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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K  
ANNUAL REPORT  
PURSUANT TO SECTIONS 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

(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, 2012

OR

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

Commission file number 001-06462

**TERADYNE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**MASSACHUSETTS**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**04-2272148**  
(I.R.S. Employer  
Identification Number)

**600 RIVERPARK DRIVE**  
**NORTH READING, MASSACHUSETTS**  
(Address of Principal Executive Offices)

**01864**  
(Zip Code)

**Registrant's telephone number, including area code: (978) 370-2700**

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.125 per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405) is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 29, 2012 was approximately \$2.3 billion based upon the closing price of the registrant's Common Stock on the New York Stock Exchange on that date.

The number of shares outstanding of the registrant's only class of Common Stock as of February 22, 2013 was 190,315,020 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement in connection with its 2013 annual meeting of shareholders are incorporated by reference into Part III.

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**TERADYNE, INC.**

**FORM 10-K**

**PART I**

**Item 1: Business**

Teradyne, Inc. (the “Company” or “Teradyne”) was founded in 1960 and is a leading global supplier of automatic test equipment.

We design, develop, manufacture and sell automatic test systems and solutions used to test semiconductors, wireless products, hard disk drives and circuit boards in the consumer electronics, wireless, automotive, industrial, computing, communications and aerospace and defense industries. Our automatic test equipment products and services include:

- semiconductor test (“Semiconductor Test”) systems;
- wireless test (“Wireless Test”) systems; and
- military/aerospace (“Mil/Aero”) test instrumentation and systems, storage test (“Storage Test”) systems, and circuit-board test and inspection (“Commercial Board Test”) systems (collectively these products represent “Systems Test Group”).

We have a broad customer base which includes integrated device manufacturers (“IDMs”), outsourced semiconductor assembly and test providers (“OSATs”), wafer foundries, fabless companies that design, but contract with others for the manufacture of integrated circuits (“ICs”), developers of wireless devices and consumer electronics, manufacturers of circuit boards, automotive suppliers, wireless product manufacturers, storage device manufacturers, aerospace and military contractors.

In 2011, we acquired LitePoint Corporation (“LitePoint”) to expand our product portfolio of test equipment in the wireless test sector. LitePoint designs, develops, and supports advanced wireless test solutions for the development and manufacturing of wireless devices, including smart phones, tablets, notebooks, laptops, personal computer peripherals, and other Wi-Fi and cellular enabled devices. LitePoint is our Wireless Test segment.

In 2009, we entered the High Speed dynamic random access memory (“DRAM”) testing market with our UltraFlex-M product. High speed DRAM memory devices are used for data storage and high-end graphics applications in personal computer and gaming consoles.

In 2009, we also entered the market for hard disk drive test systems with our Neptune product. The Neptune product line currently is used to test 2.5 inch hard disk drives for laptops, notebooks and consumer electronic storage devices. In 2013, we intend to enter the test market for 3.5 inch hard disk drives which are used in cloud computing and other applications.

In 2008, we acquired Nextest Systems Corporation (“Nextest”) and Eagle Test Systems, Inc. (“Eagle Test”) to expand our product portfolio of automatic test equipment for the semiconductor industry. Nextest develops systems to test integrated circuits such as microcontrollers, image sensors, smart cards and field programmable logic devices for the flash memory, flash card and flash memory based system-on-a-chip (“SOC”) markets. Eagle Test develops systems to test analog, mixed-signal and radio frequency semiconductors used in digital cameras, MP3 players, cellular telephones, video/multimedia products, automotive electronics and notebook and desktop computers. Nextest and Eagle Test are included within our Semiconductor Test segment.

**Investor Information**

We are a Massachusetts corporation incorporated on September 23, 1960. We are subject to the informational requirements of the Securities Exchange Act of 1934 (“Exchange Act”). We file periodic reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). Such reports,

proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file documents electronically.

You can access financial and other information, including the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and Code of Conduct, by clicking the Investors link on our web site at [www.teradyne.com](http://www.teradyne.com). We make available, free of charge, copies of our filings with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act through our web site as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

## **Products**

### ***Semiconductor Test***

We design, manufacture, sell and support Semiconductor Test products and services on a worldwide basis. The test systems we provide are used both for wafer level and device package testing. These chips are used in automotive, industrial, communications, consumer, computer and electronic game applications, among others. Semiconductor devices span a broad range of functionality, from very simple low-cost devices such as appliance microcontrollers, operational amplifiers or voltage regulators to complex digital signal processors, microprocessors, high-density as well as high speed memory devices. Semiconductor Test products and services are sold to IDMs that integrate the fabrication of silicon wafers into their business, “Fabless” companies that outsource the manufacturing of silicon wafers, “Foundries” that cater to the processing and manufacturing of silicon wafers, and OSATs that provide test and assembly services for the final packaged devices to both Fabless companies and IDMs. Fabless companies perform the design of integrated circuits without manufacturing capabilities, and use Foundries for wafer manufacturing and OSATs for test and assembly. These customers obtain the overall benefit of comprehensively testing devices and reducing the total costs associated with testing by using our Semiconductor Test systems to:

- improve and control product quality;
- measure and improve product performance;
- reduce time to market; and
- increase production yields.

Our FLEX Test Platform architecture advances our core technologies to produce test equipment that is designed for high efficiency multi-site testing. Multi-site testing involves the simultaneous testing of many devices and functions in parallel. Leading semiconductor manufacturers are using multi-site testing to significantly improve their “Cost of Test” economics. The FLEX Test Platform architecture addresses customer requirements through the following key capabilities:

- 1) A high efficiency multi-site architecture that eliminates tester overhead such as instrument setup, synchronization and data movement, and signal processing;
- 2) The IG-XL™ software operating system which provides fast program development, including instant conversion from single to multi-site test; and
- 3) Broad technology coverage by instruments designed to cover the range of test parameters, coupled with a universal slot test head design that allows easy test system reconfiguration to address changing test needs.

FLEX Test Platform purchases are being made by IDMs, OSATs, Foundries and Fabless customers. The FLEX Test Platform has become a widely used test solution at OSATs and test houses by providing versatile testers that can handle the widest range of devices, allowing OSATs to leverage their capital investments. The

broad consumer, automotive and broadband markets have historically driven most of the device volume growth in the semiconductor industry. These markets include smart phones, cell phones, tablets, set top boxes, HDTVs, game controllers, computer graphics, and automotive controllers to name a few. These end use markets continue to be drivers for the FLEX Test Platform family of products because they require a wide range of technologies and instrument coverage. The FLEX Test Platform has an installed base of more than 3,500 systems to date and it continues to grow. The introduction of the UltraFLEX-M tester in 2009 extended the FLEX Test Platform into the High Speed DRAM testing market.

Our J750™ test system shares the IG-XL software environment with the family of FLEX Test Platform systems. The J750 is designed to address the highest volume semiconductor devices such as microcontrollers that are central to the functionality of almost every consumer electronics product, from small appliances to automotive engine controllers. J750 test systems combine compact packaging, high throughput and ease of production test. We extended the J750 platform technology to create the IP750 Image Sensor™ test system. The IP750 is focused on testing image sensor devices used in digital cameras and other imaging products. We continue to invest in the J750 platform with new instrument releases that bring new capabilities to existing market segments and expand the J750 platform to new devices that include high end microcontrollers and the latest generation of cameras. The J750 platform has an installed base of over 3,900 systems and it continues to grow.

Our acquisition of Nextest in January of 2008 expanded our product offerings to include the Magnum test platform. The Magnum products address the requirements of mass production test of memory devices such as flash memory and DRAM. Flash and DRAM memory are widely used core building blocks in modern electronic products finding wide application in consumer, industrial, and computing equipment. Magnum II is the newest member of the family. With test rates up to 800 megabits per second and a versatile architecture designed for maximal throughput, Magnum II tests flash and DRAM devices, an important advantage for large memory producers that manufacture both types of memory. The Magnum platform has an installed base of over 1,300 systems and it continues to grow.

Our acquisition of Eagle Test in November of 2008 expanded our product offerings to include the ETS platform. The ETS platform is used by semiconductor manufacturers and assembly and test subcontractors, primarily in the low pin count analog/mixed signal discrete markets that cover more cost sensitive applications. Eagle Test's proprietary SmartPin™ technology enables multiple semiconductor devices to be tested simultaneously, or in parallel, on an individual test system, permitting greater test throughput. Semiconductors tested by Eagle Test's systems are incorporated into a wide range of products in historically high-growth markets, including digital cameras, MP3 players, cell phones, video/multimedia products, automotive electronics, computer peripherals, and notebook and desktop computers. The ETS platform has an installed base of over 2,900 systems and it continues to grow.

### ***Wireless Test***

Our acquisition of LitePoint in October of 2011 expanded our product offerings in the wireless test industry. LitePoint designs, develops, and supports advanced wireless test solutions for the development and manufacturing of wireless devices, including smart phones, tablets, notebooks/laptops, personal computer peripherals, and other Wi-Fi and cellular enabled devices. LitePoint collaborates with developers, component manufacturers, and industry leaders to create agile systems capable of analyzing the entire wireless landscape. Using easy-to-deploy, innovative test methodologies running on software-controlled module design, LitePoint's IQ product line is designed for high-volume, low-cost product test. LitePoint's products fall into two categories: cellular and connectivity.

### ***Cellular***

The LitePoint IQxstream™ is an optimized solution for high-speed testing of GSM, EDGE, W-CDMA, HSPA+, cdma2000, and LTE technologies—used for calibration and verification of smartphones, tablets, and embedded cellular modules. As the industry's first “multi-DUT” test solution, it greatly increases production

output through the implementation of parallel test methods of multiple devices. IQxstream is complemented by LitePoint's IQvector™ solution, a turnkey production-optimized testing package that supports the leading cellular chipset solutions, and allows manufacturers to ramp volume production in a matter of weeks, rather than months.

### ***Connectivity***

LitePoint offers a comprehensive range of hardware and software solutions for connectivity testing. The IQxel™, IQxel80, and new IQxel160 enable testing of the latest Wi-Fi standard—802.11ac—taking wireless data rates beyond the gigabit per second barrier. The IQxel supports multiple bandwidths and channel configurations, MIMO antenna arrangements, Bluetooth™ 1.0-4.0, as well as legacy 802.11 a/b/g/n/p modes. It is targeted at manufacturers of networking equipment, Internet access devices, and embedded modules used in smartphones, tablets, and PCs. The LitePoint IQ2015™ is a one-box solution for multi-connectivity needs, including Wi-Fi (a/b/g/n), Bluetooth™ (1.0-4.0), GPS/GLONASS, FM, WiMAX and ZigBee. It is a preferred choice by manufacturers of smartphones and tablets. LitePoint continues to deliver and support its legacy products, including IQflex™, IQnxn™, IQ2010™, IQnav™, and IQview™.

LitePoint IQfactPlus™ is a turnkey, chipset specific solution, enabling rapid volume manufacturing with a minimum of engineering effort. IQfact solution can be customized for a specific end product and then deployed on LitePoint test equipment.

### ***Systems Test Group***

Our Systems Test Group segment is comprised of three business units: Mil/Aero, Storage Test and Commercial Board Test.

#### ***Mil/Aero***

We are a leading provider of high-performance test systems, subsystems, instruments, software solutions and service for the defense and aerospace markets. Our solutions are used to ensure the readiness of military and commercial aerospace electronics systems. New programs, such as tactical aircraft and missile systems, as well as upgrade programs, continue to fuel the demand for high performance test systems in this market. Our solutions are well-suited to the demands of defense/aerospace electronics manufacturers and repair depots worldwide. Our leadership in this market is underscored by our success with major Department of Defense programs across all U.S. military service branches and many allied defense services worldwide.

#### ***Storage Test***

The Storage Test business unit addresses the high throughput, automated manufacturing test requirement of hard disk drive (HDD) manufacturers. Our products address the 2.5 inch HDD market that is driven by the needs of laptop, ultrabook, and enterprise storage products. We are a leading supplier of test equipment to this market as illustrated by our success at each of the HDD manufacturers. Our Neptune tester is a leader in addressing customer requirements related to factory density, thermal performance and vibration isolation. In 2013, we intend to enter the test market for 3.5 inch hard disk drives which are used in cloud computing and other applications.

#### ***Commercial Board Test***

Our test and inspection systems are used by electronics manufacturers worldwide. Our products verify that printed circuit boards are assembled correctly and operational. Fast, accurate and cost-effective test capabilities are hallmark features of our In-Circuit-Test (ICT) systems, including the TestStation™ and Spectrum™ product families. We offer a full range of ICT equipment, including handler-ready, in-line test systems for high volume automated board manufacturing, standalone offline systems and combined ICT/functional test solutions.

### ***Discontinued Operations***

On March 21, 2011, our Diagnostic Solutions business unit was sold to SPX Corporation for \$40.2 million in cash. This business provided electronic test and diagnostic systems to the automotive OEMs and their major subcontractors. This business unit was in our Systems Test Group segment. Diagnostic Solutions has been reflected as discontinued operations in the accompanying financial statements.

### ***Summary of Net Revenues by Reportable Segment***

Our three reportable segments accounted for the following percentages of consolidated net revenues for each of the last three years:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Semiconductor Test .....	68%	77%	90%
Wireless Test .....	17	2	—
Systems Test Group .....	15	21	10
	<u>100%</u>	<u>100%</u>	<u>100%</u>

### **Sales and Distribution**

In 2012, revenues from Apple Inc. accounted for 10% of our consolidated net revenues. Apple Inc. is a customer of our Wireless Test segment. In 2011 and 2010, no single customer accounted for 10% or more of our consolidated net revenues. In each of the years 2012, 2011 and 2010, our three largest customers in aggregate accounted for 29%, 19% and 21% of our consolidated net revenues, respectively.

Direct sales to United States government agencies accounted for 2%, 2% and 1% of our consolidated net revenues in 2012, 2011 and 2010, respectively. Approximately 15%, 8% and 8% of Systems Test Group's revenues in 2012, 2011 and 2010, respectively, were to United States government agencies and 20%, 17% and 35% of Systems Test Group's revenues in 2012, 2011 and 2010, respectively, were to government contractor customers.

We have sales and service offices located throughout North America, Asia and Europe, as our customers outside the United States are located primarily in these geographic areas. We sell in these areas predominantly through a direct sales force. Our manufacturing activities are primarily conducted through subcontractors and outsourced contract manufacturers with a significant operation concentrated in China.

Sales to customers outside the United States were 86%, 84% and 85% of our consolidated net revenues in 2012, 2011 and 2010, respectively. Sales are attributed to geographic areas based on the location of the customer site.

Sales to customers outside of the United States that accounted for 10% or more of our consolidated net revenues in any of the previous three years were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
China .....	21%	13%	9%
Taiwan .....	18	12	18
Korea .....	14	10	8
Japan .....	6	10	5
Philippines .....	6	9	12
Malaysia .....	4	10	13

See also “Item 1A: Risk Factors” and Note S: “Operating Segment, Geographic and Significant Customer Information” in Notes to Consolidated Financial Statements.

## Competition

We face significant competition throughout the world in each of our reportable segments. Competitors in the Semiconductor Test segment include, among others, Advantest Corporation and LTX–Credence Corporation. Competitors in the Systems Test Group include, among others, Agilent Technologies, Inc. and Xyratex Ltd. Competitors in our Wireless Test segment include, among others, Agilent Technologies, Inc., Aeroflex, Inc., Anritsu Company, National Instruments Corporation and Rohde & Schwarz GmbH & Co. KG.

Some of our competitors have substantially greater financial and other resources to pursue engineering, manufacturing, marketing and distribution of their products. In particular, our largest competitor in the Semiconductor Test segment spends considerably more than us on research and development which may provide it with a competitive advantage. We also face competition from emerging Asian equipment companies and from internal suppliers at several of our customers. Some of our competitors have introduced or announced new products with certain performance characteristics which may be considered equal or superior to those we currently offer. We expect our competitors to continue to improve the performance of their current products and to introduce new products or new technologies that provide improved cost of ownership and performance characteristics. See also “Item 1A: Risk Factors.”

## Backlog

At December 31, 2012 and 2011, our backlog of unfilled orders in our three reportable segments was as follows:

	<u>2012</u>	<u>2011</u>
	(in millions)	
Semiconductor Test . . . . .	\$204.2	\$274.8
Wireless Test . . . . .	29.8	4.4
Systems Test Group . . . . .	120.0	175.3
	<u>\$354.0</u>	<u>\$454.5</u>

Of the backlog at December 31, 2012, approximately 98% of the Semiconductor Test backlog, 85% of Systems Test Group backlog, and 48% of Wireless Test backlog, is expected to be delivered in 2013.

Customers may delay delivery of products or cancel orders suddenly and without significant notice, subject to possible cancellation penalties. Due to possible customer changes in delivery schedules and cancellation of orders, our backlog at any particular date is not necessarily indicative of the actual sales for any succeeding period. Delays in delivery schedules or cancellations of backlog during any particular period could have a material adverse effect on our business, financial condition or results of operations.

## Raw Materials

Our products contain electronic and mechanical components that are provided by a wide range of suppliers. Some of these components are standard products, while others are manufactured to our specifications. We can experience occasional delays in obtaining timely delivery of certain items. While the majority of our components are available from multiple suppliers, certain items are obtained from sole sources. We may experience a temporary adverse impact if any of our sole source suppliers delay or cease to deliver products.

## **Intellectual Property and Licenses**

The development of our products, both hardware and software, is based in significant part on proprietary information, our brands and technology. We protect our rights in proprietary information, brands and technology through various methods, such as:

- patents;
- copyrights;
- trademarks;
- trade secrets;
- standards of business conduct and related business practices; and
- technology license agreements, software license agreements, non-disclosure agreements, employment agreements, and other agreements.

However, these protections might not be effective in all circumstances. Competitors might independently develop similar technology or exploit our proprietary information and our brands in countries where we lack enforceable intellectual property rights or where enforcement of such rights through the legal system provides an insufficient deterrent. Also, intellectual property protections can lapse or be invalidated through appropriate legal processes. We do not believe that any single piece of intellectual property or proprietary rights is essential to our business.

## **Employees**

As of December 31, 2012, we employed approximately 3,600 people. Since the inception of our business, we have experienced no work stoppages or other labor disturbances. We have no collective bargaining contracts.

## **Engineering and Development Activities**

The highly technical nature of our products requires a large and continuing engineering and development effort. Engineering and development expenditures for the years ended December 31, 2012, 2011 and 2010 were \$251.4 million, \$197.8 million, and \$191.9 million, respectively. These expenditures accounted for approximately 15%, 14%, and 12% of our consolidated net revenues in 2012, 2011, and 2010, respectively.

## **Environmental Affairs**

We are subject to various federal, state, and local government laws and regulations relating to the protection of employee health and safety and the environment. We accrue for all known environmental liabilities when it becomes probable that we will incur cleanup costs and those costs can reasonably be estimated. Estimated environmental costs are not expected to materially affect the financial position or results of our operations in future periods. However, estimates of future costs are subject to change due to protracted cleanup periods and changing environmental remediation laws and regulations.



## OUR EXECUTIVE OFFICERS

Pursuant to General Instruction G(3) of Form 10-K, the following table is included in Part I of this Annual Report on Form 10-K in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders. The table sets forth the names of all of our executive officers and certain other information relating to their positions held with Teradyne and other business experience. Our executive officers do not have a specific term of office but rather serve at the discretion of the Board of Directors.

<u>Executive Officer</u>	<u>Age</u>	<u>Position</u>	<u>Business Experience For The Past 5 Years</u>
Michael A. Bradley . . . . .	64	Chief Executive Officer	Chief Executive Officer since 2004; President of Teradyne from 2003 to January 2013; President of Semiconductor Test from 2001 to 2003.
Gregory R. Beecher . . . . .	55	Vice President, Chief Financial Officer and Treasurer	Vice President and Chief Financial Officer of Teradyne since 2001; Treasurer of Teradyne from 2003 to 2005 and since 2006.
Charles J. Gray . . . . .	51	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary of Teradyne since April 2009; Vice President and General Counsel of Sonus Networks, Inc. from 2002 to 2008.
Mark E. Jagiela . . . . .	52	President and President of Semiconductor Test	President of Teradyne since January 2013; President of Semiconductor Test since 2003; Vice President of Teradyne since 2001.
Walter G. Vahey . . . . .	48	President of Systems Test Group	President of Systems Test Group since July 2012; Vice President of Teradyne since 2008; General Manager of Storage Test since 2008; General Manager of Mil/Aero from 2004 to July 2012.

### **Item 1A: Risk Factors**

#### **Risks Associated with Our Business**

The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

#### ***Our business is impacted by worldwide economic cycles, which are difficult to predict.***

Capital equipment providers in the electronics and semiconductor industries, such as Teradyne, have, in the past, been negatively impacted by sudden slowdowns in the global economies, and resulting reductions in customer capital investments. The duration and frequency of slowdowns in customer capital investments are difficult to predict.

The global economy and financial markets experienced disruption in 2009 and 2008, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. We are unable to predict the likely duration, frequency and severity of disruptions in financial markets, credit availability, and adverse economic conditions throughout the world. These economic developments affect businesses such as ours and those of our customers and vendors in a number of ways that could result in unfavorable consequences to us. Disruption or deterioration in economic conditions may reduce customer purchases of our products, thereby reducing our revenues and earnings. In addition, such adverse changes in economic conditions may, among other things, result in increased price competition for our products, increased risk of excess and obsolete inventories, increased risk

in the collectability of our accounts receivable, increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable, and higher operating costs as a percentage of revenues.

We have taken actions to address the effects of economic variability, including implementing cost control and reduction measures. If our business has another downturn, we may need to take further cost control and reduction measures.

***Our business is dependent on the current and anticipated market for electronics, which historically has been highly cyclical.***

Our business and results of operations depend in significant part upon capital expenditures of manufacturers of semiconductors and other electronics, which in turn depend upon the current and anticipated market demand for those products. As evidenced by our 2009 and 2008 business and results of operations, the market demand for electronics is impacted by economic slowdowns. Historically, the electronics and semiconductor industry has been highly cyclical with recurring periods of over-supply, which often have had a severe negative effect on demand for test equipment, including systems we manufacture and market. We believe that the markets for newer generations of electronic products such as those that we manufacture and market will also be subject to similar fluctuations. We are dependent on the timing of orders from our customers, and the deferral or cancellation of previous customer orders could have an adverse effect on our results of operations. We cannot ensure that the level of revenues or new orders for a fiscal quarter will be sustained in subsequent quarters. In addition, any factor adversely affecting the electronics industry or particular segments within the electronics industry may adversely affect our business, financial condition or operating results.

***We are subject to intense competition.***

We face significant competition throughout the world in each of our reportable segments. Some of our competitors have substantial financial and other resources to pursue engineering, manufacturing, marketing and distribution of their products. In particular, our largest competitor in the Semiconductor Test segment spends considerably more than us on research and development which may provide it with a competitive advantage. We also face competition from emerging Asian equipment companies and internal development at several of our customers. Some of our competitors have introduced or announced new products with certain performance characteristics which may be considered equal or superior to those we currently offer. We expect our competitors to continue to improve the performance of their current products and to introduce new products or new technologies that provide improved cost of ownership and performance characteristics. New product introductions by competitors could cause a decline in revenues or loss of market acceptance of our products.

