essence in the performance of each

party's obligations hereunder.

8.13 AMENDMENTS. Except where (a) otherwise authorized, permitted or

required by the express terms of this Contract and except where (b) notice to, consent or approval of, or joinder by any party has been expressly waived by the provisions hereof, no amendment, modification, deletion, release, termination or extension of, alteration, variance or change in or supplement to the provisions of, this Contract shall be valid and effective or otherwise binding on the parties hereto, unless, and until such amendment, etc. shall have been reduced to writing and executed by the parties hereto with the same formality as this Contract.

8.14 EFFECTIVE DATE. The "Effective Date" of this Contract shall be the

date on which (a) this Contract is last executed or, where applicable, last initialed by Purchaser or Seller, and (b) the Title Company has executed the Acceptance by Title Company attached to this Contract.

8.15 CONTROLLING AGREEMENT. To the extent any provision of this Contract

is inconsistent with the terms or provisions of the Lease, the provisions of this Contract shall control.

8.16 APPRAISED VALUE OF PROPERTY FOR 2001 AD VALOREM TAXES. On

Purchaser's written request, Seller shall use reasonable efforts to deliver to Purchaser a copy of any notice of determination of appraised value assigned to the Project, or any part thereof, by the Travis County Central Appraisal District or other acting jurisdiction as soon as reasonably practicable following the receipt of that notice by Seller. In the event that the transaction contemplated by this Contract does not close prior to May 31, 2001, Seller shall, at Purchaser's request, file a written notice of protest of the appraised value of the Project prior to the deadline for such protest as set forth in Section 41.44 of the Texas Tax Code. However, Seller shall not be obligated to incur any costs in doing so, but shall be merely obligated under this Section to use reasonable efforts to cooperate with Purchaser's pursuit of any such tax protest; and all expenses regarding any such tax protest; including any expenses incurred by Seller, shall be paid by Purchaser.

14

IN WITNESS WHEREOF, the parties have executed this Contract to be effective as of the Effective Date.

SELLER:

FLEXTRONICS INTERNATIONAL USA, INC.

By: /s/Thomas J. Smacl

Name: Thomas J. Smacl

Title: C.F.O.

PURCHASER:

SMTC MANUFACTURING CORPORATION
OF TEXAS

By: /s/Richard N. Winter

Name: Richard N. Winter

Title: Director of Finance

15

ACCEPTANCE BY TITLE COMPANY

The Title Company hereby acknowledges receipt of a fully executed copy of the foregoing Contract and the Initial Deposit referred to therein and agrees to accept, hold and return the Earnest Money and disburse any funds received thereunder in accordance with the provisions of the Contract.

TITLE COMPANY:

STEWART TITLE AUSTIN, INC.

By: /s/James B. Garrison, Jr.

Name: James B. Garrison, Jr.

Title: V.P. & Escrow Officer

16

EXHIBIT "A"
TO REAL ESTATE SALE AGREEMENT

LAND DESCRIPTION

Lots 1, 2, and 3 of ROLM BUSINESS PARK, a subdivision of Travis County, Texas,
according to the map or plat recorded in Volume 89, Pages 263-265, of the Plat
Records of Travis County, Texas.

17

EXHIBIT "B"
TO REAL ESTATE SALE AGREEMENT

SPECIAL WARRANTY DEED

STATE OF TEXAS (S)
(S) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF TRAVIS (S)

THAT FLEXTRONICS INTERNATIONAL USA, INC. ("Grantor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration paid to Grantor by SMTC MANUFACTURING CORPORATION OF TEXAS ("Grantee"), the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, SELL, CONVEY, ASSIGN and DELIVER to Grantee the real property situated in Travis County, Texas described in Exhibit "A" attached hereto and made a part hereof together with all improvements thereon, fixtures affixed thereto, and appurtenances ("Property"), subject to general real estate taxes on the Property for the current year, zoning laws, regulations and ordinances of municipal and other governmental authorities, if any, affecting the Property, and all of the encumbrances described in Exhibit "B" attached hereto and made a part hereof (all of the foregoing hereinafter referred to as the "Permitted Exceptions").

TO HAVE AND TO HOLD the Property, together with all and singular the rights, and appurtenances thereto in anywise belonging, unto Grantee, its successors and assigns forever, and Grantor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular the Property unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof by, through or under Grantor, but not otherwise, subject, however, to the Permitted Exceptions.