***The market for our products is concentrated, and our business depends, in part, on obtaining orders from a few significant customers.***

The market for our products is concentrated with a limited number of significant customers accounting for a substantial portion of the purchases of test equipment. In each of the years 2012, 2011 and 2010, our three largest customers in aggregate accounted for 29%, 19% and 21% of consolidated net revenues, respectively. In any one reporting period, a single customer or several customers may contribute even a larger percentage of our consolidated net revenues. In addition, our ability to increase sales will depend, in part, on our ability to obtain orders from current or new significant customers. The opportunities to obtain orders from these customers may be limited, which may impair our ability to grow revenues. We expect that sales of our products will continue to be concentrated with a limited number of significant customers for the foreseeable future. The loss of a significant customer or any reduction in orders by these customers, including reductions due to market or competitive conditions, would likely have a material adverse effect on our business, financial condition or results of operations.

***Our operating results are likely to fluctuate significantly.***

Our operating results are affected by a wide variety of factors that could materially adversely affect revenues or profitability. The following factors are expected to impact future operations:

- a worldwide economic slowdown or disruption in the global financial markets;
- competitive pressures on selling prices;
- our ability to introduce, and the market acceptance of, new products;
- changes in product revenues mix resulting from changes in customer demand;
- the level of orders received which can be shipped in a quarter because of the tendency of customers to wait until late in a quarter to commit to purchase due to capital expenditure approvals and constraints occurring at the end of a quarter, or the hope of obtaining more favorable pricing from a competitor seeking the business;
- engineering and development investments relating to new product introductions, and the expansion of manufacturing, outsourcing and engineering operations in Asia;
- provisions for excess and obsolete inventory relating to the lack of demand for and the discontinuance of products;
- impairment charges for certain long-lived and intangible assets and goodwill;
- parallel or multi-site testing could lead to a decrease in the ultimate size of the market for our products; and
- the ability of our suppliers and subcontractors to meet product quality or delivery requirements needed to satisfy customer orders for our products, especially if product demand continues to increase.

As a result of the foregoing and other factors, we have experienced and may continue to experience material fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect our business, financial condition, operating results or stock price.

***We are subject to risks of operating internationally.***

A significant portion of our total revenues is derived from customers outside the United States. Our international sales and operations are subject to significant risks and difficulties, including:

- unexpected changes in legal and regulatory requirements affecting international markets;
- changes in tariffs and exchange rates;
- social, political and economic instability, acts of terrorism and international conflicts;
- difficulties in protecting intellectual property;
- difficulties in accounts receivable collection;
- cultural differences in the conduct of business;
- difficulties in staffing and managing international operations; and
- compliance with customs regulations.

In addition, an increasing portion of our products and the products we purchase from our suppliers are sourced or manufactured in foreign locations, including China, and a large portion of the devices our products test are fabricated and tested by foundries and subcontractors in Taiwan, Singapore, China and other parts of Asia. As a result, we are subject to a number of economic and other risks, particularly during times of political or financial instability in these regions. Disruption of manufacturing or supply sources in these international locations could materially adversely impact our ability to fill customer orders and potentially result in lost business.

***If we fail to develop new technologies to adapt to our customers' needs and if our customers fail to accept our new products, our revenues will be adversely affected.***

We believe that our technological position depends primarily on the technical competence and creative ability of our engineers. In a rapidly evolving market, such as ours, the development or acquisition of new technologies, commercialization of those technologies into products and market acceptance and customer demand for those products are critical to our success. Successful product development or acquisition, introduction and acceptance depend upon a number of factors, including:

- new product selection;
- ability to meet customer requirements;
- development of competitive products by competitors;
- timely and efficient completion of product design;
- timely and efficient implementation of manufacturing and manufacturing processes;
- timely remediation of product performance issues, if any, identified during testing;
- assembly processes and product performance at customer locations;
- differentiation of our products from our competitors' products;
- management of customer expectations concerning product capabilities and product life cycles;
- ability to attract and retain technical talent; and
- innovation that does not infringe on the intellectual property rights of third parties.

***If our suppliers do not meet product or delivery requirements, we could have reduced revenues and earnings.***

Certain components, including semiconductor chips, may be in short supply from time to time because of high industry demand or the inability of some vendors to consistently meet our quality or delivery requirements. Approximately 30% of material purchases require some custom work where having multiple suppliers would be cost prohibitive. If any of our suppliers were to cancel contracts or commitments or fail to meet the quality or delivery requirements needed to satisfy customer orders for our products, we could lose time-sensitive customer orders, have significantly decreased revenues and earnings and be subject to contractual penalties, which would have a material adverse effect on our business, results of operations and financial condition. In addition, we rely on contract manufacturers for certain subsystems used in our products, and our ability to meet customer orders for those products depends upon the timeliness and quality of the work performed by these subcontractors, over whom we do not exercise any control.

To a certain extent, we are dependent upon the ability of our suppliers and contractors to help meet increased product or delivery requirements. It may be difficult for certain suppliers to meet delivery requirements in a period of rapid growth, therefore impacting our ability to meet our customers' demands.

We rely on the financial strength of our suppliers. There can be no assurance that the loss of suppliers either as a result of financial viability, bankruptcy or otherwise will not have a material adverse effect on our business, results of operations or financial condition.

***Our operations may be adversely impacted if our outsourced contract manufacturers or service providers fail to perform.***

We depend on Flextronics International Ltd. ("Flextronics") to manufacture and test our FLEX and J750 family of products from its facility in China and on other contract manufacturers to manufacture other products. If for any reason these contract manufacturers cannot provide us with these products in a timely fashion, or at all, we may not be able to sell these products to our customers until we enter a similar arrangement with an alternative contract manufacturer. If we experience a problem with our supply of products from Flextronics or

our other contract manufacturers, it may take us significant time to either manufacture the product or find an alternate contract manufacturer, which could result in substantial expense and disruption to our business.

We have also outsourced a number of our general and administrative functions, including information technology, to reputable service providers, many of which are in foreign countries, sometimes impacting communication with them because of language and time differences. Their presence in foreign countries also increases the risk they could be exposed to political risk. Additionally, there may be difficulties encountered in coordinating the outsourced operations with existing functions and operations. If we fail in successfully coordinating and managing the outsourced service providers, it may cause an adverse effect on our operations which could have a material adverse effect on our business, results of operations or financial condition.

***We may not fully realize the benefits of our acquisitions or strategic alliances.***

We may acquire businesses, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing businesses. We may not be able to realize the expected synergies and cost savings from the integration with our existing operations of other businesses or technologies that we may acquire. In addition, the integration process for our acquisitions may be complex, costly and time consuming and include unanticipated issues, expenses and liabilities. We may have difficulty in developing, manufacturing and marketing the products of a newly acquired company in a manner that enhances the performance of our combined businesses or product lines and allows us to realize value from expected synergies. Following an acquisition, we may not achieve the revenues or net income levels that justify the acquisition. Acquisitions may also result in one-time charges (such as acquisition-related expenses, write-offs or restructuring charges) or in the future, impairment of goodwill, that adversely affect our operating results. Additionally, we may fund acquisitions of new businesses, strategic alliances or joint ventures by utilizing our cash, raising debt, issuing shares of our common stock, or by other means.

***We have increased our indebtedness.***

On April 6, 2009, we completed a registered underwritten offering of \$190.0 million aggregate principal amount of 4.50% Convertible Senior Notes (the “Notes”) due March 15, 2014 and received net proceeds of approximately \$163.0 million. We used approximately \$123.3 million of the net proceeds of this offering to repay all amounts outstanding under our revolving credit facility. Although we are no longer subject to the restrictive covenants under the revolving credit facility, we have incurred approximately \$190.0 million principal amount of new indebtedness that the holders of the Notes may require us to repurchase upon the occurrence of certain fundamental changes involving the Company or that the holders may elect to convert into shares of our common stock. In addition, on March 31, 2009, our wholly-owned subsidiary in Japan, Teradyne K.K., incurred approximately \$10.0 million in indebtedness that we guaranteed. The level of our indebtedness, among other things, could:

- make it difficult to make payments on our other obligations;
- make it difficult to obtain any necessary future financing for working capital, capital expenditures, debt service requirements or other purposes;
- require the dedication of a substantial portion of any cash flow from operations to service for indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures; and
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete.

***Our convertible note hedge and warrant transactions could impact the value of our stock.***

Concurrent with the offering of the Notes, we entered into a convertible note hedge transaction with Goldman, Sachs & Co. (the “hedge counterparty”) with a strike price equal to the initial conversion price of the

Notes. The convertible note hedges cover, subject to customary antidilution adjustments, approximately 34,703,196 shares of our common stock.

Separately and concurrent with the pricing of the Notes, we entered into a warrant transaction with the hedge counterparty with a strike price of \$7.67 per share, which was 75% higher than the closing price of our common stock on March 31, 2009. The warrants will be net share settled and cover, subject to customary antidilution adjustments, approximately 31,963,470 shares of our common stock. On April 1, 2009, the hedge counterparty exercised its option to purchase warrants covering, subject to customary antidilution adjustments, an additional 2,739,726 shares of our common stock. However, we will not be obligated to deliver to the hedge counterparty more than 34,526,500 shares of common stock upon exercise of the warrants (which amount represented less than 19.99% of our outstanding shares of common stock as of March 31, 2009, without giving effect to any shares of common stock issuable pursuant to the warrant transaction), subject to customary antidilution adjustments.

The convertible note hedges are expected to reduce the potential dilution to our common stock upon any conversion of the Notes. However, the warrant transaction could separately have a dilutive effect to the extent that the market value per share of our common stock exceeds the applicable strike price of the warrant. The net cost of the convertible note hedge transaction to us, after being partially offset by the proceeds from the sale of the warrants, was approximately \$21.7 million.

In connection with establishing its initial hedge of these convertible note hedge and warrant transactions, the hedge counterparty has entered into various derivative transactions with respect to our common stock and/or purchased shares of our common stock or other securities, including the Notes, concurrent with, or shortly after, the pricing of the Notes. In addition, the hedge counterparty may modify its hedge positions by entering into or unwinding various derivative transactions with respect to our common stock or by selling our common stock or other securities, including the Notes, in secondary market transactions (and may do so during any observation period related to the conversion of the Notes). These activities could adversely impact the value of our common stock and the Notes.

***We may incur significant liabilities if we fail to comply with environmental regulations.***

We are subject to both domestic and international environmental regulations and statutory strict liability relating to the use, storage, discharge, site cleanup and disposal of hazardous chemicals used in our manufacturing processes. If we fail to comply with present and future regulations, or are required to perform site remediation, we could be subject to future liabilities or cost, including penalties or the suspension of production. Present and future regulations may also:

- restrict our ability to expand facilities;
- restrict our ability to ship certain products;
- require us to modify our operations logistics;
- require us to acquire costly equipment; or
- require us to incur other significant costs and expenses.

Pursuant to present regulations and agreements, we are conducting groundwater and subsurface assessment and monitoring and are implementing remediation and corrective action plans for facilities located in Massachusetts and New Hampshire which are no longer conducting manufacturing operations. As of December 31, 2012, we have not incurred material costs as result of the monitoring and remediation steps taken at the Massachusetts and New Hampshire sites.

On January 27, 2003, the European Union adopted the following directives: (i) the directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (the “RoHS Directive”); and (ii) the directive on Waste Electrical and Electronic Equipment (the “WEEE Directive”). The

WEEE Directive became effective August 13, 2005 and the RoHS Directive became effective on July 6, 2006. Both the RoHS Directive and the WEEE Directive alter the form and manner in which electronic equipment is imported, sold and handled in the European Union. Other jurisdictions, such as China, have followed the European Union's lead in enacting legislation with respect to hazardous substances and waste removal. Ensuring compliance with the RoHS Directive, the WEEE Directive and similar legislation in other jurisdictions, and integrating compliance activities with our suppliers and customers could result in additional costs and disruption to operations and logistics and thus, could have a negative impact on our business, operations or financial condition.

***We currently are and in the future may be subject to litigation that could have an adverse effect on our business.***

From time to time, we may be subject to litigation or other administrative and governmental proceedings that could require significant management time and resources and cause us to incur expenses and, in the event of an adverse decision, pay damages in an amount that could have a material adverse effect on our financial position or results of operations.

***Third parties may claim we are infringing their intellectual property and we could suffer significant litigation costs, licensing expenses or be prevented from selling our products.***

We have been sued for patent infringement in the past and receive notifications from time to time that we may be in violation of patents held by others. An assertion of patent infringement against us, if successful, could have a material adverse effect on our ability to sell our products or it could force us to seek a license to the intellectual property rights of others or alter such products so that they no longer infringe the intellectual property rights of others. A license could be very expensive to obtain or may not be available at all. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. Additionally, patent litigation could require a significant use of management resources and involve a lengthy and expensive defense, even if we eventually prevail. If we do not prevail, we might be forced to pay significant damages, obtain licenses, modify our products, or stop making our products; each of which could have a material adverse effect on our financial condition or operating results.

***We may incur higher tax rates than we expect and may have exposure to additional international tax liabilities and costs.***

We are subject to paying income taxes in the United States and various other countries where we operate. Our effective tax rate is dependent on where our earnings are generated and the tax regulations and the interpretation and judgment of administrative tax or revenue entities in the United States and other countries. We have pursued a global tax strategy which could adversely be affected by our failure to expand operations or earnings in certain countries, the mix of earnings and tax rates in the countries where we operate, changes to tax laws or an adverse tax ruling by administrative entities. We are also subject to tax audits in the countries where we operate. Any material assessment resulting from an audit from an administrative tax or revenue entity could also negatively affect our financial results.

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, in both the United States and various foreign jurisdictions. In certain foreign jurisdictions, we qualify for tax incentives and tax holidays based on our ability to meet, on a continuing basis, various tests relating to our employment levels, research and development expenditures and other qualification requirements in a particular foreign jurisdiction. While we intend to operate in such a manner to maintain and maximize our tax incentives, no assurance can be given that we have so qualified or that we will so qualify for any particular year or jurisdiction. If we fail to qualify and to remain qualified for certain foreign tax incentives and tax holidays, we may be subject to further taxation or an increase in our effective tax rate which would adversely impact our financial results. In addition, we may incur additional costs, including headcount expenses, in order to obtain or maintain a foreign tax incentive in a particular foreign jurisdiction.

***We have significant guarantees, indemnification and customer confidentiality obligations.***

From time to time, we make guarantees to customers regarding the delivery and performance of our products and guarantee certain indebtedness, performance obligations or lease commitments of our subsidiary and affiliate companies. We also have agreed to provide indemnification to our officers, directors, employees and agents, to the extent permitted by law, arising from certain events or occurrences while the officer, director, employee or agent, is or was serving at our request in such capacity. Additionally, we have confidentiality obligations to certain customers. If we become liable under any of these obligations, it could materially and adversely affect our business, financial condition or operating results. For additional information see Note L: “Commitments and Contingencies—Guarantees and Indemnification Obligations” in Notes to Consolidated Financial Statements.

***If we are unable to protect our intellectual property (“IP”), we may lose a valuable asset or may incur costly litigation to protect our rights.***

We protect the technology that is incorporated in our products in several ways, including through patent, copyright, and trade secret protection and by contractual agreement. However, even with these protections, our IP may still be challenged, invalidated or subject to other infringement actions. While we believe that our IP has value in the aggregate, no single element of our IP is in itself essential. If a significant portion of our IP is invalidated or ineffective, our business could be materially adversely affected.

***Our business may suffer if we are unable to attract and retain key employees.***

Competition for employees with skills we require is intense in the high technology industry. Our success will depend on our ability to attract and retain key technical employees. The loss of one or more key or other employees, a decrease in our ability to attract additional qualified employees, or the delay in hiring key personnel could each have a material adverse effect on our business, results of operations or financial condition.

***New regulations related to conflict minerals may adversely affect us.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act imposes new disclosure requirements regarding the use of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries in our products, whether or not these products are manufactured by third parties. This new requirement could affect the pricing, sourcing and availability of minerals used in the manufacture of components we use in our products. In addition, there will be additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. Our supply chain is complex and we may be unable to verify the origins for all metals used in our products. As a result, we may be unable to certify that our products are conflict free.

***Our operations and the operations of our customers and suppliers are subject to risks of natural catastrophic events, widespread health epidemics, acts of war, terrorist attacks and the threat of domestic and international terrorist attacks, any one of which could result in cancellation of orders, delays in deliveries or other business activities, or loss of customers and could negatively affect our business and results of operations.***

Our business is international in nature, with our sales, service and administrative personnel and our customers and suppliers located in numerous countries throughout the world. Our operations and those of our customers and suppliers are subject to disruption for a variety of reasons, including work stoppages, acts of war, terrorism, health epidemics, fires, earthquakes, hurricanes, volcanic eruptions, energy shortages, telecommunication failures, tsunamis, flooding or other natural disasters. Such disruption could materially increase our costs and expenses as well as cause delays in, among other things, shipments of products to our customers, our ability to perform services requested by our customers, or the installation and acceptance of our products at customer sites. Any of these conditions could have a material adverse effect on our business, financial conditions or results of operations.



**Provisions of our charter and by-laws and Massachusetts law make a takeover of Teradyne more difficult.**

There are provisions in our basic corporate documents and under Massachusetts law that could discourage, delay or prevent a change in control, even if a change in control may be regarded as beneficial to some or all of our stockholders.

**Item 1B: Unresolved Staff Comments**

None.

**Item 2: Properties**

The following table provides information as to our principal facilities:

<u>Location</u>	<u>Operating Segment</u>	<u>Major Activity+</u>	<u>Approximate Square Feet of Floor Space</u>
Properties Owned:			
North Reading, Massachusetts . . . .	Semiconductor Test, Systems Test Group & Corporate	1-2-3-4-5-6	413,000
Agoura Hills, California . . . . .	Semiconductor Test	3-5	120,000
Kumamoto, Japan . . . . .	Semiconductor Test	2-3-4-5	79,000
			<u>612,000</u>
Properties Leased:			
Cebu, Philippines . . . . .	Semiconductor Test & Corporate	1-2-6	135,000
San Jose, California . . . . .	Semiconductor Test	2-3-4-5	128,000
Buffalo Grove, Illinois . . . . .	Semiconductor Test	2-3-4-5	95,000
Sunnyvale, California . . . . .	Wireless Test	2-3-4-5-6	75,000
North Reading, Massachusetts . . . .	Corporate	1	60,000
Shanghai, China . . . . .	Semiconductor Test & Systems Test Group	2-5-6	44,000
Hsinchu, Taiwan . . . . .	Semiconductor Test & Systems Test Group	5	43,000
Heredia, Costa Rica . . . . .	Semiconductor Test	2-6	42,000
			<u>622,000</u>

+ Major activities have been separated into the following categories: 1. Corporate Administration, 2. Sales Support and Manufacturing, 3. Engineering and Development, 4. Marketing, 5. Sales and Administration, 6. Storage and Distribution.

**Item 3: Legal Proceedings**

We are subject to legal proceedings, claims and investigations that arise in the ordinary course of business such as, but not limited to, patent, employment, commercial and environmental matters. We believe that we have meritorious defenses against all pending claims and intend to vigorously contest them. While it is not possible to predict or determine the outcomes of any pending claims or to provide possible ranges of losses that may arise, we believe the potential losses associated with all of these actions are unlikely to have a material adverse effect on our business, financial position or results of operations.

**Item 4: Mine Safety Disclosure: Not Applicable**

## PART II

### Item 5: *Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

The following table shows the market range for our common stock based on reported sales price on the New York Stock Exchange.

<u>Period</u>	<u>High</u>	<u>Low</u>
2011		
First Quarter . . . . .	\$19.19	\$13.38
Second Quarter . . . . .	18.68	13.51
Third Quarter . . . . .	15.30	10.76
Fourth Quarter . . . . .	15.05	10.37
2012		
First Quarter . . . . .	\$17.50	\$13.53
Second Quarter . . . . .	18.01	13.18
Third Quarter . . . . .	16.49	12.95
Fourth Quarter . . . . .	16.90	13.40

The number of record holders of our common stock at February 22, 2013 was 2,423

We have never paid cash dividends because it has been our policy to use earnings to finance expansion and growth. Payment of future cash dividends will rest within the discretion of our Board of Directors and will depend, among other things, upon our earnings, capital requirements and financial condition.

See “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations—Equity Compensation Plans,” for information on our equity compensation plans and our performance graph.

In November 2010, the Board cancelled the November 2007 stock repurchase program and authorized a new stock repurchase program for up to \$200 million. The cumulative repurchases as of December 31, 2012 totaled 2.6 million shares of common stock for \$31.2 million at an average price of \$11.84 per share.

The following table includes information with respect to repurchases we made of our common stock during the quarter ended December 31, 2012 (in thousands except per share price):

<u>Period</u>	<u>(a) Total Number of Shares (or Units) Purchased</u>	<u>(b) Average Price Paid per Share (or Unit)</u>	<u>(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2012 – October 28, 2012 . . . . .	—	\$—	—	\$168,825
October 29, 2012 – November 25, 2012 . . . . .	—	\$—	—	\$168,825
November 26, 2012 – December 31, 2012 . . . . .	—	\$—	—	\$168,825

We satisfy the U.S. minimum withholding tax obligation due upon the vesting and the conversion of restricted stock units into shares of our common stock, by automatically withholding from the shares being issued, a number of shares with an aggregate fair market value on the date of such vesting and conversion that would satisfy the withholding amount due.

**Item 6: Data**

Information in items 6, 7 and 8 for the years ended December 31, 2011, 2010, 2009 and 2008 has been revised, as applicable, for the retrospective application of our change in accounting policy for recognizing pension and postretirement benefit plans expense. See Note C: “Change in Accounting Principle” of the Notes to the Financial Statements for a discussion of the change.

	Years Ended December 31,				
	2012	2011	2010	2009	2008
(dollars in thousands, except per share amounts)					
Consolidated Statement of Operations					
Data (1)(2)(3)(4)(5)(6)(7):					
Net revenues	\$1,656,750	\$1,429,061	\$1,566,162	\$ 777,425	\$1,047,917
Income (loss) from continuing operations	217,049	343,957	379,692	(129,520)	(496,784)
Net income (loss)	\$ 217,049	\$ 369,873	\$ 384,820	\$ (127,994)	\$ (490,026)
Income (loss) from continuing operations per common share—basic	\$ 1.16	\$ 1.86	\$ 2.11	\$ (0.75)	\$ (2.91)
Income (loss) from continuing operations per common share—diluted	\$ 0.94	\$ 1.52	\$ 1.73	\$ (0.75)	\$ (2.91)
Net income (loss) per common share—basic	\$ 1.16	\$ 2.00	\$ 2.14	\$ (0.74)	\$ (2.87)
Net income (loss) per common share—diluted	\$ 0.94	\$ 1.63	\$ 1.75	\$ (0.74)	\$ (2.87)
Consolidated Balance Sheet Data:					
Total assets	\$2,429,345	\$2,188,639	\$1,810,355	\$1,235,337	\$1,241,655
Long-term debt obligations	171,059	159,956	150,182	141,100	—

- (1) As a result of the divestiture of Diagnostic Test Solutions in 2011, we are reporting this business unit as discontinued operations for all periods presented.
- (2) The Consolidated Statement of Operations Data for the year ended December 31, 2011 includes the results of operations of LitePoint from October 5, 2011, and for the year ended December 31, 2008 includes the results of operations of Nextest from January 24, 2008 and the results of operations of Eagle Test from November 15, 2008.
- (3) The Consolidated Statement of Operations Data for the year ended December 31, 2011 includes a tax benefit of \$129.5 million due primarily to the release of the deferred tax valuation allowance.
- (4) The Consolidated Statement of Operations Data for the year ended December 31, 2009 includes \$32.6 million of severance charges and \$3.7 million of facilities charges related to the early exit of leased facilities.
- (5) The Consolidated Statement of Operations Data for the year ended December 31, 2008 includes a \$329.7 million goodwill impairment charge.
- (6) The Consolidated Statement of Operations Data for the year ended December 31, 2008 includes \$27.3 million of restructuring charges, primarily related to severance, \$20.9 million of charges related to loss on sale of land and buildings and \$12.0 million of facility charges related to accelerated depreciation.

(7) The impact of the adjustments resulting from the retrospective application of the change in accounting policy for recognizing pension and postretirement benefits plans expense is summarized below:

	<u>Originally Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
	(in thousands, except per share amounts)		
Year ended December 31, 2011:			
Income from continuing operations	\$ 347,893	\$ (3,936)	\$ 343,957
Net income	\$ 373,809	\$ (3,936)	\$ 369,873
Net income per common share from continuing operations:			
Basic	\$ 1.88	\$ (0.02)	\$ 1.86
Diluted	\$ 1.53	\$ (0.01)	\$ 1.52
Net income per common share:			
Basic	\$ 2.02	\$ (0.02)	\$ 2.00
Diluted	\$ 1.65	\$ (0.02)	\$ 1.63
Year ended December 31, 2010:			
Income from continuing operations	\$ 374,602	\$ 5,090	\$ 379,692
Net income	\$ 379,730	\$ 5,090	\$ 384,820
Net income per common share from continuing operations:			
Basic	\$ 2.08	\$ 0.03	\$ 2.11
Diluted	\$ 1.71	\$ 0.02	\$ 1.73
Net income per common share:			
Basic	\$ 2.11	\$ 0.03	\$ 2.14
Diluted	\$ 1.73	\$ 0.02	\$ 1.75
Year ended December 31, 2009:			
Loss from continuing operations	\$(135,363)	\$ 5,843	\$(129,520)
Net loss	\$(133,837)	\$ 5,843	\$(127,994)
Net loss per common share from continuing operations:			
Basic	\$ (0.78)	\$ 0.03	\$ (0.75)
Diluted	\$ (0.78)	\$ 0.03	\$ (0.75)
Net loss per common share:			
Basic	\$ (0.77)	\$ 0.03	\$ (0.74)
Diluted	\$ (0.77)	\$ 0.03	\$ (0.74)
Year ended December 31, 2008:			
Loss from continuing operations	\$(400,985)	\$(95,799)	\$(496,784)
Net loss	\$(394,227)	\$(95,799)	\$(490,026)
Net loss per common share from continuing operations:			
Basic	\$ (2.35)	\$ (0.56)	\$ (2.91)
Diluted	\$ (2.35)	\$ (0.56)	\$ (2.91)
Net loss per common share:			
Basic	\$ (2.31)	\$ (0.56)	\$ (2.87)
Diluted	\$ (2.31)	\$ (0.56)	\$ (2.87)

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

Statements in this Annual Report on Form 10-K which are not historical facts, so called "forward looking statements," are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. Investors are cautioned that all forward looking statements involve risks and uncertainties, including those detailed in Teradyne's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's analysis only as of the date hereof. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements, except as may be required by law.

## Overview

We are a leading global supplier of automatic test equipment. We design, develop, manufacture and sell automatic test systems and solutions used to test semiconductors, wireless products, hard disk drives and circuit boards in the consumer electronics, wireless, automotive, industrial, computing, communications and aerospace and defense industries. Our automatic test equipment products and services include:

- semiconductor test (“Semiconductor Test”) systems;
- wireless test (“Wireless Test”) systems; and
- military/aerospace (“Mil/Aero”) test instrumentation and systems, storage test (“Storage Test”) systems, circuit-board test and inspection (“Commercial Board Test”) systems, collectively these products represent “Systems Test Group”.

We have a broad customer base which includes integrated device manufacturers (“IDMs”), outsourced semiconductor assembly and test providers (“OSATs”), wafer foundries, fabless companies that design, but contract with others for the manufacture of integrated circuits (“ICs”), developers of wireless devices and consumer electronics, manufacturers of circuit boards, automotive suppliers, wireless product manufacturers, storage device manufacturers, aerospace and military contractors.

In 2011, we acquired LitePoint Corporation (“LitePoint”) to expand our product portfolio of test equipment in the wireless test sector. LitePoint designs, develops, and supports advanced wireless test solutions for the development and manufacturing of wireless devices, including smart phones, tablets, notebooks/laptops, personal computer peripherals, and other Wi-Fi and cellular enabled devices. LitePoint is our Wireless Test segment.

The sales of our products and services are dependent, to a large degree, on customers who are subject to cyclical trends in the demand for their products. These cyclical periods have had, and will continue to have, a significant effect on our business since our customers often delay or accelerate purchases in reaction to changes in their businesses and to demand fluctuations in the semiconductor industry. Historically, these demand fluctuations have resulted in significant variations in our results of operations. This was particularly relevant beginning in the fourth quarter of fiscal year 2008 where we saw a significant decrease in revenues in our Semiconductor Test business which was impacted by the deteriorating global economy, which negatively impacted the entire semiconductor industry. The sharp swings in the semiconductor industry in recent years have generally affected the semiconductor test equipment and services industry more significantly than the overall capital equipment sector.

We believe our acquisitions of LitePoint, Eagle Test and Nextest, and our entry into the high speed memory and storage test markets have enhanced our opportunities for growth. We will continue to invest in our business to expand further our addressable markets while tightly managing our costs.

On March 21, 2011, we completed the sale of our Diagnostic Solutions business unit, which was included in the Systems Test Group segment, to SPX Corporation for \$40.2 million in cash. We sold this business as its growth potential as a stand-alone business was significantly less than if it was part of a larger automotive supplier. The financial information for Diagnostic Solutions has been reclassified to discontinued operations.

## Critical Accounting Policies and Estimates

We have identified the policies discussed below as critical to understanding our business and our results of operations and financial condition. The impact and any associated risks related to these policies on our business operations is discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

### ***Preparation of Financial Statements and Use of Estimates***

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent liabilities. On an on-going basis, management evaluates its estimates, including those related to inventories, investments, goodwill, intangible and other long-lived assets, bad debts, income taxes, deferred tax assets, pensions, warranties, contingencies, and litigation. Management bases its estimates on historical experience and on appropriate and customary assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

### ***Revenue Recognition***

We recognize revenues when there is persuasive evidence of an arrangement, title and risk of loss have passed, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to our customers upon shipment or at delivery destination point. In circumstances where either title or risk of loss pass upon destination, acceptance or cash payment, we defer revenue recognition until such events occur.

Our equipment has non-software and software components that function together to deliver the equipment's essential functionality. Revenue is recognized upon shipment or at delivery destination point, provided that customer acceptance criteria can be demonstrated prior to shipment. Certain contracts require us to perform tests of the product to ensure that performance meets the published product specifications or customer requested specifications, which are generally conducted prior to shipment. Where the criteria cannot be demonstrated prior to shipment, revenue is deferred until customer acceptance has been received. We also defer the portion of the sales price that is not due until acceptance, which represents deferred profit.

For multiple element arrangements, we allocate revenue to all deliverables based on their relative selling prices. In such circumstances, a hierarchy is used to determine the selling price for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of selling price ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("BESP"). For a delivered item to be considered a separate unit, the delivered item must have value to the customer on a standalone basis and the delivery or performance of the undelivered item must be considered probable and substantially in our control.

Our post-shipment obligations include installation, training services, one-year standard warranties, and extended warranties. Installation does not alter the product capabilities, does not require specialized skills or tools and can be performed by the customers or other vendors. Installation is typically provided within five days of product shipment and is completed within one to two days thereafter. Training services are optional and do not affect the customers' ability to use the product. We defer revenue for the selling price of installation and training. Extended warranties constitute warranty obligations beyond one year and we defer revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-20, "*Separately Priced Extended Warranty and Product Maintenance Contracts*" and ASC 605-25, "Revenue Recognition Multiple-Element Arrangements." Service revenue is recognized over the contractual period or as services are performed.

Our products are generally subject to warranty and the related costs of the warranty are provided for in cost of revenues when product revenue is recognized. We classify shipping and handling costs in cost of revenue.

We generally do not provide our customers with contractual rights of return for any of our products.

### ***Retirement and Postretirement Plans***

Effective January 1, 2012, we changed the method of recognizing actuarial gains and losses for our defined benefit pension plans and postretirement benefit plan and calculating the expected return on plan assets for our

defined benefit pension plans. Historically, we recognized net actuarial gains and losses in accumulated other comprehensive income within shareholders' equity on our consolidated balance sheets on an annual basis and amortized them into operating results over the average remaining years of service of the plan participants, to the extent such gains and losses were outside of a range ("corridor"). We elected to immediately recognize net actuarial gains and losses and the change in the fair value of the plan assets in our operating results in the year in which they occur or upon any interim remeasurement of the plans. In addition, we used to calculate the expected return on plan assets using a calculated market-related value of plan assets. Effective January 1, 2012, we elected to calculate the expected return on plan assets using the fair value of the plan assets.

We believe that this new method is preferable as it eliminates the delay in recognizing gains and losses in our operating results and it will improve the transparency by faster recognition of the effects of economic and interest rate trends on plan obligations and investments. These actuarial gains and losses are generally measured annually as of December 31 and, accordingly, will be recorded during the fourth quarter of each year or upon any interim remeasurement of the plans. In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 250, Accounting Changes and Error Corrections, all prior periods presented in this Annual Report on Form 10-K have been adjusted to apply the new accounting method retrospectively.

### ***Inventories***

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value. On a quarterly basis, we use consistent methodologies to evaluate all inventories for net realizable value. We record a provision for both excess and obsolete inventory when such write-downs or write-offs are identified through the quarterly review process. The inventory valuation is based upon assumptions about future demand, product mix, and possible alternative uses.

### ***Equity Incentive and Stock Purchase Plans***

Stock-based compensation expense is based on the grant-date fair value estimated in accordance with the provisions of ASC 718 "*Compensation—Stock Compensation*". As required by ASC 718, we have made an estimate of expected forfeitures and are recognizing compensation costs only for those stock-based compensation awards expected to vest.

### ***Income Taxes***

On a quarterly basis, we evaluate the realizability of our deferred tax assets by jurisdiction and assess the need for a valuation allowance. We consider the probability of future taxable income and our historical profitability, among other factors, in assessing the amount of the valuation allowance. As a result of this review, undertaken at December 31, 2002, we concluded under applicable accounting criteria that it was more likely than not that our deferred tax assets would not be realized and established a valuation allowance in several jurisdictions, most notably the United States. At December 31, 2011, we reassessed this judgment and concluded that it is more likely than not that a substantial majority of our deferred tax assets will be realized through consideration of both the positive and negative evidence. The evidence consisted primarily of our three year U.S. historical cumulative profitability, projected future taxable income, forecasted utilization of the deferred tax assets and the fourth quarter of 2011 acquisition of LitePoint offset by the volatility of the industries we operate in, primarily the semiconductor industry. As such, we reduced the valuation allowance by \$190.2 million, which was recorded as a tax benefit in the year ended December 31, 2011. At December 31, 2012 and 2011, we maintained a valuation allowance for certain deferred tax assets of \$55.4 million and \$51.1 million, respectively, primarily related to excess stock compensation deductions associated with pre-2006 activity, state net operating losses and state tax credit carryforwards, due to uncertainty regarding their realization. Adjustments could be required in the future if we estimate that the amount of deferred tax assets to be realized is more or less than the net amount we have recorded.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retrospectively reinstated the research and development tax credit for 2012 and extended it through December 31, 2013. As a result, in the first quarter of 2013, we expect to record a discrete benefit related to 2012 of approximately \$7.0 million.

### ***Investments***

We account for our investments in debt and equity securities in accordance with the provisions of ASC 320-10, “*Investments—Debt and Equity Securities*.” On a quarterly basis, we review our investments to identify and evaluate those that have an indication of a potential other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include:

- The length of time and the extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer; and
- The intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

### ***Goodwill, Intangible and Long-Lived Assets***

We assess the impairment of intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important in the determination of an impairment include significant underperformance relative to historical or projected future operating results, significant changes in the manner that we use the acquired asset and significant negative industry or economic trends. When we determine that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate commensurate with the associated risks. We assess goodwill for impairment at least annually in the fourth quarter, on a reporting unit basis, or more frequently, when events and circumstances occur indicating that the recorded goodwill may be impaired. If the book value of a reporting unit exceeds its fair value, the implied fair value of goodwill is compared with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recorded in an amount equal to that excess. No goodwill impairment was identified in 2012 or 2011.



**SELECTED RELATIONSHIPS WITHIN THE CONSOLIDATED  
STATEMENTS OF OPERATIONS**

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Percentage of net revenues:			
Net revenues:			
Products .....	83.5%	81.2%	85.0%
Services .....	16.5	18.8	15.0
Total net revenues .....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of revenues:			
Cost of products .....	38.8	40.5	37.7
Cost of services .....	<u>7.7</u>	<u>9.7</u>	<u>7.6</u>
Total cost of revenues .....	46.5	50.2	45.2
Gross profit .....	53.5	49.8	54.8
Operating expenses:			
Engineering and development .....	15.2	13.8	12.3
Selling and administrative .....	17.0	16.5	14.4
Acquired intangible assets amortization .....	4.4	2.8	1.9
Restructuring and other .....	<u>(0.5)</u>	<u>0.5</u>	<u>(0.2)</u>
Total operating expenses .....	36.1	33.6	28.3
Income from operations .....	17.3	16.2	26.5
Interest income .....	0.2	0.5	0.4
Interest expense and other .....	<u>(1.5)</u>	<u>(1.7)</u>	<u>(1.6)</u>
Income from continuing operations before income taxes .....	16.1	15.0	25.3
Provision (benefit) for income taxes .....	<u>3.0</u>	<u>(9.1)</u>	<u>1.1</u>
Income from continuing operations .....	13.1	24.1	24.2
Income from discontinued operations before income taxes .....	—	0.1	0.3
(Benefit) provision for income taxes .....	<u>—</u>	<u>0.0</u>	<u>0.0</u>
Income from discontinued operations .....	—	0.1	0.3
Gain on disposal of discontinued operations (net of tax) .....	<u>—</u>	<u>1.7</u>	<u>—</u>
Net income .....	<u>13.1%</u>	<u>25.9%</u>	<u>24.6%</u>

**Results of Operations**

***Book to Bill Ratio***

Book to bill ratio is calculated as net bookings divided by net sales. Book to bill ratio by reportable segment was as follows:

	<u>Three months ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Semiconductor Test .....	1.0	1.2	1.1
Wireless Test .....	1.1	0.7	—
Systems Test Group .....	1.6	1.9	1.0
Total Company .....	1.1	1.3	1.1

## Revenues

Net revenues for our three reportable segments were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Dollar</u> <u>Change</u>	<u>2010-2011</u> <u>Dollar</u> <u>Change</u>
			(in millions)		
Semiconductor Test . . . . .	\$1,127.7	\$1,106.2	\$1,413.3	\$ 21.5	\$(307.1)
Wireless Test . . . . .	286.4	28.4	—	258.0	28.4
Systems Test Group . . . . .	242.7	294.5	152.9	(51.8)	141.6
	<u>\$1,656.8</u>	<u>\$1,429.1</u>	<u>\$1,566.2</u>	<u>\$227.7</u>	<u>\$(137.1)</u>

The increase in Semiconductor Test revenues of \$21.5 million or approximately 2% from 2011 to 2012 was primarily due to an increase in system-on-a-chip (“SOC”) test products for mobility applications, partially offset by a decrease in memory system sales.

Semiconductor Test revenues decreased \$307.1 million or approximately 22% from 2010 to 2011, due to a decrease in SOC product sales. Semiconductor Test product demand can fluctuate significantly from year to year based upon semiconductor device unit growth and installed base utilization. The 2011 decrease was due to lower volume from reduced demand.

The decrease in Systems Test Group revenues of \$51.8 million or approximately 18% from 2011 to 2012 was primarily due to a decrease in sales due to lower volume in both Storage Test systems and Commercial Board Test systems, partially offset by an increase in Mil/Aero systems and instruments.

The increase in Systems Test Group revenues of \$141.6 million or approximately 93% from 2010 to 2011 was primarily due to an increase in sales of Storage Test systems, which was driven by new customers and new product applications.

The acquisition of LitePoint, which was completed in October of 2011, added \$286.4 million and \$28.4 million of revenues in 2012 and 2011, respectively. LitePoint is our Wireless Test segment.

Our three reportable segments accounted for the following percentages of consolidated net revenues for each of the last three years:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Semiconductor Test . . . . .	68%	77%	90%
Wireless Test . . . . .	17	2	—
Systems Test Group . . . . .	15	21	10
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Net revenues by region as a percentage of total revenues were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
China . . . . .	21%	13%	9%
Taiwan . . . . .	18	12	18
United States . . . . .	14	16	15
Korea . . . . .	14	10	8
Japan . . . . .	6	10	5
Philippines . . . . .	6	9	12
Europe . . . . .	5	7	6
Singapore . . . . .	5	6	9
Thailand . . . . .	5	6	4
Malaysia . . . . .	4	10	13
Rest of the World . . . . .	2	1	1
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The breakout of product and service revenues for the past three years was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012 Dollar Change</u>	<u>2010-2011 Dollar Change</u>
			(in millions)		
Product Revenues .....	\$1,383.6	\$1,160.2	\$1,331.0	\$223.4	\$(170.8)
Service Revenues .....	273.2	268.9	235.2	4.3	33.7
	<u>\$1,656.8</u>	<u>\$1,429.1</u>	<u>\$1,566.2</u>	<u>\$227.7</u>	<u>\$(137.1)</u>

Our product revenues increased \$223.4 million or 19% in 2012 from 2011 primarily due to \$282.4 million of product revenues from the addition of LitePoint, an increase in SOC Semiconductor Test products for mobility applications and an increase in Mil/Aero systems and instruments. The increase was partially offset by a decrease in sales in our memory test and Storage Test systems. Service revenues, which are derived from the servicing of our installed base of products and includes maintenance contracts, repairs, extended warranties, parts sales, and applications support, increased \$4.3 million or 2% due to higher volume.

Our product revenues decreased \$170.8 million or 13% in 2011 from 2010 primarily due to lower sales of SOC Semiconductor Test products. Semiconductor Test product sales demand can fluctuate significantly from year to year based upon semiconductor device unit growth and installed base utilization. The 2011 decrease was due to lower volume from reduced demand. The decrease was partially offset by an increase in sales of Storage Test systems, which was driven by new customers and new product applications. The LitePoint acquisition which was completed in October of 2011 added \$27.8 million of product revenue in 2011. Service revenues, which are derived from the servicing of our installed base of products and includes maintenance contracts, repairs, extended warranties, parts sales, and applications support, increased \$33.7 million or 14% due to higher volume.

In 2012, revenues from one customer accounted for 10% of our consolidated net revenues. In 2011 and 2010, no single customer accounted for 10% or more of our consolidated net revenues. In each of the years 2012, 2011 and 2010, our three largest customers in aggregate accounted for 29%, 19% and 21% of our consolidated net revenues, respectively.

### Gross Profit

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012 Dollar / Point Change</u>	<u>2010-2011 Dollar / Point Change</u>
			(dollars in millions)		
Gross Profit .....	\$886.0	\$711.8	\$857.6	\$174.2	\$(145.8)
Percent of Total Revenues .....	53.5%	49.8%	54.8%	3.7	(5.0)

Gross profit as a percentage of revenues increased from 2011 to 2012 by 3.7 percentage points. This increase was a result of an increase of 4.6 points primarily due to the addition of LitePoint, partially offset by a decrease of 1.2 points due to higher inventory provisions.

Gross profit as a percentage of revenues decreased from 2010 to 2011 by 5.0 percentage points. This decrease was the result of a decrease of 2.9 points related to product mix primarily from higher Storage Test system sales, a decrease of 0.9 points for a charge to adjust LitePoint acquired inventory to fair value, a decrease of 0.5 points due to lower volume, and a decrease of 0.3 points due to higher inventory provisions.

The breakout of product and service gross profit was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012 Dollar / Point Change</u>	<u>2010-2011 Dollar / Point Change</u>
	(dollars in millions)				
Product Gross Profit .....	\$740.7	\$581.2	\$741.1	\$159.5	\$(159.9)
Percent of Product Revenues .....	53.5%	50.1%	55.7%	3.4	(5.6)
Service Gross Profit .....	\$145.3	\$130.6	\$116.5	\$ 14.7	\$ 14.1
Percent of Service Revenues .....	53.2%	48.6%	49.5%	4.6	(0.9)

We assess the carrying value of our inventory on a quarterly basis by estimating future demand and comparing that demand against on-hand and on-order inventory positions. Forecasted revenue information is obtained from the sales and marketing groups and incorporates factors such as backlog and future revenue demand. This quarterly process identifies obsolete and excess inventory. Obsolete inventory, which represents items for which there is no demand, is fully reserved. Excess inventory, which represents inventory items that are not expected to be consumed during the next four quarters, is written-down to estimated net realizable value.

During the year ended December 31, 2012, we recorded an inventory provision of \$26.8 million included in cost of revenues, due to the following factors:

- A decline in demand compared to previously forecasted demand levels for prior generation Nextest Magnum testers resulted in an inventory provision of \$12.0 million in Semiconductor Test.
- A \$5.3 million inventory write-down as a result of product transition related to the Flex Test Platform in Semiconductor Test.
- A \$3.9 million inventory write-down as a result of product transition in Wireless Test.
- The remainder of the charge of \$5.6 million primarily reflects downward revisions to previously forecasted demand levels, of which \$4.3 million was in Systems Test Group, \$0.2 million in Wireless Test and \$1.1 million in Semiconductor Test.

During the year ended December 31, 2011, we recorded an inventory provision of \$11.6 million included in cost of revenues, due to the downward revisions to previously forecasted demand levels. Of the \$11.6 million of total excess and obsolete provisions recorded in 2011, \$10.4 million was related to Semiconductor Test primarily due to product transition, \$1.1 million was in Systems Test Group, and \$0.1 million was in Wireless Test.

During the year ended December 31, 2010, we recorded an inventory provision of \$6.0 million included in cost of revenues, due to the downward revisions to previously forecasted demand levels. Of the \$6.0 million of total excess and obsolete provisions recorded in 2010, \$4.5 million was related to Semiconductor Test and \$1.5 million was in Systems Test Group.

During the years ended December 31, 2012, 2011 and 2010, we scrapped \$9.6 million, \$9.2 million and \$4.7 million of inventory, respectively, and sold \$4.3 million, \$8.1 million and \$8.3 million of previously written-down or written-off inventory, respectively. As of December 31, 2012, we had inventory related reserves for amounts which had been written-down or written-off totaling \$141.8 million. We have no pre-determined timeline to scrap the remaining inventory.

## Engineering and Development

Engineering and development expenses were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012 Change</u>	<u>2010-2011 Change</u>
	(dollars in millions)				
Engineering and Development .....	\$251.4	\$197.8	\$191.9	\$53.6	\$5.9
Percent of Total Revenues .....	15.2%	13.8%	12.3%		

The increase of \$53.6 million in engineering and development expenses from 2011 to 2012 was due primarily to additional costs of \$37.1 million related to LitePoint and increased spending in Semiconductor Test.