BY THE ACCEPTANCE OF THIS DEED, GRANTEE, EXCEPT FOR THE WARRANTIES OF TITLE SET FORTH IN THIS CONVEYANCE, SPECIFICALLY WAIVES, AND ACKNOWLEDGES THAT GRANTOR HAS SPECIFICALLY DISCLAIMED, ANY WARRANTY, GUARANTY, OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO OR CONCERNING (A) THE NATURE AND CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LMTATION, THE WATER, SOIL, AND GEOLOGY, AND THE SUITABILITY THEREOF FOR ANY AND ALL ACTIVITIES AND USES WHICH GRANTEE MAY ELECT TO CONDUCT THEREON, AND THE EXISTENCE OF ANY ENVIRONMENTAL HAZARD OR CONDITIONS ON, IN, OR UNDER THE PROPERTY (INCLUDING THE PRESENCE OF ASBESTOS) OR COMPLIANCE WITH ALL APPLICABLE LAWS, RULES OR REGULATIONS; (B) THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE, POSSESSION, LIEN, ENCUMBRANCE, LICENSE, RESERVATION, CONDITION, OR OTHERWISE AFFECTING THE PROPERTY; AND (C) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY LAWS, ORDINANCES, OR REGULATIONS OF ANY GOVERNMENTAL AUTHORITY OR ENTITY OR OTHER BODY. GRANTEE ACKNOWLEDGES THAT IT HAS INSPECTED THE PROPERTY AND THAT GRANTEE HAS RELIED SOLELY ON ITS OWN INVESTIGATIONS OF THE PROPERTY AND NOT

18

ON ANY INFORMATION PROVIDED BY GRANTOR, OTHER THAN THE WARRANTYIES OF TITLE OF GRANTOR SET FORTH HEREIN. THE SALE OF THE PROPERTY IS MADE ON AN "AS IS" BASIS, AND GRANTEE EXPRESSLY ACKNOWLEDGES THAT IN CONSIDERATION OF THE AGREEMENTS OF GRANTOR AND EXCEPT AS OTHERWISE SPECIFIED HEREIN, GRANTOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, RELATIVE TO THE PROPERTY.

Current ad valorem taxes relative to the Property having been prorated,
Grantee hereby assumes the payment thereof.

IN WITNESS WHEREOF, this Special Warranty Deed is executed by Grantor and

Grantee to be effective as of the _____ day of _____, 2001.

GRANTOR:

FLEXTRONICS INTERNATIONAL USA, INC.

By: _____
Name: _____
Title: _____

STATE OF _____ (S)

COUNTY OF _____ (S)

This instrument was acknowledged before me on this _____ day of _____, 2001, by _____ in his capacity as _____ of FLEXTRONICS INTERNATIONAL USA, INC., on behalf of said corporation.

Notary Public, State of _____

My Commission Expires: _____

19

EXHIBIT "A"
TO SPECIAL WARRANTY DEED

LAND DESCRIPTION

Lots 1, 2, and 3 of ROLM BUSINESS PARK, a subdivision of Travis County, Texas, according to the map or plat recorded in Volume 89, Pages 263-265, of the Plat Records of Travis County, Texas.

20

EXHIBIT "C"
TO REAL ESTATE SALE AGREEMENT

LEASE

REFERENCE PAGE

Date: February 23, 2001

Landlord: Flextronics International USA, Inc.

Landlord's Address: 2090 Fortune Drive
San Jose, CA 95131
Attention: Mike Carney

Tenant: SMTC Manufacturing Corporation of Texas

Tenant's Address: 15508 Bratton Lane
Austin, Texas 78728
Attention: Rick Winter

Premises:
Approximate acreage: 26.32

Street address/suite: 2205 Grand Avenue Parkway
City, state, zip: Austin, TX 78728-3812

Consideration: That certain Real Estate Sale Agreement entered into by and between the Landlord and Tenant as of February ___, 2001 attached hereto as Exhibit "A" (the "Sale Agreement"). The Premises are defined as the "Project" in the Sale Agreement.

Term: The period from the Commencement Date through the Termination Date, as the same may be extended pursuant to Section 2.(e)(xxi) of this Lease.

Commencement Date: February 25, 2001

Termination Date: May 31, 2001

Security Deposit: N/A

Use: Renovation of the Premises pending the closing of Tenant's purchase of the Premises pursuant to the Sale Agreement

21

and, if applicable, the use specified in Section 2.(e)(xxii) of this Lease.