The increase of \$5.9 million in engineering and development expenses from 2010 to 2011 was due primarily to additional costs of \$6.0 million related to LitePoint.

### Selling and Administrative

Selling and administrative expenses were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Change</u>	<u>2010-2011</u> <u>Change</u>
	(dollars in millions)				
Selling and Administrative .....	\$281.5	\$235.3	\$225.3	\$46.2	\$10.0
Percent of Total Revenues .....	17.0%	16.5%	14.4%		

The increase of \$46.2 million in selling and administrative expenses from 2011 to 2012 was due primarily to additional costs of \$49.7 million related to LitePoint.

The increase of \$10.0 million in selling and administrative expenses from 2010 to 2011 was due primarily to additional costs of \$9.7 million related to LitePoint.

### Acquired Intangible Assets Amortization

Acquired intangible assets amortization expense was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Change</u>	<u>2010-2011</u> <u>Change</u>
	(dollars in millions)				
Acquired Intangible Assets Amortization .....	\$73.5	\$40.5	\$29.3	\$33.0	\$11.2
Percent of Total Revenues .....	4.4%	2.8%	1.9%		

Acquired intangible assets amortization expense increased from 2011 to 2012 and from 2010 to 2011, due to the LitePoint acquisition.

### Restructuring and Other

#### Other

During the year ended December 31, 2012, due to a decrease in specified new product revenue through the December 31, 2012 earn-out period end date, we recorded an \$8.8 million fair value adjustment to decrease the LitePoint acquisition contingent consideration. The \$68.5 million decrease in the contingent consideration liability from December 31, 2011 is due to \$59.7 million in payments and the \$8.8 million fair value decrease.

During the year ended December 31, 2011, we recorded \$5.8 million of other charges of which \$4.6 million related to LitePoint acquisition costs and \$1.2 million related to non-U.S. pension settlements.

During the year ended December 31, 2010, we had \$3.0 million of gains related to non-U.S. pension settlements.

### Restructuring

In response to a downturn in the industry in 2008 and 2009, we initiated restructuring activities across our Semiconductor Test and Systems Test Group segments to reduce costs, principally through headcount reductions and facility consolidations. The remaining accrual for severance and benefits of \$0.2 million is reflected in the

accrued employees' compensation and withholdings on the balance sheet and is expected to be paid by June 2013. The remaining accrual for lease payments on vacated facilities of \$1.1 million is reflected in the other accrued liabilities and is expected to be paid over the next twelve months. As of December 31, 2012, we have subleased approximately 37% of our unoccupied space.

During the year ended December 31, 2012, we recorded the following restructuring activities:

Severance and Benefits:

- \$0.5 million of charges related to headcount reductions of 7 people in Systems Test Group.
- \$0.3 million of charges related to headcount reductions of 10 people in Semiconductor Test.
- \$0.2 million of charges related to headcount reductions of 2 people in Wireless Test.

During the year ended December 31, 2011, we recorded the following restructuring activities:

Severance and Benefits:

- \$1.2 million of charges related to headcount reductions of 7 people in Semiconductor Test.

Facilities and Exit Charges:

- \$(0.5) million credit related to changes in the estimated exit costs related to the Westford, MA and Poway, CA facilities in Systems Test Group, and the North Reading, Massachusetts facility in Semiconductor Test and Systems Test Group.

During the year ended December 31, 2010, we recorded the following restructuring activities:

Severance and Benefits:

- \$1.2 million of severance charges related to headcount reductions of approximately 17 people in Systems Test Group.
- \$0.9 million of severance charges related to headcount reductions of approximately 4 people in Semiconductor Test.

Facilities and Exit Charges:

- \$(2.7) million credit related to the early exit of previously impaired leased facilities in Westford, Massachusetts, in Systems Test Group.

**Interest and Other**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Change</u>	<u>2010-2011</u> <u>Change</u>
	(in millions)				
Interest Income . . . . .	\$ 4.1	\$ 6.6	\$ 5.9	\$(2.5)	\$0.7
Interest Expense and Other . . . . .	\$(25.5)	\$(23.7)	\$(24.5)	\$(1.8)	\$0.8

Interest income decreased by \$2.5 million, from \$6.6 million in 2011 to \$4.1 million in 2012, due to a decrease in marketable securities used to fund the LitePoint acquisition in 2011.

Interest income increased by \$0.7 million, from \$5.9 million in 2010 to \$6.6 million in 2011, due primarily to higher cash and marketable securities balances in 2011.

Interest expense and other increased by \$1.8 million, from \$23.7 million in 2011 to \$25.5 million in 2012, due primarily to higher interest expense from increased convertible debt discount amortization.

Interest expense and other decreased by \$0.8 million, from \$24.5 million in 2010 to \$23.7 million in 2011, due primarily to a loss on the exercise of the auction rate securities related UBS Put recorded in 2010, partially offset by higher convertible debt discount amortization in 2011.

### Income (Loss) from Continuing Operations before Income Taxes

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Change</u>	<u>2010-2011</u> <u>Change</u>
			(in millions)		
Semiconductor Test .....	\$186.0	\$212.2	\$415.0	\$ (26.2)	\$(202.8)
Wireless Test .....	83.1	(20.6)	—	103.7	(20.6)
Systems Test Group .....	34.2	51.8	(8.9)	(17.6)	60.7
Corporate .....	(37.3)	(29.0)	(9.8)	(8.3)	(19.2)
	<u>\$266.0</u>	<u>\$214.4</u>	<u>\$396.3</u>	<u>\$ 51.6</u>	<u>\$(181.9)</u>

The increase in income from continuing operations before income taxes from 2011 to 2012 was primarily due to higher revenue in 2012 compared to 2011, a \$14.5 million decrease in restructuring and other costs, partially offset by a \$33.0 million increase in intangible assets amortization.

The decrease in income from continuing operations before income taxes from 2010 to 2011 was primarily due to lower revenue in 2011 compared to 2010, an \$11.2 million increase in intangible assets amortization, a \$12.2 million charge to adjust LitePoint acquired inventory to fair value and a \$10.5 million increase in restructuring and other costs.

### Income Taxes

The income tax expense from continuing operations for 2012 totaled \$48.9 million, primarily attributable to a U.S. federal tax provision and foreign taxes. The income tax benefit from continuing operations for 2011 totaled \$129.5 million, primarily attributable to the reduction of our deferred income tax valuation allowance. We considered the weight of both the positive and negative evidence as of December 31, 2011 and concluded that a substantial majority of the deferred tax assets will be realized. The income tax expense from continuing operations of \$16.7 million for 2010 was related primarily to tax provisions for foreign taxes.

### Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2012:

	<u>Payments Due by Period</u>					<u>Other</u>
	<u>Total</u>	<u>Less than</u> <u>1 year</u>	<u>1-3</u> <u>years</u>	<u>3-5</u> <u>years</u>	<u>More than</u> <u>5 years</u>	
			(in thousands)			
Long-Term Debt Obligations (1) .....	\$193,491	\$ 2,328	\$191,163	\$ —	\$ —	\$ —
Interest on Debt .....	12,897	8,590	4,307	—	—	—
Contingent Consideration .....	388	388	—	—	—	—
Operating Lease Obligations .....	54,915	14,174	21,794	11,510	7,437	—
Purchase Obligations .....	209,962	206,952	3,010	—	—	—
Retirement Plan Contributions .....	54,627	5,169	10,499	10,678	28,281	—
Other Long-Term Liabilities Reflected on the Balance Sheet under GAAP (2) .....	87,730	—	16,227	—	—	71,503
Total .....	<u>\$614,010</u>	<u>\$237,601</u>	<u>\$247,000</u>	<u>\$22,188</u>	<u>\$35,718</u>	<u>\$71,503</u>

- (1) Long-Term Debt Obligations include current maturities.
- (2) Included in Other Long-Term Liabilities are liabilities for customer advances, extended warranty, uncertain tax positions and other obligations. For certain long-term obligations, we are unable to provide a reasonably reliable estimate of the timing of future payments relating to these obligations and therefore we included these amounts in the column marked "Other".

### Liquidity and Capital Resources

Our cash, cash equivalents and marketable securities balance increased \$251.7 million from 2011 to 2012, to \$1.0 billion. Cash activity for 2012, 2011 and 2010 was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011-2012</u> <u>Change</u>	<u>2010-2011</u> <u>Change</u>
	(in millions)				
Cash provided by operating activities:					
Income from continuing operations, adjusted for non cash items	\$ 444.9	\$ 372.6	\$ 508.6	\$ 72.3	\$(136.0)
Change in operating assets and liabilities, net of businesses sold and acquired	(40.4)	(94.0)	52.7	53.6	(146.7)
Cash (used for) provided by discontinued operations	—	(4.8)	5.0	4.8	(9.8)
Total cash provided by operating activities	<u>\$ 404.5</u>	<u>\$ 273.8</u>	<u>\$ 566.3</u>	<u>\$ 130.7</u>	<u>\$(292.5)</u>
Cash used for investing activities from continuing operations					
Cash provided by investing activities from discontinued operations	—	39.0	—	(39.0)	39.0
Total cash used for investing activities	<u>\$(603.9)</u>	<u>\$ (81.5)</u>	<u>\$(627.7)</u>	<u>\$(522.4)</u>	<u>\$ 546.2</u>
Total cash (used for) provided by financing activities	<u>\$ (35.4)</u>	<u>\$ (16.3)</u>	<u>\$ 42.4</u>	<u>\$ (19.1)</u>	<u>\$ (58.7)</u>
Total (decrease) increase of cash and cash equivalents	<u>\$(234.8)</u>	<u>\$ 176.0</u>	<u>\$ (19.0)</u>	<u>\$(410.8)</u>	<u>\$ 195.0</u>

In 2012, changes in operating assets and liabilities, net of businesses sold and acquired, used cash of \$40.4 million. This was due to an \$8.0 million increase in operating assets and a \$32.4 million decrease in operating liabilities.

The increase in operating assets was due to a \$24.1 million increase in accounts receivable and a \$1.5 million increase in prepayments due primarily to supplier prepayments, partially offset by a \$17.6 million decrease in inventories.

The decrease in operating liabilities was due to a \$15.7 million decrease in accrued employee compensation due primarily to employee stock awards payroll taxes and variable compensation payments, a \$14.6 million decrease in customer advance payments and deferred revenue, a \$11.5 million decrease in accounts payable due to lower fourth quarter sales volume, a \$5.6 million decrease in other accrued liabilities, and \$4.8 million of retirement plans contributions, partially offset by a \$19.8 million increase in accrued income taxes.

Investing activities during 2012 used cash of \$603.9 million, due to \$751.1 million used for purchases of marketable securities and \$119.1 million used for purchases of property, plant and equipment, partially offset by proceeds from sales and maturities of marketable securities that provided cash of \$95.2 million and \$171.1 million, respectively.

Financing activities during 2012 used cash of \$35.4 million, \$18.5 million was from the issuance of common stock under stock option and stock purchase plans, and \$8.4 million from the tax benefit related to stock



options and restricted stock units, partially offset by \$59.7 million of cash used for payments related to LitePoint acquisition contingent consideration and \$2.5 million of cash used for payments on long-term debt related to the Japan loan.

In 2011, changes in operating assets and liabilities, net of businesses sold and acquired, used cash of \$94.0 million. This was due to a \$43.2 million decrease in operating assets and a \$137.2 million decrease in operating liabilities.

The decrease in operating assets was due to a \$66.4 million decrease in accounts receivable resulting from increased collections, partially offset by a \$22.6 million increase in prepayments due primarily to supplier prepayments and a \$0.6 million increase in inventories. The decrease in operating liabilities was due to a \$62.6 million decrease in customer advance payments due to shipments of systems prepaid by customers, a \$28.3 million decrease in accrued employee compensation due primarily to employee stock awards payroll taxes and variable compensation payments, a \$19.9 million decrease in accounts payable due to decreased sales volume, \$11.9 million of retirement plans contributions, an \$8.7 million decrease in accrued income taxes, and a \$5.8 million decrease in deferred revenue.

Investing activities during 2011 used cash of \$120.5 million. In October 2011, we completed the acquisition of LitePoint for an initial cash purchase price, net of cash acquired, of \$537.5 million. Capital expenditures were \$86.1 million. Proceeds from sales and maturities of marketable securities that provided cash of \$676.4 million and \$518.5 million, respectively, partially offset by \$691.8 million used for purchase of marketable securities. The net proceeds were used to acquire LitePoint.

Financing activities during 2011 used cash of \$16.3 million, due to the repurchase of 2.6 million shares of common stock for \$31.2 million at an average price of \$11.84 per share and \$2.5 million for payments on long-term debt related to the Japan loan, partially offset by \$17.4 million from the issuance of common stock under stock option and stock purchase plans.

In 2010, changes in operating assets and liabilities, net of businesses sold and acquired, provided cash of \$52.7 million. This was due to a \$38.2 million increase in operating assets and a \$90.9 million increase in operating liabilities.

The increase in operating assets was due to an increase in accounts receivable of \$50.4 million due to higher sales volume, partially offset by a \$3.7 million decrease in inventories, and a decrease in other current assets of \$8.5 million. The increase in operating liabilities was due to a \$57.7 million increase in customer advance payments due primarily to an advanced payment received from one of our Semiconductor Test customers, a \$44.5 million increase in accrued employee compensation due to higher variable compensation and employee stock awards payroll taxes, a \$15.0 million increase in accounts payable, a \$15.0 million increase in deferred revenue, an \$8.5 million increase in accrued income taxes, and a \$2.7 million increase in other accrued liabilities, partially offset by \$52.5 million of retirement plans contributions.

Investing activities during 2010 used cash of \$627.7 million, due to \$870.8 million used for purchases of marketable securities and \$76.0 million used for purchases of property, plant and equipment, partially offset by proceeds from sales and maturities of marketable securities that provided cash of \$181.2 million and \$136.8 million, respectively, and proceeds from life insurance that provided cash of \$1.1 million.

Financing activities during 2010 provided cash of \$42.4 million due to \$44.7 million from the issuance of common stock under stock option and stock purchase plans which was partially offset by \$2.3 million of cash used for payments on long-term debt related to the Japan loan.

On April 6, 2009, we completed a registered public offering of \$190.0 million aggregate principal amount convertible senior notes ("Notes") and settled the related convertible bond hedge and warrant transaction and received approximately \$163.0 million as a result of these financing transactions. The Notes bear interest at a rate

of 4.50% per annum, payable semi-annually in arrears on March 15 and September 15 of each year. The first interest payment was on September 15, 2009. The Notes will mature on March 15, 2014, unless earlier repurchased by us or converted. The Notes may be converted, under certain circumstances and during certain periods, at an initial conversion rate of approximately 182.65 shares of our common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$5.48. The convertible note hedge and warrant transaction will generally have the effect of increasing the conversion price of the Notes to approximately \$7.67 per share of our common stock, representing a 75% conversion premium based upon the closing price of our common stock on March 31, 2009. We may not redeem the Notes prior to their maturity. Holders of the Notes may require us to purchase in cash all or a portion of their Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, upon the occurrence of certain fundamental changes involving the Company.

We believe our cash, cash equivalents and marketable securities balance will be sufficient to meet working capital and expenditure needs for at least the next twelve months. The amount of cash, cash equivalents and marketable securities in the U.S. and our operations in the U.S. provide sufficient liquidity to fund our business activities in the U.S. We have approximately \$300 million of cash outside the U.S. that if repatriated would incur additional taxes. Inflation has not had a significant long-term impact on earnings.

### **Retirement Plans**

ASC 715-20, "*Compensation – Retirement Benefits – Defined Benefit Plans*" requires an employer with defined benefit plans or other postretirement benefit plans to recognize an asset or a liability on its balance sheet for the overfunded or underfunded status of the plans as defined by ASC 715-20. The pension asset or liability represents the difference between the fair value of the pension plan's assets and the projected benefit obligation as of December 31. For other postretirement benefit plans, the liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation as of December 31.

Our pension expense, which includes the U.S. Qualified Pension Plan ("U.S. Plan"), certain qualified plans for non-U.S. subsidiaries, and a U.S. Supplemental Executive Defined Benefit Plan, was approximately \$26.0 million for the year ended December 31, 2012. The largest portion of our 2012 pension expense was \$9.0 million for our U.S. Plan. Pension expense is calculated based upon a number of actuarial assumptions, a significant input to the actuarial models that measure pension benefit obligations. Discount rate and expected return on assets are two assumptions which are important elements of pension plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country specific basis. We evaluate other assumptions related to demographic factors, such as retirement age, mortality and turnover periodically, and update them to reflect our experience and expectations for the future.

In developing the expected return on U.S. Plan assets assumption, we evaluated input from our investment managers and pension consultants, including their review of asset class return expectations. Based on this review, we believe that 5.0% was an appropriate rate to use for 2012. We will continue to evaluate the expected return on plan assets at least annually, and will adjust the rate as necessary. The December 31, 2012 asset allocation for our U.S. Plan is 86% invested in fixed income securities, 13% invested in equity securities, and 1% invested in other securities. Our investment managers regularly review the actual asset allocation and periodically rebalance the portfolio to ensure alignment with our targeted allocations.

Effective January 1, 2012, we have elected to immediately recognize net actuarial gains and losses and the change in the fair value of plans assets in our operating results in the year in which they occur or upon any interim remeasurement of the plans. In addition, we used to calculate the expected return on plan assets using a calculated market-related value of plan assets. Effective January 1, 2012, we elected to calculate the expected return on plan assets using the fair value of the plan assets.

The discount rate that we utilized for determining future pension obligations for the U.S. Plan is based on the Citigroup Pension Index adjusted for the U.S. Plan's expected cash flows and was 3.6% at December 31,

2012, down from 4.2% at December 31, 2011. We estimate that in 2013 we will recognize approximately \$2.1 million of pension income for the U.S. Plan. The U.S. Plan related pension income estimate for 2013 is based on a 3.6% discount rate and 5.0% return on assets. Future pension expense or income will depend on future investment performance, changes in future discount rates and various other factors related to the employee population participating in our pension plans.

As of December 31, 2012, we had an unrecognized pension prior service cost of \$0.7 million.

We performed a sensitivity analysis, which expresses the potential U.S. Plan (income) expense for the year ending December 31, 2013, which would result from changes to either the discount rate or the expected return on plan assets. The below estimates exclude the impact of any potential actuarial gains or losses. It is difficult to reliably forecast or predict whether there will be any actuarial gains or losses in 2013 as they are primarily driven by events and circumstances beyond our control, such as changes in interest rates and the performance of the financial markets.

<u>Return on Plan Assets</u>	<u>Discount Rate</u>		
	<u>3.1%</u>	<u>3.6%</u>	<u>4.1%</u>
	<u>(in millions)</u>		
4.5% .....	\$(1.5)	\$(0.7)	\$(0.1)
5.0% .....	(2.9)	(2.1)	(1.4)
5.5% .....	(4.2)	(3.5)	(2.8)

The assets of the U.S. Plan consist primarily of fixed income and equity securities. U.S. Plan assets have decreased from \$319.1 million at December 31, 2011 to \$278.9 million at December 31, 2012. The decrease was due primarily to \$52.0 million of payments made to certain former U.S. employees which were offered an option to receive their vested pension benefit as a one-time, lump sum payment. Approximately 2,000 former employees elected to receive a one-time, lump sum payment.

Our funding policy is to make contributions to our pension plans in accordance with local laws and to the extent that such contributions are tax deductible. During 2012, we made contributions of \$1.7 million to the U.S. supplemental executive defined benefit pension plan and \$1.6 million to certain qualified plans for non-U.S. subsidiaries. We expect to contribute approximately \$1.8 million to the U.S. supplemental executive defined benefit pension plan in 2013. Contributions that will be made in 2013 to certain qualified plans for non-U.S. subsidiaries are based on local statutory requirements and will be approximately \$2.0 million. We do not expect to make any contributions to the U.S. Plan in 2013.

### **Equity Compensation Plans**

In addition to our 1996 Employee Stock Purchase Plan discussed in Note P: “Stock Based Compensation” in Notes to Consolidated Financial Statements, we have a 2006 Equity and Cash Compensation Incentive Plan (the “2006 Equity Plan”) under which equity securities are authorized for issuance. The 2006 Equity Plan was initially approved by stockholders on May 25, 2006.

At our annual meeting of stockholders held May 28, 2009, our stockholders approved an amendment to the 2006 Equity Plan to increase the number of shares issuable thereunder by 10.0 million, for an aggregate of 22.0 million shares issuable thereunder, and our stockholders also approved an amendment to our 1996 Employee Stock Purchase Plan to increase the number of shares issuable thereunder by 5.0 million, for an aggregate of 25.4 million shares issuable thereunder.

The following table presents information about these plans as of December 31, 2012 (share numbers in thousands):

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column one)</u>
Equity plans approved by shareholders . . .	5,878(1)	\$9.77	9,246(2)
Equity plans not approved by shareholders (3,4,5) . . . . .	2,933	\$3.06	—
Total . . . . .	<u>8,811</u>	\$4.64	<u>9,246</u>

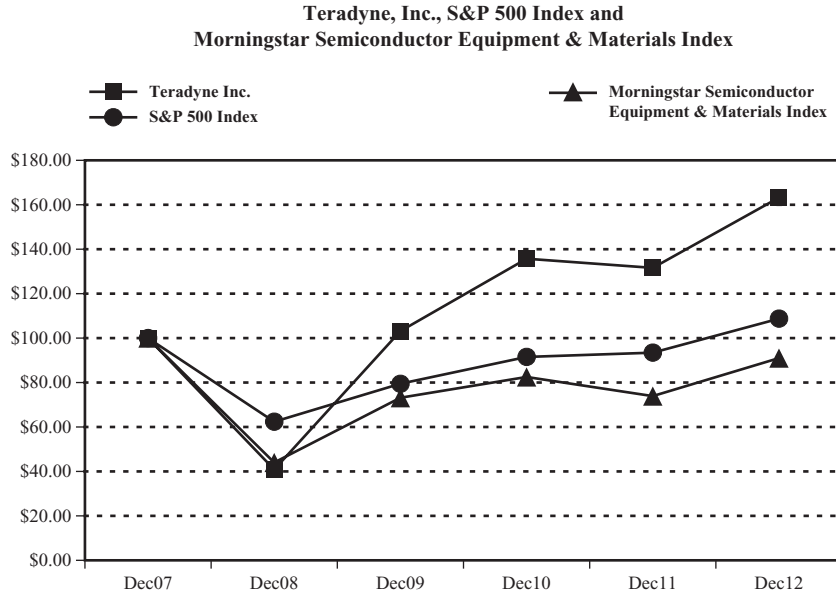
- (1) Includes 4,970,308 shares of restricted stock units that are not included in the calculation of the weighted average exercise price.
- (2) Consists of 6,413,195 securities available for issuance under the 2006 Equity Plan and 2,832,538 of securities available for issuance under the Employee Stock Purchase Plan.
- (3) In connection with the acquisition of Nextest (the “Nextest Acquisition”), we assumed the options and restricted stock units granted under the Nextest Systems Corporation 1998 Equity Incentive Plan, as amended, and the Nextest Systems Corporation 2006 Equity Incentive Plan (collectively, the “Nextest Plans”). Upon the consummation of the Nextest Acquisition, these options and restricted stock units were converted automatically into, respectively, options to purchase and restricted stock units representing, an aggregate of 4,417,594 shares of our common stock. No additional awards will be granted under the Nextest Plans. As of December 31, 2012, there were outstanding options exercisable for an aggregate of 768,382 shares of our common stock pursuant to the Nextest Plans, with a weighted average exercise price of \$3.57 per share.
- (4) In connection with the acquisition of Eagle Test (the “Eagle Acquisition”), we assumed the options granted under the Eagle Test Systems, Inc. 2003 Stock Option and Grant Plan and the Eagle Test Systems, Inc. 2006 Stock Option and Incentive Plan (collectively, the “Eagle Plans”). Upon the consummation of the Eagle Acquisition, these options were converted automatically into options to purchase an aggregate of 3,594,916 shares of our common stock. No additional awards will be granted under the Eagle Plans. As of December 31, 2012, there were outstanding options exercisable for an aggregate of 236,839 shares of our common stock pursuant to the Eagle Plans, with a weighted average exercise price of \$3.85 per share.
- (5) In connection with the acquisition of LitePoint Corporation (the “LitePoint Acquisition”), we assumed the options granted under the LitePoint Corporation 2002 Stock Plan (the “LitePoint Plan”). Upon the consummation of the LitePoint Acquisition, these options were converted automatically into options to purchase an aggregate of 2,828,344 shares of our common stock. No additional awards will be granted under the LitePoint Plan. As of December 31, 2012, there were outstanding options exercisable for an aggregate of 1,927,222 shares of our common stock pursuant to the LitePoint Plan, with a weighted average exercise price of \$2.75 per share.