Amount of Liability Insurance

Death/bodily injury: \$ 2,000,000.00

Property: \$13,719,397.00

22

LEASE

1. DEFINITIONS

- (a) "Lease" means this Lease between Landlord and Tenant.
- (b) "Landlord" means Landlord and its agents, employees, invitees, licensees, or visitors.
- (c) "Tenant" means Tenant and its agents, employees, invitees, licensees, or visitors.
- (d) "Essential Services" means heating, ventilating, air conditioning, water, and utility connections reasonably necessary for occupancy of the Premises for the Use.
- (e) "Building" means office/manufacturing/warehouse facility situated on the real property comprising the Premises.

2. COVENANTS

- (a) Tenant agrees to:
 - (i) Lease the Premises for the entire Term beginning on the Commencement Date and ending on the Termination Date.
 - (ii) Accept the Premises in their present condition "AS IS," the Premises being currently suitable for Tenant's intended Use.
 - (iii) Obey all laws, ordinances, orders, and rules and regulations applicable to the use, condition, and occupancy of the Premises (collectively, the "Legal Requirements").
 - (iv) Pay for all utility services used by Tenant.
 - (v) Allow Landlord to enter the Premises to perform Landlord's obligations and inspect the Premises.
 - (vi) Repair, replace, and maintain any part of the Premises, normal

wear and casualty loss excepted.

- (vii) Repair any damage to the Premises caused by Tenant.
- (viii) Maintain commercial general liability insurance for the Premises and the conduct of Tenant's business, naming Landlord as an additional insured, in the amounts stated in the Lease.
- (ix) Maintain insurance on Tenant's personal property.

23

- (x) Deliver certificates of insurance to Landlord before the Commencement Date. Indemnify, defend, and hold Landlord harmless from any loss, reasonable attorney's fees, court and other costs, or claims arising out of Tenant's use of the Premises, or arising out of Tenant's renovation work within the Premises.
- (xi) Vacate the Premises on termination of this Lease, if the Closing of the Sale Agreement, as defined therein, fails to occur.

(B) TENANT AGREES NOT TO--

- (i) Use the Premises for any purpose other than that stated herein.
- (ii) Create a nuisance.
- (iii) Interfere with any other tenant's normal business operations or Landlord's management of the Building.
- (iv) Permit any waste.
- (v) Use the Premises in any way that is extrahazardous, would increase insurance premiums, or would void insurance on the Building.
- (vi) Change Landlord's lock system without providing keys or appropriate access media to Landlord.
- (vii) Allow a lien to be placed on the Premises.
- (viii) Assign this Lease or sublease any portion of the Premises.

(C) LANDLORD AGREES TO--

- (i) Lease to Tenant the Premises for the entire Term beginning on the Commencement Date and ending on the Termination Date.
- (ii) Obey all Legal Requirements applicable to the Use, condition, and occupancy of the Building.
- (iii) Provide normal utility service connections to the Building.
- (iv) Insure the Building against all risks of direct physical loss in an amount equal to at least 90 percent of the full replacement cost of the Building as of the date of the loss and liability; Tenant will have no claim to any proceeds of Landlord's insurance policy.

(D) LANDLORD AGREES NOT TO --- interfere with Tenant's possession of the Premises as long as Tenant is not in default under this lease or the Sale Agreement.

(F) LANDLORD AND TENANT AGREE TO THE FOLLOWING:

24

- (i) Alterations. This Lease is being entered into as an accommodation to Tenant in order to allow Tenant to begin alteration work in contemplation of Tenant's purchase of the Premises under the Sale Agreement. All work by Tenant to

improve, equip, or alter the Premises shall be subject to the following conditions:

- (A) All such work shall be done at Tenant's sole cost, risk, and expense and in accordance with all Legal Requirements and Insurance Requirements (as defined below).
- (B) All such work shall be performed in a good and workmanlike manner with labor and materials of such quality as approved by Landlord (which approval will not be unreasonably withheld, delayed, or conditioned).
- (C) No such work shall be commenced until approved in writing by Landlord (which approval will not be unreasonably withheld, conditioned, or delayed).
- (D) All such work shall be performed in strict accordance with the plans and/or specifications previously approved by Landlord, which approval will not be unreasonably withheld, conditioned, or delayed.
- (E) All such work shall be prosecuted diligently and continuously to completion.
- (F) All such work shall be performed in a manner so as to minimize interference with the performance of Landlord's obligations under this Lease.
- (G) Landlord may impose such reasonable conditions with respect to such work as Landlord deems appropriate, including, without limitation, requiring Tenant or Tenant's contractor to maintain insurance against liabilities which may arise out of such work and a payment and performance bond relative to that work.
- (H) Tenant's work shall be performed by contractors approved in writing by Landlord (which approval shall not be unreasonably withheld, conditioned, or delayed).
- (I) Upon completion of any such work and upon Landlord's request, Tenant shall deliver to Landlord evidence of payment, contractors' affidavits, and full and final waivers of all liens for labor, services, or material.
- (J) Tenant shall reimburse Landlord, within thirty (30) days of Landlord's demands for all costs and expenses incurred by

25

Landlord to third parties for their review of Tenant's plans or work.

- (K) No alterations, improvements, or additions (including lighting fixtures, track lighting tracks, track lighting cans, and light bulbs) made to the Premises by or on behalf of either Landlord or Tenant may be removed by Tenant without Landlord's prior written consent prior to the consummation of the transaction contemplated by the Sale Agreement. All such alterations, improvements, or additions shall become the property of Landlord upon the termination or expiration of this Lease, unless the transaction contemplated by the Sale Agreement is closed. Tenant shall have no (and hereby waives all) rights to payment or compensation for any such alteration, improvement, or addition to the Premises. However, Tenant's Trade Fixtures shall remain the property of Tenant as provided in Section 5.3 below,
- (L) Tenant shall not allow any liens to be filed against the Premises or the Project in connection with the installation of any alterations, improvements, or additions to the Premises. If any such liens shall be

filed, Tenant shall cause the same to be released (within thirty (30) days after the date of filing) by payment, bonding, or other method acceptable to Landlord. If Tenant shall fail to cancel or remove any lien, then Landlord, at its sole option, may obtain the release of that lien; and Tenant shall pay to Landlord, on demand, the amount incurred by Landlord for the release of each lien, plus an additional charge (in the amount of fifteen percent (15 %) of the amount expended or incurred by Landlord) to cover Landlord's administrative overhead and expenses.

(M) Tenant hereby indemnifies and holds Landlord harmless from all losses, costs, damages, claims, expenses (including reasonable attorneys' fees and costs of suit), liabilities, or causes of action arising out of or relating to any alterations, additions, or improvements that Tenant makes or causes to be made to the Premises or to any repairs made to any portion of the Project, including any occasioned by the filing of any mechanic's, materialman's, construction, or other liens or claims (and all costs or expenses associated with any such lien or claim) asserted, filed, or arising out of such work. Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent of or request by Landlord, express or implied, to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for the improvement, alteration, or repair of the Premises or the Project or as giving Tenant any right or authority to contract for or permit the rendering

26

of any labor or the furnishing of any materials that would give rise to a lien against the Premises or the Project.

(N) Tenant shall have the sole responsibility for compliance with all applicable Legal Requirements and Insurance Requirements relative to any such alterations, improvements or additions. Landlord's approval of any plans or specifications shall never constitute an indication, representation or certification that such alterations, improvements or additions will be in compliance with any applicable Legal Requirement or Insurance Requirement or as to the adequacy or sufficiency of the alterations, improvements, or additions to which such consent relates. In instances in which several sets of requirements must be met, the strictest applicable requirements shall control.

(O) As used herein, "Insurance Requirements" means the terms of any insurance policy relative to the Project carried by Landlord or Tenant.

- (ii) Abatement. Tenant's covenants and Landlord's covenants are independent.
- (iii) Release of Claims/Subrogation. Landlord and Tenant release each other from any claim, by subrogation or otherwise, for any damage to the Premises, the Building, or personal property within the Building, by reason of fire or the elements, regardless of cause, including negligence of Landlord or Tenant. This release applies only to the extent that it is permitted by law, the damage is covered by insurance proceeds, and the release does not adversely affect any insurance coverage.
- (iv) Notice to Insurance Companies. Landlord and Tenant will notify the issuing insurance companies of the release set forth in the preceding paragraph and will have the insurance policies endorsed, if necessary, to prevent invalidation of the insurance coverage.