The purpose of the 2006 Equity Plan is to motivate employees, officers, directors, consultants and advisors by providing equity ownership and compensation opportunities in Teradyne. The aggregate number of shares available under the 2006 Equity Plan as of December 31, 2012 was 6,413,195 shares of our common stock. The 2006 Equity Plan authorizes the grant of stock-based awards in the form of (1) non-qualified and incentive stock options, (2) stock appreciation rights, (3) restricted stock awards and restricted stock unit awards, (4) phantom stock, and (5) other stock-based awards. Awards may be tied to time-based vesting schedules and/or performance-based vesting measured by reference to performance criteria chosen by the Compensation Committee of the Board of Directors, which administers the 2006 Equity Plan. Awards may be made to any employee, officer, consultant and advisor of Teradyne and our subsidiaries, as well as, to our directors. The maximum number of shares of stock-based awards that may be granted to one participant during any one fiscal year is 2,000,000 shares of common stock. The 2006 Equity Plan will expire on May 24, 2016.

As of December 31, 2012, total unrecognized compensation expense related to non-vested awards and options was \$52.1 million, and is expected to be recognized over a weighted average period of 2.0 years.

**Performance Graph**

The following graph compares the change in our cumulative total shareholder return in our common stock with (i) the Standard & Poor’s 500 Index and (ii) the Morningstar Semiconductor Equipment & Materials Index. The comparison assumes \$100.00 was invested on December 31, 2007 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.



	<b>Annual Rate of Return</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Teradyne, Inc. . . . .	-59%	154%	31%	-3%	24%
Morningstar Semiconductor Equipment & Materials Index . .	-56%	68%	12%	-11%	24%
S&P 500 Index . . . . .	-37%	26%	15%	2%	16%

- (1) This graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any other filing under the Securities Act or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.
- (2) The stock price performance shown on the graph is not necessarily indicative of future price performance. Information used on the graph was obtained from Zacks Investment Research, Inc., a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

**Recently Issued Accounting Pronouncements**

In December 2011, the FASB issued ASU No. 2011-11, “Disclosures about Offsetting Assets and Liabilities.” This ASU is intended to enhance the understanding of the effects of netting arrangements on an entity’s financial statements, including financial instruments and derivative instruments that are either offset or subject to a master netting arrangement. The scope of this ASU includes derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending arrangements. In

January 2013, the FASB issued ASU No. 2013-01 “*Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.*” This standard provided additional guidance on the scope of ASU 2011-11. The provisions of this ASU are effective for interim and annual periods beginning on or after January 1, 2013.

In February 2013, the FASB issued ASU No. 2013-02, “*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.*” Under this ASU, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The provisions of this ASU are effective for interim and annual periods beginning on or after January 1, 2013.

#### **Item 7A: *Quantitative and Qualitative Disclosures about Market Risks***

##### **Concentration of Credit Risk**

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash equivalents, marketable securities, forward currency contracts and accounts receivable. Our cash equivalents consist primarily of money market funds invested in U.S. Treasuries and government agencies. Our fixed income available-for-sale marketable securities have a minimum rating of AA by one or more of the major credit rating agencies. We place forward currency contracts with high credit-quality financial institutions in order to minimize credit risk exposure. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of geographically dispersed customers. We perform ongoing credit evaluations of our customers’ financial condition and from time to time may require customers to provide a letter of credit from a bank to secure accounts receivable.

##### **Exchange Rate Risk Management**

We regularly enter into foreign currency forward contracts to hedge the value of our net monetary assets in Euro, British Pound, Japanese Yen and the Taiwan Dollar. These foreign currency forward contracts have maturities of approximately one month. These contracts are used to reduce our risk associated with exchange rate movements, as gains and losses on these contracts are intended to offset exchange losses and gains on underlying exposures. We do not engage in currency speculation.

We performed a sensitivity analysis assuming a hypothetical 10% fluctuation in foreign exchange rates to the hedging contracts and the underlying exposures described above. As of December 31, 2012, 2011 and 2010, the analysis indicated that these hypothetical market movements would not have a material effect on our consolidated financial position, results of operations or cash flows.

##### **Interest Rate Risk Management**

We are exposed to potential losses due to changes in interest rates. Our interest rate exposure is primarily in the United States in short-term and long-term marketable securities.

In order to estimate the potential loss due to interest rate risk, a fluctuation in interest rates of 25 basis points was assumed. Market risk for the short and long-term marketable securities was estimated as the potential change in the fair value resulting from a hypothetical change in interest rates for securities contained in the investment portfolio. The potential change in fair value from changes in interest rates is immaterial as of December 31, 2012 and 2011.

**Item 8: Financial Statements and Supplementary Data**  
**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Teradyne, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Teradyne, Inc. and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note C to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement benefit plans in 2012.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
March 1, 2013

**TERADYNE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2012 and 2011**

	2012	2011
	(in thousands, except per share information)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 338,920	\$ 573,736
Marketable securities .....	431,516	96,502
Accounts receivable, less allowance for doubtful accounts of \$4,118 and \$4,102 in 2012 and 2011, respectively .....	153,423	129,330
Inventories:		
Parts .....	89,598	102,307
Assemblies in process .....	32,303	24,283
Finished goods .....	17,509	33,473
	139,410	160,063
Deferred tax assets .....	77,305	53,948
Prepayments and other current assets .....	95,487	86,308
Total current assets .....	1,236,061	1,099,887
Net property, plant and equipment .....	265,782	232,207
Marketable securities .....	235,872	84,407
Other assets .....	20,209	17,545
Retirement plans assets .....	3,282	8,840
Intangible assets, net .....	318,867	392,975
Goodwill .....	349,272	352,778
Total assets .....	\$2,429,345	\$2,188,639
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable .....	58,324	69,842
Accrued employees' compensation and withholdings .....	86,264	90,427
Deferred revenue and customer advances .....	81,357	78,670
Contingent consideration .....	388	68,892
Other accrued liabilities .....	56,861	62,420
Accrued income taxes .....	12,306	860
Current debt .....	2,328	2,573
Total current liabilities .....	297,828	373,684
Long-term deferred revenue and customer advances .....	16,227	33,541
Retirement plans liabilities .....	94,373	76,638
Deferred tax liabilities .....	50,201	16,049
Long-term other accrued liabilities .....	21,302	23,711
Long-term debt .....	171,059	159,956
Total liabilities .....	650,990	683,579
Commitments and contingencies (Note L)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$0.125 par value, 1,000,000 shares authorized, 187,908 and 183,587 shares issued and outstanding at December 31, 2012 and 2011, respectively .....	23,488	22,948
Additional paid-in capital .....	1,347,762	1,293,130
Accumulated other comprehensive income .....	5,820	4,746
Retained earnings .....	401,285	184,236
Total shareholders' equity .....	1,778,355	1,505,060
Total liabilities and shareholders' equity .....	\$2,429,345	\$2,188,639

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



**TERADYNE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended December 31,		
	2012	2011	2010
	(in thousands, except per share amounts)		
Net revenues:			
Products .....	\$1,383,569	\$1,160,191	\$1,330,942
Services .....	273,181	268,870	235,220
Total net revenues .....	1,656,750	1,429,061	1,566,162
Cost of revenues:			
Cost of products .....	642,881	578,936	589,891
Cost of services .....	127,832	138,302	118,688
Total cost of revenues .....	770,713	717,238	708,579
Gross profit .....	886,037	711,823	857,583
Operating expenses:			
Engineering and development .....	251,382	197,798	191,863
Selling and administrative .....	281,500	235,319	225,333
Acquired intangible assets amortization .....	73,508	40,465	29,250
Restructuring and other .....	(7,721)	6,743	(3,800)
Total operating expenses .....	598,669	480,325	442,646
Income from operations .....	287,368	231,498	414,937
Interest income .....	4,090	6,617	5,861
Interest expense and other .....	(25,482)	(23,694)	(24,451)
Income from continuing operations before income taxes .....	265,976	214,421	396,347
Provision (benefit) for income taxes .....	48,927	(129,536)	16,655
Income from continuing operations .....	217,049	343,957	379,692
Income from discontinued operations before income taxes .....	—	1,278	5,406
(Benefit) provision for income taxes .....	—	(267)	278
Income from discontinued operations .....	—	1,545	5,128
Gain on disposal of discontinued operations (net of tax \$4,578) .....	—	24,371	—
Net income .....	<u>\$ 217,049</u>	<u>\$ 369,873</u>	<u>\$ 384,820</u>
Income from continuing operations per common share:			
Basic .....	<u>\$ 1.16</u>	<u>\$ 1.86</u>	<u>\$ 2.11</u>
Diluted .....	<u>\$ 0.94</u>	<u>\$ 1.52</u>	<u>\$ 1.73</u>
Net income per common share:			
Basic .....	<u>\$ 1.16</u>	<u>\$ 2.00</u>	<u>\$ 2.14</u>
Diluted .....	<u>\$ 0.94</u>	<u>\$ 1.63</u>	<u>\$ 1.75</u>
Weighted average common shares—basic .....	<u>186,878</u>	<u>184,683</u>	<u>179,924</u>
Weighted average common shares—diluted .....	<u>230,246</u>	<u>226,820</u>	<u>226,807</u>

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

**TERADYNE, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>For the Years Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Net income .....	\$217,049	\$369,873	\$384,820
Other comprehensive income (loss), net of tax:			
Foreign currency translation reclassification adjustment included in net income .....	—	2,266	(349)
Unrealized gains on marketable securities:			
Unrealized gains on marketable securities arising during period . . .	2,106	1,293	1,466
Less: Reclassification adjustment for gains included in net income .....	(799)	(1,296)	93
	1,307	(3)	1,559
Defined benefit pension and post-retirement plans:			
Prior service cost arising during period .....	—	—	3,279
Less: Amortization of prior service (benefit) cost included in net periodic pension and post-retirement costs .....	(233)	14	310
	(233)	14	3,589
Other comprehensive income (loss) .....	1,074	2,277	4,799
Comprehensive income .....	\$218,123	\$372,150	\$389,619

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

TERADYNE, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2012, 2011 and 2010

	Common Stock Shares Issued	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Accumulated Shareholders' Deficit)	Total Shareholders' Equity
	(in thousands)					
Balance, December 31, 2009	174,908	\$21,864	\$1,202,426	\$(2,330)	\$(557,381)	\$ 664,579
Issuance of stock to employees under benefit plans, net of shares withheld for payroll tax of \$7,269	7,127	891	36,519			37,410
Stock-based compensation expense			30,580			30,580
Net income					384,820	384,820
Unrealized gain on marketable securities:						
Unrealized gain on marketable securities arising during period, net of tax of \$0				1,466		1,466
Less: reclassification adjustment for losses included in net income				93		93
Foreign currency translation adjustment				(349)		(349)
Prior service cost arising during period				3,279		3,279
Amortization of prior service costs, net of tax of \$0				310		310
Balance, December 31, 2010	182,035	22,755	1,269,525	2,469	(172,561)	1,122,188
Issuance of stock to employees under benefit plans, net of shares withheld for payroll tax of \$12,297	4,185	522	4,566			5,088
Stock-based compensation expense			32,337			32,337
Repurchase of common stock			(17,770)			(31,175)
Stock options issued in purchase acquisition	(2,633)	(329)	4,472			4,472
Net income					369,873	369,873
Unrealized gain on marketable securities:						
Unrealized gain on marketable securities, net of tax of \$666				1,293		1,293
Less: reclassification adjustment for gains included in net income				(1,296)		(1,296)
Foreign currency translation adjustment				2,266		2,266
Amortization of prior service costs, net of tax of \$9				14		14
Balance, December 31, 2011	183,587	22,948	1,293,130	4,746	184,236	1,505,060
Issuance of stock to employees under benefit plans, net of shares withheld for payroll tax of \$11,582	4,321	540	6,354			6,894
Stock-based compensation expense			39,920			39,920
Tax benefit related to stock options and restricted stock units			8,358			8,358
Net income					217,049	217,049
Unrealized gain on marketable securities:						
Unrealized gain on marketable securities, net of tax of \$169				2,106		2,106
Less: reclassification adjustment for gains included in net income				(799)		(799)
Amortization of prior service costs, net of tax of \$(134)				(233)		(233)
Balance, December 31, 2012	187,908	\$23,488	\$1,347,762	\$ 5,820	\$ 401,285	\$1,778,355

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

**TERADYNE, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 217,049	\$ 369,873	\$ 384,820
Less: Income from discontinued operations	—	1,545	5,128
Less: Gain on disposal of discontinued operations	—	24,371	—
Income from continuing operations	217,049	343,957	379,692
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	55,049	51,040	52,810
Amortization	87,750	53,338	40,706
Provision for excess and obsolete inventory	26,849	11,601	5,971
Stock-based compensation	39,920	32,337	29,777
Non cash charge for the sale of inventories revalued at the date of acquisition	6,089	12,178	—
Retirement plans actuarial losses (gains)	23,320	13,564	(1,351)
Contingent consideration adjustment	(8,794)	—	—
Tax benefit related to stock options and restricted stock units	(8,358)	—	—
Deferred taxes	5,556	(146,949)	(1,519)
Other	498	1,509	2,528
Changes in operating assets and liabilities, net of businesses sold and acquired:			
Accounts receivable	(24,093)	66,367	(50,418)
Inventories	17,652	(615)	3,715
Other assets	(1,544)	(22,600)	8,460
Deferred revenue and customer advances	(14,627)	(68,359)	72,744
Accounts payable and other accrued expenses	(32,810)	(48,222)	62,201
Retirement plan contributions	(4,778)	(11,851)	(52,452)
Accrued income taxes	19,804	(8,727)	8,465
Net cash provided by continuing operations	404,532	278,568	561,329
Net cash (used for) provided by discontinued operations	—	(4,804)	4,957
Net cash provided by operating activities	404,532	273,764	566,286
Cash flows from investing activities:			
Purchases of property, plant and equipment	(119,080)	(86,097)	(76,044)
Purchases of available-for-sale marketable securities	(751,129)	(691,802)	(870,777)
Proceeds from maturities of available-for-sale marketable securities	171,054	518,483	136,837
Proceeds from sales of available-for-sale marketable securities	95,215	676,386	154,903
Proceeds from sales of trading marketable securities	—	—	26,330
Proceeds from life insurance	—	—	1,091
Acquisition of businesses, net of cash acquired	—	(537,489)	—
Net cash used for continuing operations	(603,940)	(120,519)	(627,660)
Net cash provided by discontinued operations	—	39,062	—
Net cash used for investing activities	(603,940)	(81,457)	(627,660)
Cash flows from financing activities:			
Issuance of common stock under stock option and stock purchase plans	18,476	17,385	44,679
Payments of long-term debt	(2,532)	(2,518)	(2,305)
Payments of contingent consideration	(59,710)	—	—
Tax benefit related to stock options and restricted stock units	8,358	—	—
Repurchase of common stock	—	(31,175)	—
Net cash (used for) provided by financing activities	(35,408)	(16,308)	42,374
(Decrease) increase in cash and cash equivalents	(234,816)	175,999	(19,000)
Cash and cash equivalents at beginning of year	573,736	397,737	416,737
Cash and cash equivalents at end of year	\$ 338,920	\$ 573,736	\$ 397,737
Supplementary disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 8,602	\$ 8,645	\$ 8,695
Income taxes payments (refunds)	\$ 8,084	\$ 36,043	\$ (2,091)

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

## TERADYNE, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### A. THE COMPANY

Teradyne, Inc. is a leading global supplier of automatic test equipment. Teradyne's automatic test equipment products and services include:

- semiconductor test ("Semiconductor Test") systems;
- wireless test ("Wireless Test") systems; and
- military/aerospace ("Mil/Aero") test instrumentation and systems, storage test ("Storage Test") systems, and circuit-board test and inspection ("Commercial Board Test") systems (collectively these products represent "Systems Test Group").

#### B. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Teradyne and its wholly-owned subsidiaries. All significant intercompany balances and transactions are eliminated. Certain prior years' amounts were reclassified to conform to the current year presentation.

##### Preparation of Financial Statements and Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, management evaluates its estimates, including those related to inventories, investments, goodwill, intangible and other long-lived assets, doubtful accounts, income taxes, deferred tax assets, pensions, warranties, and loss contingencies. Management bases its estimates on historical experience and on appropriate and customary assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

##### Revenue Recognition

Teradyne recognizes revenue when there is persuasive evidence of an arrangement, title and risk of loss have passed, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to its customers upon shipment or at delivery destination point. In circumstances where either title or risk of loss pass upon destination, acceptance or cash payment, Teradyne defers revenue recognition until such events occur.

Teradyne's equipment has non-software and software components that function together to deliver the equipment's essential functionality. Revenue is recognized upon shipment or at delivery destination point, provided that customer acceptance criteria can be demonstrated prior to shipment. Certain contracts require Teradyne to perform tests of the product to ensure that performance meets the published product specifications or customer requested specifications, which are generally conducted prior to shipment. Where the criteria cannot be demonstrated prior to shipment, revenue is deferred until customer acceptance has been received. Teradyne also defers the portion of the sales price that is not due until acceptance, which represents deferred profit.

For multiple element arrangements, Teradyne allocates revenue to all deliverables based on their relative selling prices. In such circumstances, a hierarchy is used to determine the selling price for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of selling price ("VSOE"), (ii) third-party

evidence of selling price (“TPE”), and (iii) best estimate of the selling price (“BESP”). For a delivered item to be considered a separate unit the delivered item must have value to the customer on a standalone basis and the delivery or performance of the undelivered item must be considered probable and substantially in Teradyne’s control.

Teradyne’s post-shipment obligations include installation, training services, one-year standard warranties, and extended warranties. Installation does not alter the product capabilities, does not require specialized skills or tools and can be performed by the customers or other vendors. Installation is typically provided within five days of product shipment and is completed within one to two days thereafter. Training services are optional and do not affect the customers’ ability to use the product. Teradyne defers revenue for the selling price of installation and training. Extended warranties constitute warranty obligations beyond one year and Teradyne defers revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605-20, “*Separately Priced Extended Warranty and Product Maintenance Contracts*” and ASC 605-25, “*Revenue Recognition Multiple-Element Arrangements.*” Service revenue is recognized over the contractual period or as services are performed.

Teradyne’s products are generally subject to warranty and related costs of the warranty are provided for in cost of revenue when product revenue is recognized. Teradyne classifies shipping and handling costs in cost of revenue. Teradyne generally does not provide its customers with contractual rights of return for any of its products.

For transactions involving the sale of software, revenue is recognized in accordance with ASC 985-605, “*Software Revenue Recognition.*” Teradyne recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectability is probable. In instances where an arrangement contains multiple elements, revenue related to the undelivered elements is deferred to the extent that vendor-specific objective evidence of fair value (“VSOE”) exists for such elements. In instances where VSOE does not exist for one or more of the undelivered elements of an arrangement, all revenue related to the arrangement is deferred until all elements have been delivered. VSOE is the price charged when the element is sold separately. Revenue for the separate elements is only recognized where the functionality of the undelivered element is not essential to the delivered element.

For certain contracts eligible for contract accounting under ASC 605-35, “*Revenue Recognition Construction-Type and Production-Type Contracts,*” revenue is recognized using the percentage-of-completion accounting method based upon the percentage of incurred costs to estimated total costs. These arrangements require significant production, modification or customization. In all cases, changes to total estimated costs and anticipated losses, if any, are recognized in the period in which they are determined. With respect to contract change orders, claims or similar items, judgment must be used in estimating related amounts and assessing the potential for realization. Such amounts are only included in the contract value when they can be reliably estimated and realization is reasonably assured, generally upon receipt of a customer approved change order.

As of December 31, 2012 and 2011, deferred revenue and customer advances consisted of the following and are included in the short and long-term deferred revenue and customer advances:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Customer advances .....	\$39,613	\$ 70,001
Maintenance, training and extended warranty .....	51,198	33,953
Undelivered elements .....	6,773	7,939
Acceptance .....	—	318
Total deferred revenue and customer advances .....	<u>\$97,584</u>	<u>\$112,211</u>

**Retirement and Postretirement Plans**

Effective January 1, 2012, Teradyne changed the method of recognizing actuarial gains and losses for its defined benefit pension plans and postretirement benefit plan and calculating the expected return on plan assets for its defined benefit pension plans. Historically, Teradyne recognized net actuarial gains and losses in accumulated other comprehensive income within shareholders’ equity on its consolidated balance sheets on an annual basis and amortized them into operating results over the average remaining years of service of the plan participants, to the extent such gains and losses were outside of a range (“corridor”). Teradyne elected to immediately recognize net actuarial gains and losses and the change in the fair value of the plan assets in its operating results in the year in which they occur or upon any interim remeasurement of the plans. In addition, Teradyne used to calculate the expected return on plan assets using a calculated market-related value of plan assets. Effective January 1, 2012, Teradyne elected to calculate the expected return on plan assets using the fair value of the plan assets.

Teradyne believes that this new method is preferable as it eliminates the delay in recognizing gains and losses in its operating results and it will improve the transparency by faster recognition of the effects of economic and interest rate trends on plan obligations and investments. These actuarial gains and losses are generally measured annually as of December 31 and, accordingly, will be recorded during the fourth quarter of each year or upon any interim remeasurement of the plans. In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 250, Accounting Changes and Error Corrections, all prior periods presented in this Annual Report on Form 10-K have been adjusted to apply the new accounting method retrospectively.

**Product Warranty**

Teradyne generally provides a one-year warranty on its products, commencing upon installation or shipment. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience. Related costs are charged to the warranty accrual as incurred. The balance below is included in other accrued liabilities.

	<u>Amount</u> <u>(in thousands)</u>
Balance at December 31, 2009 .....	\$ 6,435
Accruals for warranties issued during the period .....	17,084
Accruals related to pre-existing warranties .....	(1,338)
Settlements made during the period .....	<u>(12,295)</u>
Balance at December 31, 2010 .....	9,886
Acquisition .....	327
Accruals for warranties issued during the period .....	13,167
Accruals related to pre-existing warranties .....	(2,689)
Settlements made during the period .....	<u>(12,538)</u>
Balance at December 31, 2011 .....	8,153
Accruals for warranties issued during the period .....	14,704
Accruals related to pre-existing warranties .....	877
Settlements made during the period .....	<u>(13,948)</u>
Balance at December 31, 2012 .....	<u>\$ 9,786</u>

When Teradyne receives revenue for extended warranties, beyond one year, it is deferred and recognized on a straight-line basis over the contract period. Related costs are expensed as incurred. The balance below is included in short and long-term deferred revenue and customer advances.