- (v) Condemnation/Substantial or Partial Taking (See Article 7 of the Sale Agreement).
- (vi) Uniform Commercial Code. Tenant grants Landlord a security interest in Tenant's personal property now or subsequently located on the Premises. This Lease is a security agreement under the Uniform Commercial Code. Landlord may file a copy of this Lease as a financing statement or execute and file a financing statement on behalf of Tenant.
- (vii) Default by Landlord/Events. Defaults by Landlord are failing to comply with any provision of this Lease within thirty (30) days after written notice and failing to provide Essential Services to Tenant within ten (10) days after written notice.

27

- (viii) Default by Landlord/Tenant's Remedies. Tenant's remedies for Landlord's default are to sue for damages and, if Landlord does not provide an Essential Service within ten (10) days following Tenant's delivery of written notice of such failure, Tenant shall be entitled either to secure the Essential Service at Tenant's expense, in which event, Tenant shall be entitled to recoup the reasonable costs incurred by Tenant by offset against the Purchase Price (as defined in the Sale Agreement), or terminate this Lease.
- (ix) Default by Tenant/Events. Defaults by Tenant are (a) failing of the Closing of the Sale Agreement, as defined therein, prior to the Termination Date, (b) abandoning or vacating a substantial portion of the Premises, and (c) failing to comply within ten days after written notice with any provision of this Lease other than the defaults set forth in (a) and (b) above.
- (x) Default by Tenant/Landlord's Remedies. Landlord's remedies for Tenant's default are to (a) enter and take possession of the Premises, (b) retain any improvements on the Premises; and (c) terminate this Lease by written notice and sue for damages. Landlord may enter and take possession of the Premises by self-help, by picking or changing locks if necessary, and may lock out Tenant or any other person who may be occupying the Premises, until the default is cured, without being liable for damages.
- (xi) Default/Waiver/Mitigation. It is not a waiver of default if the nondefaulting party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this Lease does not preclude pursuit of other remedies in this Lease, the Sale Agreement or provided by law. Landlord and Tenant have a duty to mitigate damages.
- (xii) Security Deposit. If Tenant defaults, Landlord may use a portion of the Earnest Money, as defined in the Sale Agreement, to repair any damage or injury, or to pay any expense or liability incurred by Landlord as a result of the default.
- (xiii) Alternative Dispute Resolution. Landlord and Tenant agree to mediate in good faith before filing a suit for damages.
- (xiv) Attorney's Fees. If either party retains an attorney to enforce this Lease, the party prevailing in litigation is entitled to recover reasonable attorney's fees and court and other costs.
- (xv) Venue. Venue is in the county in which the Premises are located.
- (xvi) Entire Agreement. This Lease, together with the attached exhibits, is the entire agreement of the parties, and there are no oral representations, warranties, agreements, or promises pertaining to this Lease or to any expressly

mentioned exhibits and riders not incorporated in writing in this Lease.

28

- (xvii) Amendment of Lease. This Lease may be amended only by an instrument in writing signed by Landlord and Tenant.
- (xviii) Limitation of Warranties. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS LEASE.
- (xix) Notices. Any notice to be given or to be served upon any party hereto in connection with this Lease must be in writing, and shall be given in the manner specified in the Sale Agreement.
- (xx) Abandoned Property. Landlord may retain, destroy, or dispose of any property left on the Premises more than five (5) business days after the expiration of the Term.
- (xxi) Extension of Term. In the event that Tenant extends the "Closing Date" (as defined in and pursuant to the terms of the Sale Agreement), the Term of this Lease and the Termination Date, shall be extended for an equal period by the exercise of Tenant of its right to extend the Closing Date of the Sale Agreement and shall operate automatically to extend the Termination Date, so that the Closing Date, as extended, will be the same as the Termination Date, as extended. During the period from June 1, 2001, through the Termination Date, as extended, Tenant shall pay rent to Landlord in an amount equal to \$130,000.00 per month during that extension period, which shall be prorated on a daily basis in the event that the Termination Date does not occur on the last day of the month.
- (xxii) Tenant's Operations. In the event Tenant has completed all modifications, alterations, renovations, and improvements to the Premises desired by Tenant prior to the Termination Date (as the same may be extended), Landlord agrees that Tenant may occupy and use the Premises for Tenant's normal assembly, manufacturing, warehouse, and office operations during the remainder of the Term of this Lease (as the same may be extended), provided that Tenant complies, in all respects, with all applicable Legal Requirements.
- (xxiii) Landlord's Equipment. Tenant acknowledges that certain equipment and personal property of Landlord will remain in the Premises on the Commencement Date of this Lease at Landlord's sole risk. However, Tenant shall (and shall cause its employees, agents and contractors to) use reasonable efforts to avoid damaging or injuring Landlord's equipment and other personal property. Landlord will use reasonable efforts to remove such equipment and other personal property as soon as reasonably practicable following the Commencement Date, and Landlord and Tenant shall cooperate in storing such equipment and other personal property of

29

Landlord in the Building, in securing such equipment and personal property of Landlord in the Building in a manner so as not to unreasonably interfere with Tenant's permitted Use of the Premises pursuant to this Lease, and in removing such equipment and personal property. In the event that Landlord has not completely removed all of Landlord's equipment and personal property from the Building on or before March 15, 2001, Landlord shall pay to Tenant, as compensation to Tenant, for Landlord's storage of such equipment and personal property in the Building, a sum equal to One and 50/100 Dollars (\$1.50) per day per square foot of area within the Building which is, on the day in question, occupied by Landlord's equipment and other personal property until all such equipment and personal

property of Landlord is completely removed from the Building; and Tenant shall have the right to move all of such equipment and personal property to a location within the Building determined by Tenant. In addition, in the event that any of Landlord's equipment and other personal property remains in the Building after March 15, 2001, Tenant may, at its option, provide Landlord with written notice that Landlord's failure to remove that equipment and other personal property within three (3) business days from Landlord's receipt of that notice shall be deemed, pursuant to this Lease, as an abandonment of that equipment and personal property by Landlord. Any equipment or personal property of Landlord remaining in the Premises after the expiration of that three (3) business day period shall be deemed to have been abandoned by Landlord, and Tenant may thereafter move any of Landlord's equipment or other personal property from the Premises and dispose of any and all such property or sell any and all such property at public or private sale, in such a manner and at such times and places as Tenant, in its sole discretion, may deem proper, without further notice to or demand upon Tenant in each case without any liability for doing so.

30

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the _____ day of _____, 2001.

LANDLORD:

FLEXTRONICS INTERNATIONAL USA, INC.

By:

Name:

Title:

TENANT:

SMTC MANUFACTURING CORPORATION
OF TEXAS

By:

Name:

Title:

31

EXHIBIT "D"

ASSIGNMENT OF WARRANTIES AND GUARANTIES

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Flextronics International USA, Inc., a California corporation (the "Assignor"), hereby assigns, transfers and sets over unto SMTC Manufacturing Corporation of Texas, a Texas corporation (the "Assignee"), and Assignee hereby accepts from Assignor, all Assignor's right, title and interest in and to all transferable warranties and guarantees, if any, with respect to the improvements located on the property located at 2205 Grand Avenue Parkway, in Travis County, Texas, and more particularly described on Exhibit A attached hereto (the "Property"), or any repairs or renovations to such improvements and any personal property conveyed to Assignee by Assignor in connection with the Property.

IN WITNESS WHEREOF, Assignor has caused this instrument to be executed as

of the ____ day of _____, 2001.

FLEXTRONICS INTERNATIONAL USA, INC., a California
corporation

By: _____

Name: _____

Title: _____

[LETTERHEAD OF ARTHUR ANDERSEN]

Exhibit 16.1

April 2, 2001

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Ladies and Gentlemen:

We have read the section entitled "Changes in and Disagreements with Accountants on Accounting and Financial Disclosure" included in the Annual Report on Form 10-K of SMTC Corporation (Formerly HTM Holdings, Inc.) to be filed with the Securities and Exchange Commission, and are in agreement with the statements contained therein.

Very truly yours,

/s/ Arthur Anderson LLP

EXHIBIT 21.1

Subsidiaries of the Registrant

Name	Jurisdiction of Incorporation
HTM Holdings, Inc.	Delaware
SMTC de Chihuahua S.A. de C.V.	Mexico
SMTC Manufacturing Corporation of California	California
SMTC Manufacturing Corporation of Canada	Ontario, Canada
SMTC Manufacturing Corporation of Colorado	Delaware
SMTC Manufacturing Corporation of Ireland Limited	Ireland
SMTC Manufacturing Corporation of Massachusetts	Massachusetts
SMTC Manufacturing Corporation of North Carolina	North Carolina
SMTC Manufacturing Corporation of Texas	Texas
SMTC Manufacturing Corporation of Wisconsin	Wisconsin
SMTC MEX Holdings, Inc.	Delaware
SMTC Nova Scotia Company	Nova Scotia, Canada
Qualtron Teoranta	Ireland
Qualtron, Inc.	Massachusetts