	<u>Amount</u> <u>(in thousands)</u>
Balance at December 31, 2009 .....	\$ 4,462
Deferral of new extended warranty revenue .....	7,696
Recognition of extended warranty deferred revenue .....	<u>(3,186)</u>
Balance at December 31, 2010 .....	8,972
Acquisition .....	3,151
Deferral of new extended warranty revenue .....	8,659
Recognition of extended warranty deferred revenue .....	<u>(8,040)</u>
Balance at December 31, 2011 .....	12,742
Deferral of new extended warranty revenue .....	22,344
Recognition of extended warranty deferred revenue .....	<u>(8,099)</u>
Balance at December 31, 2012 .....	<u>\$26,987</u>

### Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The volatility of the industries that Teradyne serves can cause certain of its customers to experience shortages of cash flows, which can impact their ability to make required payments. Teradyne maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Estimated allowances for doubtful accounts are reviewed periodically taking into account the customer's recent payment history, the customer's current financial statements and other information regarding the customer's credit worthiness. Account balances are charged off against the allowance when it is determined the receivable will not be recovered.

### Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value. On a quarterly basis, Teradyne uses consistent methodologies to evaluate all inventories for net realizable value. Teradyne records a provision for both excess and obsolete inventory when such write-downs or write-offs are identified through the quarterly review process. The inventory valuation is based upon assumptions about future demand, product mix and possible alternative uses.

### Investments

Teradyne accounts for its investments in debt and equity securities in accordance with the provisions of ASC 320-10, "Investments—Debt and Equity Securities." ASC 320-10 requires that certain debt and equity securities be classified into one of three categories; trading, available-for-sale or held-to-maturity securities. On a quarterly basis, Teradyne reviews its investments to identify and evaluate those that have an indication of a potential other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include:

- The length of time and the extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer; and
- The intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.



As defined in ASC 820-10 “*Fair Value Measurements and Disclosures*”, fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Teradyne uses the market and income approach techniques to value its financial instruments and there were no changes in valuation techniques during the years ended December 31, 2012, 2011 and 2010. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets as of the reporting date.

Level 2: Inputs other than Level 1, that are observable either directly or indirectly as of the reporting date. For example, a common approach for valuing fixed income securities is the use of matrix pricing. Matrix pricing is a mathematical technique used to value securities by relying on the securities’ relationship to other benchmark quoted prices, and therefore is considered a Level 2 input.

Level 3: Unobservable inputs that are not supported by market data. Unobservable inputs are developed based on the best information available, which might include Teradyne’s own data.

In accordance with ASC 820-10, Teradyne measures its debt and equity investments at fair value. Teradyne’s debt and equity investments are primarily classified within Level 1 and 2, with the exception of LitePoint acquisition-related contingent consideration, which was classified within Level 3. Teradyne determines the fair value of acquisition-related contingent consideration based on assessment of the probability that it would be required to make such payment.

### **Goodwill, Intangible and Long-Lived Assets**

Teradyne accounts for goodwill and intangible assets in accordance with ASC 350-10, “*Intangibles-Goodwill and Other*.” Intangible assets are amortized over their estimated useful economic life and are carried at cost less accumulated amortization. Goodwill is assessed for impairment at least annually in the fourth quarter, on a reporting unit basis, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. In September 2011, the FASB issued new guidance which provides an entity with the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If an entity determines this is the case, it is required to perform the two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized. If an entity determines that it is more-likely-than-not that the fair value of the reporting unit is greater than its carrying amounts, the two-step goodwill impairment test is not required. This new guidance is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. Teradyne adopted this guidance as of the fourth quarter of 2011.

In accordance with ASC 360-10, “*Impairment or Disposal of Long-Lived Assets*,” Teradyne reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. The cash flow estimates used to determine the impairment, if any, contain management’s best estimates using appropriate assumptions and projections at that time.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost and depreciated over the estimated useful lives of the assets. Leasehold improvements and major renewals are capitalized and included in property, plant and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense. When assets are retired, the assets and related allowances for depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in operations.

Teradyne provides for depreciation of its assets principally on the straight-line method with the cost of the assets being charged to expense over their useful lives as follows:

Buildings	40 years
Building improvements	5 to 10 years
Leasehold improvements	Lesser of lease term or useful life
Furniture and fixtures	10 years
Test systems manufactured internally	6 years
Machinery and equipment	3 to 5 years
Software	3 to 5 years

Test systems manufactured internally are used by Teradyne for customer evaluations and manufacturing and support of its customers. Teradyne depreciates the test systems manufactured internally over a six-year life to cost of revenues, engineering and development, and selling and administrative expenses. Teradyne often sells internally manufactured test equipment to customers. Upon the sale of an internally manufactured test system, the net book value of the system is transferred to inventory and expensed as cost of revenues. The net book value of internally manufactured test systems sold in the years ended December 31, 2012, 2011 and 2010 was \$6.0 million, \$7.8 million and \$12.2 million, respectively.

### **Engineering and Development Costs**

Teradyne’s products are highly technical in nature and require a large and continuing engineering and development effort. Software development costs incurred prior to the establishment of technological feasibility are charged to expense. Software development costs incurred subsequent to the establishment of technological feasibility are capitalized until the product is available for release to customers. To date, the period between achieving technological feasibility and general availability of the product has been short and software development costs eligible for capitalization have not been material. Engineering and development costs are expensed as incurred and consist primarily of salaries, contractor fees, building costs, depreciation, and tooling costs.

### **Stock Compensation Plans and Employee Stock Purchase Plan**

#### *Equity Plans and Employee Stock Purchase Plan*

Stock-based compensation expense is based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10 “*Compensation—Stock Compensation.*” As required by ASC 718-10, Teradyne has made an estimate of expected forfeitures and is recognizing compensation costs only for those stock-based compensation awards expected to vest.

Under its stock compensation plans, Teradyne has granted stock options and restricted stock units, and employees are eligible to purchase Teradyne’s common stock through its Employee Stock Purchase Plan (“ESPP”).

Stock options to purchase Teradyne’s common stock at 100% of the fair market value on the grant date generally vest in equal installments over four years from the grant date and have a maximum term of seven years.

Restricted stock unit awards granted to employees vest in equal annual installments over four years. Restricted stock unit awards granted to non-employee directors vest after a one year period, with 100% of the award vesting on the first anniversary of the grant date. A portion of restricted stock unit awards granted to executive officers is subject to time-based vesting and a portion is subject to performance-based vesting. The percentage level of performance satisfied for performance-based grants is assessed on or near the anniversary of the grant date and, in turn, that percentage level determines the number of performance-based restricted stock units available for vesting over the vesting period; portions of the performance-based grants not available for vesting will be forfeited. Restricted stock units do not have common stock voting rights, and the shares underlying the restricted stock units

are not considered issued and outstanding until they become vested. Teradyne expenses the cost of the restricted stock unit awards subject to time-based vesting, which is determined to be the fair market value of the shares at the date of grant, ratably over the period during which the restrictions lapse.

Under the ESPP, eligible employees may purchase shares of common stock through regular payroll deductions of up to 10% of their eligible compensation, to a maximum of shares with a fair market value of \$25,000 per calendar year, not to exceed 6,000 shares. The price paid for the common stock is equal to 85% of the lower of the fair market value of Teradyne's common stock on the first business day and the last business day of the purchase period. Beginning in January 2013, the price paid will be equal to 85% of the stock price on the last business day of the purchase period. There are two six-month purchase periods in each fiscal year.

The effect to income from continuing operations for recording stock-based compensation for the years ended December 31 was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Cost of revenue . . . . .	\$ 6,604	\$ 7,097	\$ 6,536
Engineering and development . . . . .	13,589	10,001	9,209
Selling and administrative . . . . .	<u>19,727</u>	<u>15,239</u>	<u>14,032</u>
Stock-based compensation . . . . .	39,920	32,337	29,777
Income tax benefit . . . . .	<u>(9,548)</u>	<u>(8,509)</u>	<u>—</u>
Total stock-based compensation expense after income taxes . . . . .	<u>\$30,372</u>	<u>\$23,828</u>	<u>\$29,777</u>

*Valuation Assumptions*

The total number of stock options granted in 2012, 2011 and 2010 were 0.2 million, 0.1 million and 0.3 million, respectively, at the weighted average grant date fair value of \$6.85, \$6.74 and \$4.10, respectively. The fair value of the stock options at grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expected life (years) . . . . .	3.50	4.00	4.75
Interest rate . . . . .	0.4%	1.5%	2.4%
Volatility-historical . . . . .	56.0%	52.1%	48.8%
Dividend yield . . . . .	0.0%	0.0%	0.0%

Teradyne determined the stock option's expected life based upon historical exercise data for executive officers, the age of executives and the terms of the stock option award. Volatility was determined using historical volatility for a period equal to the expected life. The interest rate was determined using the U.S. Treasury yield curve in effect at the time of grant.

The weighted-average fair value of employee stock purchase rights granted pursuant to the ESPP in the first and last six months of 2012 was \$4.09 and \$3.42, respectively, the first and last six months of 2011 was \$3.66 and \$4.01, respectively, and the first and last six months of 2010 was \$3.05 and \$2.77, respectively. The fair value of the employees' purchase rights was estimated using the Black-Scholes option-pricing model with the following assumptions:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expected life (years) . . . . .	0.5	0.5	0.5
Interest rate . . . . .	0.1%	0.1%	0.2%
Volatility-historical . . . . .	42.7%	41.0%	48.0%
Dividend yield . . . . .	0.0%	0.0%	0.0%

As of December 31, 2012, there were 2.8 million shares available for grant under the ESPP.

### **Income Taxes**

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The measurement of deferred tax assets is reduced by a valuation allowance if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. U.S. income taxes are not provided for on the earnings of non-U.S. subsidiaries, except Japan, which are expected to be reinvested indefinitely in operations outside the U.S. For intra-period tax allocations, Teradyne first utilizes non-equity related tax attributes, such as net operating losses and credit carryforwards and then equity-related tax attributes. Teradyne uses the with-and-without method for calculating excess stock compensation deductions and does not take into account any indirect impacts of excess stock compensation deductions on its research and development tax credits, domestic production activities deduction, and other differences between financial reporting and tax reporting.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retrospectively reinstated the research and development tax credit for 2012 and extended it through December 31, 2013. As a result, in the first quarter of 2013, Teradyne expects to record a discrete benefit related to 2012 of approximately \$7.0 million.

### **Advertising Costs**

Teradyne expenses all advertising costs as incurred. Advertising costs were \$1.6 million, \$1.0 million and \$0.6 million in 2012, 2011 and 2010, respectively.

### **Translation of Non-U.S. Currencies**

The functional currency for all non-U.S. subsidiaries is the U.S. dollar. All foreign currency denominated monetary assets and liabilities are re-measured on a monthly basis into the functional currency using exchange rates in effect at the end of the period. All foreign currency denominated non-monetary assets and liabilities are re-measured into the functional currency using historical exchange rates. Net foreign exchange gains and losses resulting from re-measurement are included in interest expense and other and were a loss of \$4.5 million, a gain of \$0.9 million and a gain of \$2.5 million, respectively, for the years ended December 31, 2012, 2011 and 2010. These amounts do not reflect the corresponding gain (loss) from foreign exchange contracts. See Note H: "Financial Instruments" regarding foreign exchange contracts. Revenue and expense amounts are translated using an average of exchange rates in effect during the period.

### **Net Income (Loss) per Common Share**

Basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Except where the result would be antidilutive, diluted net income (loss) per common share is calculated by dividing net income (loss) by the sum of the weighted average number of common shares plus common stock equivalents, if applicable.

Prior to the fourth quarter of 2010, net income for diluted net income (loss) per share includes an adjustment related to the convertible notes that represents interest expense that would have not been recorded if the notes converted at the beginning of the period. Dilutive potential common shares include incremental shares from assumed conversion of the convertible notes and the convertible notes hedge warrant shares. Incremental shares from assumed conversion of the convertible notes are calculated using the difference between the average Teradyne stock price for the period and the conversion price of \$5.48, multiplied by the 34.7 million shares that will be issued upon conversion. The result of this calculation, representing the total intrinsic value of the convertible debt, is divided by the average Teradyne stock price for the period. Convertible notes hedge warrant shares are calculated using the difference between the average Teradyne stock price for the period and the warrant price of \$7.67, multiplied by the 34.7 million shares that will be issued upon conversion. The result of

this calculation, representing the total intrinsic value of the warrant, is divided by the average Teradyne stock price for the period. Teradyne's call option for 34.7 million shares at an exercise price of \$5.48 is not used in the GAAP earnings per share calculation as its effect would be anti-dilutive.

With respect to Teradyne's convertible debt, Teradyne intends to settle its conversion spread (i.e., the intrinsic value of the embedded option feature contained in the convertible debt) in shares. Teradyne accounts for its conversion spread using the treasury stock method. In the fourth quarter of 2010, Teradyne determined that it had the ability and intent to settle the principal amount of the convertible debt in cash; accordingly as of the fourth quarter of 2010, the principal amount has been excluded from the determination of diluted earnings per share.

### **Comprehensive Income (Loss)**

Comprehensive income (loss) includes net income (loss), unrealized pension prior service costs and benefits, unrealized gains and losses on certain investments in debt and equity securities and foreign currency translation adjustments.

### **C. CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2012, Teradyne changed the method of recognizing actuarial gains and losses for its defined benefit pension plans and postretirement benefit plan and calculating the expected return on plan assets for its defined benefit pension plans. Historically, Teradyne recognized net actuarial gains and losses in accumulated other comprehensive income within shareholders' equity on the consolidated balance sheets on an annual basis and amortized them into operating results over the average remaining years of service of the plan participants, to the extent such gains and losses were outside of a range ("corridor"). Teradyne has elected to immediately recognize net actuarial gains and losses and the change in the fair value of the plan assets in its operating results in the year in which they occur or upon any interim remeasurement of the plans. In addition, Teradyne used to calculate the expected return on plan assets using a calculated market-related value of plan assets. Effective January 1, 2012, Teradyne elected to calculate the expected return on plan assets using the fair value of the plan assets.

Teradyne believes that this new method is preferable as it eliminates the delay in recognizing gains and losses in its operating results and it will improve the transparency by faster recognition of the effects of economic and interest rate trends on plan obligation and investments. These actuarial gains and losses are generally measured annually as of December 31 and, accordingly, will be recorded during the fourth quarter of each year or upon any interim remeasurement of the plans. In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 250, Accounting Changes and Error Corrections, all prior periods presented in this Annual Report on Form 10-K have been adjusted to apply the new accounting method retrospectively.

Had these changes not been made, net income for the year ended December 31, 2012 would have been \$207.0 million compared to \$217.0 million actually recorded. Diluted earnings per share would have been \$0.90 compared to \$0.94 for the year ended December 31, 2012.

The effects of the change in accounting principle on the condensed consolidated financial statements for 2011 and 2010 are presented below. We have condensed the comparative financial statements for financial statement line items that were not affected by the change in accounting principle.

*Condensed Consolidated Balance Sheets*

	December 31, 2011		
	Originally Reported	Effect of Accounting Change	As Adjusted
	(in thousands)		
Assets:			
Total assets	\$2,188,639	\$ —	\$2,188,639
Liabilities:			
Total liabilities	683,579	—	683,579
Shareholders' Equity:			
Common stock	22,948	—	22,948
Additional paid-in capital	1,293,130	—	1,293,130
Accumulated other comprehensive (loss) income	(129,875)	134,621	4,746
Retained earnings	318,857	(134,621)	184,236
Total shareholders' equity	1,505,060	—	1,505,060
Total liabilities and shareholders' equity	\$2,188,639	\$ —	\$2,188,639

*Condensed Consolidated Statements of Operations*

	For the Year Ended December 31, 2011		
	Originally Reported	Effect of Accounting Change	As Adjusted
	(in thousands, except per share amounts)		
Net revenues	\$1,429,061	\$ —	\$1,429,061
Cost of revenues	715,368	1,870	717,238
Gross profit	713,693	(1,870)	711,823
Operating expenses:			
Engineering and development	195,600	2,198	197,798
Selling and administrative	233,711	1,608	235,319
Acquired intangible asset amortization	40,465	—	40,465
Restructuring and other	8,203	(1,460)	6,743
Total operating expenses	477,979	2,346	480,325
Income from operations	235,714	(4,216)	231,498
Interest income	6,617	—	6,617
Interest expense and other	(23,694)	—	(23,694)
Income from continuing operations before income taxes	218,637	(4,216)	214,421
Income tax benefit	(129,256)	(280)	(129,536)
Income from continuing operations	347,893	(3,936)	343,957
Income from discontinued operations before income taxes	1,278	—	1,278
Benefit from income taxes	(267)	—	(267)
Income from discontinued operations	1,545	—	1,545
Gain on disposal of discontinued operations (net of tax of \$4,578)	24,371	—	24,371
Net income	\$ 373,809	\$(3,936)	\$ 369,873

	<b>For the Year Ended December 31, 2011</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands, except per share amounts)		
Net income per common share from continuing operations:			
Basic .....	\$ 1.88	\$(0.02)	\$ 1.86
Diluted .....	\$ 1.53	\$(0.01)	\$ 1.52
Net income per common share:			
Basic .....	\$ 2.02	\$(0.02)	\$ 2.00
Diluted .....	\$ 1.65	\$(0.02)	\$ 1.63
Weighted average common shares—basic .....	184,683		184,683
Weighted average common shares—diluted .....	226,820		226,820

	<b>For the Year Ended December 31, 2010</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands, except per share amounts)		
Net revenues .....	\$1,566,162	\$ —	\$1,566,162
Cost of revenues .....	710,196	(1,617)	708,579
Gross profit .....	855,966	1,617	857,583
Operating expenses:			
Engineering and development .....	193,017	(1,154)	191,863
Selling and administrative .....	226,820	(1,487)	225,333
Acquired intangible asset amortization .....	29,250	—	29,250
Restructuring and other .....	(817)	(2,983)	(3,800)
Total operating expenses .....	448,270	(5,624)	442,646
Income from operations .....	407,696	7,241	414,937
Interest income .....	5,861	—	5,861
Interest expense and other .....	(24,451)	—	(24,451)
Income from continuing operations before income taxes .....	389,106	7,241	396,347
Provision for income taxes .....	14,504	2,151	16,655
Income from continuing operations .....	374,602	5,090	379,692
Income from discontinued operations before income taxes .....	5,406	—	5,406
Provision for income taxes .....	278	—	278
Income from discontinued operations .....	5,128	—	5,128
Net income .....	\$ 379,730	\$ 5,090	\$ 384,820
Net income per common share from continuing operations:			
Basic .....	\$ 2.08	\$ 0.03	\$ 2.11
Diluted .....	\$ 1.71	\$ 0.02	\$ 1.73

	For the Year Ended December 31, 2010		
	Originally Reported	Effect of Accounting Change	As Adjusted
	(in thousands, except per share amounts)		
Net income per common share:			
Basic .....	\$ 2.11	\$0.03	\$ 2.14
Diluted .....	\$ 1.73	\$0.02	\$ 1.75
Weighted average common share—basic .....	179,924		179,924
Weighted average common share—diluted .....	226,807		226,807

***Condensed Consolidated Statements of Comprehensive Income***

	For the Year Ended December 31, 2011		
	Originally Reported	Effect of Accounting Change	As Adjusted
	(in thousands)		
Net income .....	\$373,809	\$(3,936)	\$369,873
Other comprehensive income, net of tax:			
Foreign currency translation reclassification adjustment included in net income .....	2,266	—	2,266
Unrealized gains on marketable securities .....	(3)	—	(3)
Defined benefit pension and post-retirement plans:			
Actuarial losses arising during period, net of tax of (\$3,427), \$3,427 .....	(9,496)	9,496	—
Less: Amortization included in net periodic pension and postretirement costs:			
Actuarial losses, net of tax of \$3,385, (\$3,385) .....	5,560	(5,560)	—
Prior service costs, net of tax of \$9 .....	14	—	14
	5,574	(5,560)	14
Other comprehensive (loss) income .....	(1,659)	3,936	2,277
Comprehensive income .....	\$372,150	\$ —	\$372,150



	<b>For the Year Ended December 31, 2010</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands)		
Net income	\$379,730	\$ 5,090	\$384,820
Other comprehensive income, net of tax:			
Foreign currency translation reclassification adjustment included in net income	(349)	—	(349)
Unrealized gains on marketable securities	1,559	—	1,559
Defined benefit pension and post-retirement plans:			
Actuarial gains arising during period, net of tax of (\$1,826), \$1,826	(288)	288	—
Prior service cost arising during period, net of tax of \$0	3,279	—	3,279
Less: Amortization included in net periodic pension and post-retirement costs:			
Actuarial losses, net of tax of \$133, (\$133)	5,378	(5,378)	—
Prior service costs, net of tax of \$0	310	—	310
	<u>5,688</u>	<u>(5,378)</u>	<u>310</u>
Other comprehensive income	9,889	(5,090)	4,799
Comprehensive income	<u>\$389,619</u>	<u>\$ —</u>	<u>\$389,619</u>

### *Condensed Consolidated Statements of Cash Flows*

	<b>For the Year Ended December 31, 2011</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 373,809	\$ (3,936)	\$ 369,873
Less: Income from discontinued operations	1,545	—	1,545
Less: Gain on disposal of discontinued operations	24,371	—	24,371
Income from continuing operations	347,893	(3,936)	343,957
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	51,040	—	51,040
Amortization	62,284	(8,946)	53,338
Stock-based compensation	32,337	—	32,337
Provision for excess and obsolete inventory	11,601	—	11,601
Non cash charge for the sale of inventories revalued at the date of acquisition	12,178	—	12,178
Retirement plan actuarial losses	—	13,564	13,564
Deferred taxes	(146,669)	(280)	(146,949)
Other	1,911	(402)	1,509
Changes in operating assets and liabilities, net of businesses sold and acquired:			
Accounts receivable	66,367	—	66,367
Inventories	(615)	—	(615)
Other assets	(22,600)	—	(22,600)
Deferred revenue and customer advances	(68,359)	—	(68,359)
Accounts payable and other accrued expenses	(48,222)	—	(48,222)
Retirement plan contributions	(11,851)	—	(11,851)
Accrued income taxes	(8,727)	—	(8,727)

	<b>For the Year Ended December 31, 2011</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands)		
Net cash provided by continuing operations	\$278,568	\$ —	\$278,568
Net cash used for discontinued operations	(4,804)	—	(4,804)
Net cash provided by operating activities	273,764	—	273,764
Net cash used for investing activities	(81,457)	—	(81,457)
Net cash used for financing activities	(16,308)	—	(16,308)
Increase in cash and cash equivalents	175,999	—	175,999
Cash and cash equivalents at beginning of year	397,737	—	397,737
Cash and cash equivalents at end of year	<u>\$573,736</u>	<u>\$ —</u>	<u>\$573,736</u>

	<b>For the Year Ended December 31, 2010</b>		
	<b>Originally Reported</b>	<b>Effect of Accounting Change</b>	<b>As Adjusted</b>
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 379,730	\$ 5,090	\$ 384,820
Less: Income from discontinued operations	5,128	—	5,128
Income from continuing operations	374,602	5,090	379,692
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	52,810	—	52,810
Amortization	46,217	(5,511)	40,706
Stock-based compensation	29,777	—	29,777
Provision for excess and obsolete inventory	5,971	—	5,971
Retirement plan actuarial losses	—	(1,351)	(1,351)
Deferred taxes	(3,670)	2,151	(1,519)
Other	2,907	(379)	2,528
Changes in operating assets and liabilities, net of businesses sold:			
Accounts receivable	(50,418)	—	(50,418)
Inventories	3,715	—	3,715
Other assets	8,460	—	8,460
Deferred revenue and customer advances	72,744	—	72,744
Accounts payable and other accrued expenses	62,201	—	62,201
Retirement plan contributions	(52,452)	—	(52,452)
Accrued income taxes	8,465	—	8,465
Net cash provided by continuing operations	561,329	—	561,329
Net cash provided by discontinued operations	4,957	—	4,957
Net cash provided by operating activities	566,286	—	566,286
Net cash used for investing activities	(627,660)	—	(627,660)
Net cash provided by financing activities	42,374	—	42,374
Decrease in cash and cash equivalents	(19,000)	—	(19,000)
Cash and cash equivalents at beginning of year	416,737	—	416,737
Cash and cash equivalents at end of year	<u>\$ 397,737</u>	<u>\$ —</u>	<u>\$ 397,737</u>

## D. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2011, the FASB issued ASU No. 2011-11, “*Disclosures about Offsetting Assets and Liabilities.*” This ASU is intended to enhance the understanding of the effects of netting arrangements on an entity’s financial statements, including financial instruments and derivative instruments that are either offset or subject to a master netting arrangement. The scope of this ASU includes sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending arrangements. In January 2013, the FASB issued ASU No. 2013-01 “*Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.*” This standard provided additional guidance on the scope of ASU 2011-11. The provisions of this ASU are effective for interim and annual periods beginning on or after January 1, 2013.

In February 2013, the FASB issued ASU No. 2013-02, “*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.*” Under this ASU, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The provisions of this ASU are effective for interim and annual periods beginning on or after January 1, 2013.

## E. DISCONTINUED OPERATIONS

On March 21, 2011, Teradyne completed the sale of its Diagnostic Solutions business unit, which was included in the Systems Test Group segment, to SPX Corporation for \$40.2 million in cash. Teradyne sold this business as its growth potential as a stand-alone business within Teradyne was significantly less than if it was part of a larger automotive supplier. The financial information for Diagnostic Solutions has been reclassified to discontinued operations for all periods presented. Net revenues and income from discontinued operations for the years ended December 31, 2012, 2011 and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Net revenues .....	\$—	\$ 9,086	\$42,488
Income from discontinued operation before income taxes .....	\$—	\$ 1,278	\$ 5,406
Gain from disposal of discontinued operation before income taxes .....	—	28,949	—
Income tax provision .....	—	4,311	278
Income from discontinued operations	<u>\$—</u>	<u>\$25,916</u>	<u>\$ 5,128</u>

## F. ACQUISITIONS

### Business

#### *LitePoint Corporation*

On October 5, 2011, Teradyne completed its acquisition of LitePoint Corporation (“LitePoint”) located in Sunnyvale, California. The total purchase price of \$646.0 million consisted of \$572.7 million of cash paid to acquire the outstanding common and preferred stock of LitePoint, \$68.9 million in fair value of contingent consideration payable upon achievement of certain revenue targets through 2012 and \$4.5 million in fair value of assumed vested stock options, which were converted into stock options to purchase Teradyne’s common stock. The fair value of stock options was estimated using the following weighted average assumptions:

Expected life (years) .....	6.2
Expected volatility .....	49.1%
Risk-free interest rate .....	1.3%
Dividend yield .....	0.0%

LitePoint designs, develops, and supports advanced wireless test solutions for the development and manufacturing of wireless devices, including smart phones, tablets, notebooks/laptops, personal computer peripherals, and other Wi-Fi enabled devices. LitePoint's IQ product line consists of cellular and connectivity test solutions used by developers and manufacturers of wireless devices and consumer electronics. LitePoint is Teradyne's Wireless Test operating and reportable segment.

The LitePoint acquisition was accounted for as a purchase business combination and, accordingly, the results have been included in Teradyne's consolidated results of operation from the date of acquisition. The allocation of the total purchase price of LitePoint net tangible and identifiable intangible assets was based on their estimated fair values as of the acquisition date. The excess of the purchase price over the identifiable intangible and net tangible assets in the amount of \$349.3 million was allocated to goodwill, which is not deductible for tax purposes. The following represents the allocation of the purchase price:

	<u>Purchase Price Allocation</u> (in thousands)
Goodwill .....	\$ 349,272
Intangible assets .....	310,500
Tangible assets acquired and liabilities assumed:	
Cash, cash equivalents and short term marketable securities .....	61,250
Other current assets .....	75,615
Non-current assets .....	5,838
Accounts payable and current liabilities .....	(37,177)
Long-term deferred tax liabilities .....	(115,463)
Other long-term liabilities .....	(3,788)
Total purchase price .....	<u>\$ 646,047</u>

Teradyne estimated the fair value of intangible assets using the income and cost approach. Acquired intangible assets are amortized on a straight-line basis over their estimated useful lives. The following table represents components of these intangible assets and their estimated useful lives at the acquisition date:

	<u>Fair Value</u> (in thousands)	<u>Estimated Useful</u> <u>Life</u> (in years)
Developed technology .....	\$237,100	6.4
Customer relationships .....	53,700	7.0
Tradenames .....	19,000	7.0
Customer backlog .....	700	0.3
Total intangible assets .....	<u>\$310,500</u>	6.5

For the period from October 5, 2011 to December 31, 2011, LitePoint contributed \$28.4 million of revenues and had a \$(20.6) million loss from continuing operations before income taxes.

The following unaudited pro forma information gives effect to the acquisition of LitePoint as if the acquisition occurred on January 1, 2010. The unaudited pro forma results are not necessarily indicative of what actually would have occurred had the acquisition been in effect for the periods presented:

	<b>For the Year Ended</b>	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in thousands, except per share amounts)</b>	
Revenue .....	\$1,527,044	\$1,652,153
Income from continuing operations .....	\$ 357,060	\$ 309,549
Net income .....	\$ 382,976	\$ 314,972
Income from continuing operations per common share:		
Basic .....	<u>\$ 1.93</u>	<u>\$ 1.72</u>
Diluted .....	<u>\$ 1.56</u>	<u>\$ 1.42</u>
Net income per common share:		
Basic .....	<u>\$ 2.07</u>	<u>\$ 1.75</u>
Diluted .....	<u>\$ 1.67</u>	<u>\$ 1.44</u>

Pro forma results for the year ended December 31, 2010 include non-recurring expenses related to acquired inventory fair value adjustment of \$18.3 million and \$13.3 million of transaction fees incurred by both Teradyne and LitePoint.

## **G. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	<b>2012</b>	<b>2011</b>
	<b>(in thousands)</b>	
Land .....	\$ 16,561	\$ 16,561
Buildings .....	106,706	105,846
Machinery and equipment .....	606,414	556,661
Furniture and fixtures, and software .....	93,683	91,948
Leasehold improvements .....	29,585	25,898
Construction in progress .....	<u>3,425</u>	<u>1,280</u>
	856,374	798,194
Less: accumulated depreciation and amortization .....	<u>590,592</u>	<u>565,987</u>
	<u>\$265,782</u>	<u>\$232,207</u>

Depreciation and amortization of property, plant and equipment for the years ended December 31, 2012, 2011 and 2010 was \$55.0 million, \$51.0 million and \$52.8 million, respectively.

## **H. FINANCIAL INSTRUMENTS**

### **Cash Equivalents**

Teradyne considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

## Marketable Securities

Teradyne accounts for its investments in debt and equity securities in accordance with the provisions of ASC 320-10, “*Investments—Debt and Equity Securities*.” ASC 320-10 requires that certain debt and equity securities be classified into one of three categories; trading, available-for-sale or held-to-maturity securities. On a quarterly basis, Teradyne reviews its investments to identify and evaluate those that have an indication of a potential other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include:

- The length of time and the extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer; and
- The intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Teradyne uses the market and income approach techniques to value its financial instruments and there were no changes in valuation techniques during the years ended December 31, 2012, 2011 and 2010. As defined in ASC 820-10 “*Fair Value Measurements and Disclosures*”, fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets as of the reporting date.

Level 2: Inputs other than Level 1, that are observable either directly or indirectly as of the reporting date. For example, a common approach for valuing fixed income securities is the use of matrix pricing. Matrix pricing is a mathematical technique used to value securities by relying on the securities’ relationship to other benchmark quoted prices, and therefore is considered a Level 2 input.

Level 3: Unobservable inputs that are not supported by market data. Unobservable inputs are developed based on the best information available, which might include Teradyne’s own data.

Most of Teradyne’s fixed income securities are classified as Level 2, with the exception of U.S. Treasury securities and investments in equity and debt mutual funds, which are classified as Level 1, and contingent consideration, which is classified as Level 3. The majority of Level 2 securities are priced by third party pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available, use other observable inputs like market transactions involving identical or comparable securities.

There were no realized losses recorded in 2012, 2011 and 2010. Realized gains recorded in 2012, 2011 and 2010 were \$1.4 million, \$2.7 million and \$3.2 million, respectively. Realized gains are included in interest income. Unrealized gains and losses are included in accumulated other comprehensive income (loss). The cost of securities sold is based on the specific identification method.

During the years ended December 31, 2012 and 2011, there were no transfers in or out of Level 1, Level 2 or Level 3 financial instruments.

The following table sets forth by fair value hierarchy Teradyne's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2012 and 2011.

	December 31, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)			
<b>Assets</b>				
Cash .....	\$139,354	\$ —	\$ —	\$ 139,354
Cash equivalents .....	183,039	16,527	—	199,566
Available for sale securities:				
U.S. Treasury securities .....	312,116	—	—	312,116
U.S. government agency securities .....	—	217,655	—	217,655
Commercial paper .....	—	70,434	—	70,434
Corporate debt securities .....	—	55,755	—	55,755
Equity and debt mutual funds .....	9,717	—	—	9,717
Certificates of deposit and time deposits .....	—	1,627	—	1,627
Non-U.S. government securities .....	—	84	—	84
Total .....	<u>644,226</u>	<u>362,082</u>	<u>—</u>	<u>1,006,308</u>
Derivatives .....	—	121	—	121
Total .....	<u>\$644,226</u>	<u>\$362,203</u>	<u>\$ —</u>	<u>\$1,006,429</u>
<b>Liabilities</b>				
Contingent consideration .....	\$ —	\$ —	\$388	\$ 388
Total .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$388</u>	<u>\$ 388</u>

Reported as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
	(in thousands)			
<b>Assets</b>				
Cash and cash equivalents .....	\$322,393	\$ 16,527	\$ —	\$ 338,920
Marketable securities .....	239,192	192,324	—	431,516
Long-term marketable securities .....	82,641	153,231	—	235,872
Prepayments and other current assets .....	—	121	—	121
	<u>\$644,226</u>	<u>\$362,203</u>	<u>\$ —</u>	<u>\$1,006,429</u>
<b>Liabilities</b>				
Contingent consideration .....	\$ —	\$ —	\$388	\$ 388
	<u>\$ —</u>	<u>\$ —</u>	<u>\$388</u>	<u>\$ 388</u>

	December 31, 2011			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)			
<b>Assets</b>				
Cash .....	\$161,243	\$ —	\$ —	\$161,243
Cash equivalents .....	396,329	16,164	—	412,493
Available for sale securities:				
U.S. government agency securities .....	—	83,197	—	83,197
Corporate debt securities .....	—	44,829	—	44,829
Commercial paper .....	—	22,075	—	22,075
U.S. Treasury securities .....	14,180	—	—	14,180
Equity and debt mutual funds .....	8,237	—	—	8,237
Certificates of deposit and time deposits .....	—	8,117	—	8,117
Non-U.S. government securities .....	—	274	—	274
<b>Total .....</b>	<b><u>\$579,989</u></b>	<b><u>\$174,656</u></b>	<b><u>\$ —</u></b>	<b><u>\$754,645</u></b>
<b>Liabilities</b>				
Derivatives .....	\$ —	\$ 314	\$ —	\$ 314
Contingent consideration .....	—	—	68,892	68,892
<b>Total .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 314</u></b>	<b><u>\$68,892</u></b>	<b><u>\$ 69,206</u></b>

Reported as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
	(in thousands)			
<b>Assets</b>				
Cash and cash equivalents .....	\$557,572	\$ 16,164	\$ —	\$573,736
Marketable securities .....	9,044	87,458	—	96,502
Long-term marketable securities .....	13,373	71,034	—	84,407
	<u>\$579,989</u>	<u>\$174,656</u>	<u>\$ —</u>	<u>\$754,645</u>
<b>Liabilities</b>				
Other accrued liabilities .....	\$ —	\$ 314	\$ —	\$ 314
Contingent consideration .....	—	—	68,892	68,892
	<u>—</u>	<u>\$ 314</u>	<u>\$68,892</u>	<u>\$ 69,206</u>

Changes in the fair value of Level 3 contingent consideration for the year ended December 31, 2012 and December 31, 2011 were as follows:

	Contingent Consideration (in thousands)
Balance at December 31, 2010 .....	\$ —
Acquisition of LitePoint .....	68,892
Balance at December 31, 2011 .....	68,892
Fair value adjustment .....	(8,794)
Payments .....	(59,710)
Balance at December 31, 2012 .....	<u>\$ 388</u>



The carrying amounts and fair values of financial instruments at December 31, 2012 and 2011 were as follows:

	December 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Cash and cash equivalents	\$338,920	\$338,920	\$573,736	\$573,736
Marketable securities	667,388	667,388	180,909	180,909
Convertible debt (1)	169,896	589,000	156,098	485,925
Japan loan	3,491	3,491	6,431	6,431

(1) The carrying value represents the bifurcated debt component only, while the fair value is based on quoted market prices for the convertible note which includes the equity conversion feature.

The fair values of cash and cash equivalents, accounts receivable, net and accounts payable approximate the carrying amount due to the short term maturities of these instruments.

The following tables summarize the composition of available for sale marketable securities at December 31, 2012 and 2011:

	December 31, 2012				Fair Market Value of Investments with Unrealized Losses
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	
	(in thousands)				
U.S. Treasury securities	\$311,915	\$ 216	\$(15)	\$312,116	\$ 1,018
U.S. government agency securities	217,396	262	(3)	217,655	9,018
Commercial paper	70,431	9	(6)	70,434	25,209
Corporate debt securities	53,405	2,414	(64)	55,755	23,255
Equity and debt mutual funds	8,767	961	(11)	9,717	600
Certificates of deposit and time deposits	1,627	—	—	1,627	—
Non-U.S. government securities	84	—	—	84	—
	<u>\$663,625</u>	<u>\$3,862</u>	<u>\$(99)</u>	<u>\$667,388</u>	<u>\$59,100</u>

Reported as follows:

	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	Fair Market Value of Investments with Unrealized Losses
		(in thousands)			
Marketable securities	\$431,324	\$ 203	\$(11)	\$431,516	\$41,110
Long-term marketable securities	232,301	3,659	(88)	235,872	17,990
	<u>\$663,625</u>	<u>\$3,862</u>	<u>\$(99)</u>	<u>\$667,388</u>	<u>\$59,100</u>

December 31, 2011					
	Available-for-Sale			Fair Market Value	Fair Market Value of Investments with Unrealized Losses
	Cost	Unrealized Gain	Unrealized (Loss)		
(in thousands)					
U.S. government agency securities	\$ 83,070	\$ 152	\$ (25)	\$ 83,197	\$28,510
Corporate debt securities	43,077	1,893	(141)	44,829	17,033
Commercial paper	22,083	2	(10)	22,075	9,479
U.S. Treasury securities	14,141	39	—	14,180	—
Equity and debt mutual funds	7,876	477	(116)	8,237	3,749
Certificates of deposit and time deposits	8,122	—	(5)	8,117	5,800
Non-U.S. government securities	256	18	—	274	—
	<u>\$178,625</u>	<u>\$2,581</u>	<u>\$(297)</u>	<u>\$180,909</u>	<u>\$64,571</u>

Reported as follows:

	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	Fair Market Value of Investments with Unrealized Losses
Marketable securities	\$ 96,518	\$ 24	\$ (40)	\$ 96,502	\$35,595
Long-term marketable securities	82,107	2,557	(257)	84,407	28,976
	<u>\$178,625</u>	<u>\$2,581</u>	<u>\$(297)</u>	<u>\$180,909</u>	<u>\$64,571</u>

As of December 31, 2012, the fair market value of investments with unrealized losses totaled \$59.1 million. There were no unrealized losses greater than one year. As of December 31, 2011, the fair market value of investments with unrealized losses totaled \$64.6 million. Of this value, \$2.4 million had unrealized losses for greater than one year and \$62.2 million had unrealized losses for less than one year. Teradyne reviews its investments to identify and evaluate investments that have an indication of possible impairment. Based on this review, Teradyne determined that the unrealized losses related to these investments, at December 31, 2012 and 2011, were temporary.

The contractual maturities of investments held at December 31, 2012 were as follows:

	Cost	Fair Value
(in thousands)		
Due within one year	\$431,324	\$431,516
Due after 1 year through 5 years	208,754	209,902
Due after 5 years through 10 years	7,493	7,773
Due after 10 years	16,054	18,197
Total	<u>\$663,625</u>	<u>\$667,388</u>

## Derivatives

Teradyne conducts business in a number of foreign countries, with certain transactions denominated in local currencies. The purpose of Teradyne's foreign currency management is to minimize the effect of exchange rate fluctuations on certain foreign currency denominated net monetary assets. Teradyne does not use derivative financial instruments for trading or speculative purposes.

To minimize the effect of exchange rate fluctuations associated with the remeasurement of net monetary assets denominated in foreign currencies, Teradyne enters into foreign currency forward contracts. The change in

fair value of these derivatives is recorded directly in earnings, and is used to offset the change in value of the net monetary assets denominated in foreign currencies.

At December 31, 2012 and 2011, Teradyne had the following contracts to buy and sell non-U.S. currencies for U.S. dollars and other non-U.S. currencies with the following notional amounts:

	December 31, 2012			December 31, 2011		
	Buy Position	Sell Position	Net Total	Buy Position	Sell Position	Net Total
	(in millions)					
Japanese Yen	\$ —	\$36.3	\$ 36.3	\$ —	\$50.8	\$ 50.8
Taiwan Dollar	—	4.2	4.2	(0.8)	6.3	5.5
British Pound Sterling	—	5.5	5.5	—	10.1	10.1
Euro	(16.8)	1.3	(15.5)	(15.2)	2.1	(13.1)
Total	<u>\$(16.8)</u>	<u>\$47.3</u>	<u>\$ 30.5</u>	<u>\$(16.0)</u>	<u>\$69.3</u>	<u>\$ 53.3</u>

The fair value of the outstanding contracts was a gain of \$0.1 million and a loss of \$0.3 million at December 31, 2012 and 2011, respectively.

In 2012, Teradyne recorded net realized gains of \$4.0 million related to foreign currency forward contracts hedging net monetary positions. In 2011 and 2010, Teradyne recorded net realized losses of \$1.3 million and \$2.3 million, respectively, related to foreign currency forward contracts hedging net monetary positions. Gains and losses on foreign currency forward contracts and foreign currency remeasurement gains and losses on monetary assets and liabilities are included in interest expense and other.

The following table summarizes the fair value of derivative instruments as of December 31, 2012 and 2011:

	Balance Sheet Location	December 31, 2012	December 31, 2011
		(in thousands)	
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Prepayments and other current assets	\$121	\$ —
Foreign exchange contracts	Other accrued liabilities	—	314
Total derivatives		<u>\$121</u>	<u>\$314</u>

The following table summarizes the effect of derivative instruments in the statement of operations recognized for the years ended December 31, 2012, 2011 and 2010 (the table does not reflect the corresponding gain (loss) from the remeasurement of the balance sheet):

	Location of Gains (Losses) Recognized in Statement of Operations	December 31, 2012	December 31, 2011	December 31, 2010
		(in thousands)		
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Interest expense and other	\$3,974	\$(1,327)	\$(2,289)
Total derivatives		<u>\$3,974</u>	<u>\$(1,327)</u>	<u>\$(2,289)</u>

See Note I: "Debt" regarding derivatives related to the convertible senior notes.

## Concentration of Credit Risk

Financial instruments which potentially subject Teradyne to concentrations of credit risk consist principally of cash equivalents, marketable securities, forward currency contracts and accounts receivable. Teradyne's cash equivalents consist primarily of money market funds invested in U.S. Treasuries and government agencies. Teradyne's fixed income available-for-sale marketable securities have a minimum rating of AA by one or more of the major credit rating agencies. Teradyne places foreign currency forward contracts with high credit-quality financial institutions in order to minimize credit risk exposure. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of geographically dispersed customers. Teradyne performs ongoing credit evaluations of its customers' financial condition and from time to time may require customers to provide a letter of credit from a bank to secure accounts receivable.

## I. DEBT

Long-term debt at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Convertible senior notes .....	\$169,896	\$156,098
Japan loan .....	3,491	6,431
Total debt .....	<u>173,387</u>	<u>162,529</u>
Current portion of long-term debt .....	<u>2,328</u>	<u>2,573</u>
Long-term debt .....	<u>\$171,059</u>	<u>\$159,956</u>

The debt principal payments for the next 5 years and thereafter are as follows:

<u>Payments Due by Period</u>	<u>Debt Principal Payment</u>
	(in thousands)
2013 .....	\$ 2,328
2014 .....	191,163
2015 .....	—
2016 .....	—
2017 .....	—
Beyond 2017 .....	—
Total .....	<u>\$193,491</u>

## Loan Agreement

On March 31, 2009, Teradyne K.K., Teradyne's wholly-owned subsidiary in Japan, entered into a loan agreement with a local bank in Japan to borrow approximately \$10.0 million (the loan is denominated in Japanese Yen). The loan has a term of 5 years and a fixed interest rate of 0.8%. Approximately \$6.0 million of the loan is collateralized by a real estate mortgage on Teradyne K.K.'s building and land in Kumamoto, Japan (which had a net book value of \$12.3 million as of December 31, 2012) and approximately \$4.0 million is unsecured. Teradyne, Inc. has guaranteed payment of the loan obligation. The loan is amortized over the term of the loan with semi-annual principal payments of approximately \$1 million payable on September 30 and March 30 each year. At December 31, 2012, approximately \$2.3 million of the outstanding loan principal is included in current debt and approximately \$1.2 million is classified as long-term debt.

## Convertible Senior Notes

On March 31, 2009, Teradyne entered into an underwriting agreement regarding a public offering of \$175.0 million aggregate principal amount of 4.50% convertible senior notes due March 15, 2014 (the "Notes").

On April 1, 2009, the underwriters exercised their option to purchase an additional \$15.0 million aggregate principal amount of the Notes for a total aggregate principal amount of \$190.0 million. The Notes bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2009. The Notes will mature on March 15, 2014, unless earlier repurchased by Teradyne or converted. The Notes are senior unsecured obligations and rank equally with all of Teradyne's existing and future senior debt and senior to any of Teradyne's subordinated debt.

The Notes may be converted, under certain circumstances and during certain periods, at an initial conversion rate of approximately 182.65 shares of Teradyne's common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$5.48, a 25% conversion premium based on the last reported sale price of \$4.38 per share of Teradyne's common stock on March 31, 2009. The conversion rate is subject to adjustment in certain circumstances.

Holder may convert their Notes at their option prior to the close of business on the business day immediately preceding December 15, 2013, under the following circumstances: (1) during the five business-day period after any five consecutive trading day period (the "measurement period") in which the price per Note for each day of that measurement period was less than 98% of the product of the last reported sale price of Teradyne's common stock and the conversion rate for such date; (2) during any calendar quarter, if the last reported sale price of Teradyne's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the applicable conversion price in effect on the last trading day of the immediately preceding calendar quarter; or (3) upon the occurrence of certain specified events. Additionally, the Notes are convertible during the last three months prior to the March 15, 2014 maturity date. Upon conversion, holders will receive, at Teradyne's option, shares of Teradyne common stock, cash or a combination of cash and shares of Teradyne common stock, subject to Teradyne's option to irrevocably elect to settle all future conversions in cash up to the principal amount of the Notes and shares of common stock for any excess.

During each calendar quarter of 2012 and 2011, one of the above described circumstances that allows holders to convert their Notes at their option prior to December 15, 2013 had occurred (the last reported sale price of Teradyne's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeded 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter). As of February 28, 2013, one holder exercised the option to convert two thousand dollars worth of Notes.

Teradyne may not redeem the Notes prior to their maturity. Holders of the Notes may require Teradyne to purchase in cash all or a portion of their Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, upon the occurrence of certain fundamental changes involving Teradyne (which include, among others, the liquidation or dissolution of Teradyne, the acquisition of 50% or more of the total voting shares of Teradyne, certain mergers and consolidations, and the delisting of Teradyne's stock).

Concurrently with the offering of the Notes, Teradyne entered into a convertible note hedge transaction with a strike price equal to the initial conversion price of the Notes, or approximately \$5.48. The convertible note hedge allows Teradyne to receive shares of its common stock and/or cash related to the excess conversion value that it would pay to the holders of the Notes upon conversion. The convertible note hedges will cover, subject to customary antidilution adjustments, approximately 34,703,196 shares of Teradyne's common stock. Teradyne paid approximately \$64.6 million for the convertible note hedges.

Separately, Teradyne entered into a warrant transaction with a strike price of approximately \$7.67 per share, which is 75% higher than the closing price of Teradyne's common stock on March 31, 2009. The warrants will be net share settled and will cover, subject to customary antidilution adjustments, approximately 34,703,196 shares of Teradyne's common stock. Teradyne received approximately \$43.0 million for the warrants.

The convertible note hedge and warrant transaction will generally have the effect of increasing the conversion price of the Notes to approximately \$7.67 per share of Teradyne’s common stock, representing a 75% conversion premium based upon the closing price of Teradyne’s common stock on March 31, 2009.

On April 6, 2009, Teradyne completed its registered public offering of the \$190.0 million aggregate principal amount convertible senior notes and settled the related convertible bond hedge and warrant transaction and received approximately \$163.0 million as a result of these financing transactions.

Teradyne considered the guidance of ASC 815-40, “*Derivatives and Hedging—Contracts in Entity’s Own Equity*” and concluded that the convertible note hedge is both indexed to Teradyne’s stock and should be classified in stockholders’ equity in its statement of financial position. The convertible note hedge is considered indexed to Teradyne’s stock as the terms of the convertible note hedge do not contain an exercise contingency and the settlement amount equals the difference between the fair value of a fixed number of Teradyne’s shares and a fixed strike price. Because the only variable that can affect the settlement amount is Teradyne’s stock price, which is an input to the fair value of a fixed-for-fixed option contract, the convertible note hedge is considered indexed to Teradyne’s stock.

Teradyne assessed whether the convertible note hedge should be classified as equity under ASC 815-40. In the convertible note hedge contract the settlement terms permit net cash settlement or net share settlement, at the option of Teradyne. Therefore, the criteria as set forth in ASC 815-40 were evaluated by Teradyne. In reviewing the criteria, Teradyne noted the following: (1) the convertible note hedge does not require Teradyne to issue shares; (2) there are no cash payments for failure to make timely filings with the SEC; (3) in the case of termination, the convertible note hedge is settled in the same consideration as the holders of the underlying stock; (4) the counterparty does not have rights that rank higher than those of a shareholder of the stock underlying the convertible note hedge; and (5) there is no requirement to post collateral. Based on its analysis of those criteria, Teradyne concluded that the convertible note hedge should be recorded in equity and no further adjustment should be made in future periods to adjust the value of the convertible note hedge.

Teradyne analyzed the warrant transaction under ASC 815-40, “*Derivatives and Hedging – Contracts in Entity’s Own Equity*” and other relevant literature, and determined that it met the criteria for classification as an equity transaction and is considered indexed to Teradyne’s stock. As a result, Teradyne recorded the proceeds from the warrants as an increase to additional paid-in capital. Teradyne does not recognize subsequent changes in fair value of the warrant in its financial statements.

The provisions of ASC 470-20, “*Debt with Conversion and Other Options*” are applicable to the Notes. ASC 470-20 requires Teradyne to separately account for the liability (debt) and equity (conversion feature) components of the Notes in a manner that reflects Teradyne’s nonconvertible debt borrowing rate at the date of issuance when interest cost is recognized in subsequent periods. Teradyne allocated \$63.4 million of the \$190.0 million principal amount of the Notes to the equity component, which represents a discount to the debt and will be amortized into interest expense using the effective interest method through March 2014. Accordingly, Teradyne’s effective annual interest rate on the Notes will be approximately 14.5%. The Notes are classified as long-term debt in the balance sheet based on their March 15, 2014 maturity date. Debt issuance costs of approximately \$4.1 million are being amortized to interest expense over the five year term of the Notes. As of December 31, 2012, debt issuance costs were approximately \$1.0 million.

The below tables represent the key components of Teradyne’s convertible senior notes:

	December 31, 2012	December 31, 2011
	(in thousands)	
Debt principal . . . . .	\$190,000	\$190,000
Unamortized discount . . . . .	20,104	33,902
Net carrying amount of the convertible debt . . . . .	<u>\$169,896</u>	<u>\$156,098</u>

	For the year ended	
	December 31, 2012	December 31, 2011
	(in thousands)	
Contractual interest expense on the coupon . . . . .	\$ 8,550	\$ 8,550
Amortization of the discount component and debt issue fees recognized as interest expense . . . . .	14,612	12,853
Total interest expense on the convertible debt . . . . .	<u>\$23,162</u>	<u>\$21,403</u>

As of December 31, 2012, the unamortized discount was \$20.1 million, which will be amortized over approximately 1.25 years, and the carrying amount of the equity component was \$63.4 million. As of December 31, 2012, the conversion rate was equal to the initial conversion price of approximately \$5.48 per share and the if-converted value of the Notes was \$586.1 million.

**J. ACCUMULATED OTHER COMPREHENSIVE INCOME**

At December 31, 2012 and 2011, the accumulated other comprehensive income balances were as follows:

	2012	2011
	(in thousands)	
Retirement plans prior service credit, net of tax of \$(125) and \$9 . . . . .	\$2,895	\$3,128
Unrealized gain on marketable securities, net of tax of \$835 and \$666 . . . . .	2,925	1,618
Total accumulated other comprehensive income . . . . .	<u>\$5,820</u>	<u>\$4,746</u>

**K. GOODWILL AND INTANGIBLE ASSETS**

**Goodwill**

Teradyne performs its annual goodwill impairment test as required under the provisions of ASC 350-10, “Intangibles — Goodwill and Other” on December 31 of each fiscal year unless interim indicators of impairment exist. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. Fair values are estimated using a discounted cash flow methodology.

Teradyne performed its 2012 and 2011 annual goodwill impairment test at the Wireless Test reporting unit level which is an operating and reportable segment and the only operating and reportable segment that has goodwill. There was no impairment.

During 2012, Teradyne recorded a \$3.5 million decrease in goodwill and a \$3.5 million increase in income tax receivable.

The changes in the carrying amount of goodwill by reporting units for the years ended December 31, 2012 and 2011 are as follows:

	Semiconductor Test	Systems Test Group	Wireless Test	Total
	(in thousands)			
Balance at December 31, 2010:				
Goodwill	\$ 260,540	\$ 148,183	\$ —	\$ 408,723
Accumulated impairment losses	(260,540)	(148,183)	—	(408,723)
	—	—	—	—
Activity during the year	—	—	352,778	352,778
Balance at December 31, 2011:				
Goodwill	260,540	148,183	352,778	761,501
Accumulated impairment losses	(260,540)	(148,183)	—	(408,723)
	—	—	352,778	352,778
Activity during the year	—	—	(3,506)	(3,506)
Balance at December 31, 2012:				
Goodwill	260,540	148,183	349,272	757,995
Accumulated impairment losses	(260,540)	(148,183)	—	(408,723)
	\$ —	\$ —	\$349,272	\$ 349,272

### Intangible Assets

Amortizable intangible assets consist of the following and are included in intangible assets, net on the balance sheets:

	December 31, 2012			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
	(in thousands)			
Developed technology	\$357,555	\$143,126	\$214,429	6.3 years
Customer relationships and service and software maintenance contracts	144,971	63,464	81,507	8.0 years
Tradenames and trademarks	33,840	10,909	22,931	9.0 years
Customer backlog	1,000	1,000	—	0.4 years
Total intangible assets	\$537,366	\$218,499	\$318,867	7.0 years
	December 31, 2011			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
	(in thousands)			
Developed technology	\$358,155	\$ 91,391	\$266,764	6.3 years
Customer relationships and service and software maintenance contracts	144,971	45,230	99,741	8.0 years
Tradenames and trademarks	33,840	7,370	26,470	9.0 years
Customer backlog	1,000	1,000	—	0.4 years
Total intangible assets	\$537,966	\$144,991	\$392,975	7.0 years



During the year ended December 31, 2012, Teradyne reduced the gross amount of intangible assets by \$0.6 million for the excess tax benefit realized due to the exercise of stock options vested as of the Nextest acquisition date.

Aggregate intangible assets amortization expense for the years ended December 31, 2012, 2011 and 2010 was \$73.5 million, \$40.5 million, and \$29.3 million, respectively. Estimated intangible assets amortization expense for each of the five succeeding fiscal years is as follows:

<u>Year</u>	<u>Amortization Expense</u> (in thousands)
2013 .....	\$72,132
2014 .....	69,102
2015 .....	52,351
2016 .....	52,351
2017 .....	46,193

## L. COMMITMENTS AND CONTINGENCIES

### Purchase Commitments

As of December 31, 2012, Teradyne had entered into non-cancelable purchase commitments for certain components and materials. The purchase commitments covered by the agreements aggregate to approximately \$210.0 million.

### Commitments

Rental expense for the years ended December 31, 2012, 2011 and 2010 was \$15.5 million, \$13.4 million and \$12.9 million, respectively.

Teradyne leases portions of its office and operating facilities under various operating lease arrangements. The following table reflects Teradyne's non-cancelable operating lease commitments:

	<u>Non-cancelable Lease Commitments</u> (in thousands)
2013 .....	\$14,174
2014 .....	12,024
2015 .....	9,770
2016 .....	7,761
2017 .....	3,749
Beyond 2017 .....	<u>7,437</u>
Total .....	\$54,915

### Legal Claims

Teradyne is subject to legal proceedings, claims and investigations that arise in the ordinary course of business such as, but not limited to, patent, employment, commercial and environmental matters. Teradyne believes that it has meritorious defenses against all pending claims and intends to vigorously contest them. While it is not possible to predict or determine the outcomes of any pending claims or to provide possible ranges of losses that may arise, Teradyne believes the potential losses associated with all of these actions are unlikely to have a material adverse effect on its business, financial position or results of operations.

## **Guarantees and Indemnification Obligations**

Teradyne provides indemnification, to the extent permitted by law, to its officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee, or agent, is or was serving, at Teradyne's request in such capacity. Teradyne has entered into indemnification agreements with certain of its officers and directors. With respect to acquisitions, Teradyne provides indemnifications to or assumes indemnification obligations for the current and former directors, officers and employees of the acquired companies in accordance with the acquired companies' bylaws and charter. As a matter of practice, Teradyne has maintained directors' and officers' liability insurance coverage including coverage for directors and officers of acquired companies.

Teradyne enters into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require Teradyne to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to Teradyne's products. From time to time, Teradyne also indemnifies customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, breach of confidentiality obligations and environmental claims relating to the use of Teradyne's products and services or resulting from the acts or omissions of Teradyne, its employees, authorized agents or subcontractors. On occasion, Teradyne has also provided guarantees to customers regarding the delivery and performance of its products in addition to the warranty described below.

As a matter of ordinary business course, Teradyne warrants that its products, including software products, will substantially perform in accordance with its standard published specifications in effect at the time of delivery. Most warranties have a one year duration commencing from installation. A provision is recorded upon revenue recognition to cost of revenue for estimated warranty expense based upon historical experience. When Teradyne receives revenue for extended warranties beyond the standard duration, it is deferred and recognized on a straight line basis over the contract period. Related costs are expensed as incurred. As of December 31, 2012 and 2011, Teradyne had a product warranty accrual of \$9.8 million and \$8.2 million, respectively, included in other accrued liabilities, and revenue deferrals related to extended warranties of \$27.0 million and \$12.7 million, respectively, included in short and long-term deferred revenue and customer advances.

In addition, and in the ordinary course of business, Teradyne provides minimum purchase guarantees to certain of its vendors to ensure continuity of supply against the market demand. Although some of these guarantees provide penalties for cancellations and/or modifications to the purchase commitments as the market demand decreases, most of the guarantees do not. Therefore, as the market demand decreases, Teradyne re-evaluates these guarantees and determines what charges, if any, should be recorded.

With respect to its agreements covering product, business or entity divestitures and acquisitions, Teradyne provides certain representations, warranties and covenants to purchasers and agrees to indemnify and hold such purchasers harmless against breaches of such representations, warranties and covenants. Many of the indemnification claims have a definite expiration date while some remain in force indefinitely. With respect to its acquisitions, Teradyne may, from time to time, assume the liability for certain events or occurrences that took place prior to the date of acquisition.

As a matter of ordinary course of business, Teradyne occasionally guarantees certain indebtedness obligations of its subsidiary companies, limited to the borrowings from financial institutions, purchase commitments to certain vendors, and lease commitments to landlords.

Based on historical experience and information known as of December 31, 2012 and 2011, except for product warranty, Teradyne has not recorded any liabilities for these guarantees and obligations as of December 31, 2012 and 2011 because the amount would be immaterial.

## M. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income (loss) per common share from continuing and discontinued operations:

	2012	2011	2010
	(in thousands, except per share amounts)		
Income from continuing operations	\$217,049	\$343,957	\$379,692
Income from discontinued operations	—	1,545	5,128
Gain on disposal of discontinued operations	—	24,371	—
Net income or basic net income per share	217,049	369,873	384,820
Income impact of assumed conversion of convertible notes (1)	—	—	13,203
Net income for diluted net income per share	<u>\$217,049</u>	<u>\$369,873</u>	<u>\$398,023</u>
Weighted average common shares-basic	186,878	184,683	179,924
Effect of dilutive potential common shares:			
Incremental shares from assumed conversion of convertible notes (2)	22,367	21,504	30,848
Convertible note hedge warrant shares (3)	17,433	16,224	10,492
Restricted stock units	2,291	3,773	5,001
Stock options	1,213	566	443
Employee stock purchase rights	64	70	99
Dilutive potential common shares	<u>43,368</u>	<u>42,137</u>	<u>46,883</u>
Weighted average common shares-diluted	<u>230,246</u>	<u>226,820</u>	<u>226,807</u>
Net income per common shares-basic:			
Continuing operations	\$ 1.16	\$ 1.86	\$ 2.11
Discontinued operations	—	0.14	0.03
	<u>\$ 1.16</u>	<u>\$ 2.00</u>	<u>\$ 2.14</u>
Net income per common shares-diluted:			
Continuing operations	\$ 0.94	\$ 1.52	\$ 1.73
Discontinued operations	—	0.11	0.02
	<u>\$ 0.94</u>	<u>\$ 1.63</u>	<u>\$ 1.75</u>

- (1) Income impact of convertible notes for 2010 represents interest expense that would have not been recorded if the notes converted at the beginning of the period.
- (2) Incremental shares from assumed conversion of the convertible notes for 2012 and 2011 are calculated using the difference between the average Teradyne stock price for the period and the conversion price of \$5.48, multiplied by the 34.7 million shares that will be issued upon conversion. The result of this calculation, representing the total intrinsic value of the convertible debt, is divided by the average Teradyne stock price for the period. For 2010, incremental shares from assumed conversion of the convertible notes represent the 34.7 million of shares that will be issued upon conversion.
- (3) Convertible notes hedge warrant shares for 2012, 2011 and 2010 are calculated using the difference between the average Teradyne stock price for the period and the warrant price of \$7.67, multiplied by the 34.7 million shares that will be issued upon conversion. The result of this calculation, representing the total intrinsic value of the warrant, is divided by the average Teradyne stock price for the period. Teradyne's call option on its common stock (convertible note hedge transaction) is excluded from the calculation of diluted shares because the effect would be anti-dilutive. See Note I: "Debt" regarding convertible note hedge transaction.

The computation of diluted net income per common share for 2012 excludes the effect of the potential exercise of stock options to purchase approximately 0.3 million shares and restricted stock units to purchase approximately 0.3 million shares because the effect would have been anti-dilutive.

The computation of diluted net income per common share for 2011 excludes the effect of the potential exercise of stock options to purchase approximately 0.7 million shares because the effect would have been anti-dilutive.

The computation of diluted net income per common share for 2010 excludes the effect of the potential exercise of stock options to purchase approximately 5.3 million shares because the effect would have been anti-dilutive.

With respect to Teradyne's convertible debt, Teradyne intends to settle its conversion spread (i.e., the intrinsic value of the embedded option feature contained in the convertible debt) in shares. Teradyne accounts for its conversion spread using the treasury stock method. In the fourth quarter of 2010, Teradyne determined that it had the ability and intent to settle the principal amount of the convertible debt in cash, accordingly as of the fourth quarter of 2010, the principal amount has been excluded from the determination of diluted earnings per share.

## **N. RESTRUCTURING AND OTHER**

### **Other**

During the year ended December 31, 2012, due to a decrease in specified new product revenue through the December 31, 2012 earn-out period end date, Teradyne recorded an \$8.8 million fair value adjustment to decrease the LitePoint acquisition contingent consideration. The \$68.5 million decrease in the contingent consideration liability from December 31, 2011 is due to \$59.7 million in payments and an \$8.8 million fair value decrease.

During the year ended December 31, 2011, Teradyne recorded \$5.8 million of other charges in which \$4.6 million related to acquisition costs and \$1.2 million related to a non-U.S pension settlement.

During the year ended December 31, 2010, Teradyne had \$3.0 million of other gains related to non-U.S pension settlements.

### **Restructuring**

In response to a downturn in the industry in 2008 and 2009, Teradyne initiated restructuring activities across its Semiconductor Test and Systems Test Group segments to reduce costs, principally through headcount reductions and facility consolidations. The remaining accrual for severance and benefits of \$0.2 million is reflected in the accrued employees' compensation and withholdings account on the balance sheet and is expected to be paid by June 2013. The remaining accrual for lease payments on vacated facilities of \$1.1 million is

reflected in the other accrued liabilities account and is expected to be paid over the next twelve months. As of December 31, 2012, Teradyne has subleased approximately 37% of its unoccupied space.

	<u>Severance and Benefits</u>	<u>Facility Exit Costs</u>	<u>Total</u>
	(in thousands)		
<b>Pre-2010 Activities</b>			
Balance at December 31, 2009 .....	\$ 2,905	\$10,056	\$12,961
Change in estimate .....	240	(2,672)	(2,432)
Cash payments .....	<u>(3,145)</u>	<u>(4,121)</u>	<u>(7,266)</u>
Balance at December 31, 2010 .....	—	3,263	3,263
Change in estimate .....	—	(485)	(485)
Cash payments .....	<u>—</u>	<u>(916)</u>	<u>(916)</u>
Balance at December 31, 2011 .....	—	1,862	1,862
Cash payments .....	<u>—</u>	<u>(778)</u>	<u>(778)</u>
Balance at December 31, 2012 .....	<u>\$ —</u>	<u>\$ 1,084</u>	<u>\$ 1,084</u>
<b>2010 Activities</b>			
<b>Q1 2010 Activity:</b>			
Provision .....	\$ 405	\$ —	\$ 405
Cash payments .....	<u>(405)</u>	<u>—</u>	<u>(405)</u>
Balance at December 31, 2010 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Q2 2010 Activities:</b>			
Provision .....	\$ 890	\$ —	\$ 890
Cash payments .....	<u>(402)</u>	<u>—</u>	<u>(402)</u>
Balance at December 31, 2010 .....	<u>488</u>	<u>—</u>	<u>488</u>
Change in estimate .....	202	—	202
Cash payments .....	<u>(690)</u>	<u>—</u>	<u>(690)</u>
Balance at December 31, 2011 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Q3 2010 Activity:</b>			
Provision .....	\$ 382	\$ —	\$ 382
Cash payments .....	(72)	—	(72)
Other .....	<u>(184)</u>	<u>—</u>	<u>(184)</u>
Balance at December 31, 2010 .....	126	—	126
Change in estimate .....	(47)	—	(47)
Cash payments .....	<u>(79)</u>	<u>—</u>	<u>(79)</u>
Balance at December 31, 2011 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Q4 2010 Activity:</b>			
Provision .....	\$ 98	\$ —	\$ 98
Balance at December 31, 2010 .....	98	—	98
Provision .....	117	—	117
Cash payments .....	<u>(215)</u>	<u>—</u>	<u>(215)</u>
Balance at December 31, 2011 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

	<u>Severance and Benefits</u>	<u>Facility Exit Costs</u>	<u>Total</u>
	(in thousands)		
<b>2011 Activities</b>			
<b><i>Q1 2011 Activity:</i></b>			
Provision .....	\$ 572	\$ —	\$ 572
Cash payments .....	(476)	—	(476)
Balance at December 31, 2011 .....	96	—	96
Cash payments .....	(96)	—	(96)
Balance at December 31, 2012 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b><i>Q2 2011 Activities:</i></b>			
Provision .....	\$ 344	\$ —	\$ 344
Cash payments .....	(115)	—	(115)
Balance at December 31, 2011 .....	229	—	229
Cash payments .....	(229)	—	(229)
Balance at December 31, 2012 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>2012 Activities</b>			
<b><i>Q2 2012 Activities:</i></b>			
Provision .....	\$ 286	\$ —	\$ 286
Change in estimate .....	(4)	—	(4)
Cash payments .....	(282)	—	(282)
Balance at December 31, 2012 .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b><i>Q3 2012 Activity:</i></b>			
Provision .....	\$ 687	\$ —	\$ 687
Cash payments .....	(444)	—	(444)
Balance at December 31, 2012 .....	<u>\$ 243</u>	<u>\$ —</u>	<u>\$ 243</u>
Balance at December 31, 2012 .....	<u>\$ 243</u>	<u>\$1,084</u>	<u>\$1,327</u>

During the year ended December 31, 2012, Teradyne recorded the following restructuring activities:

**Q2 2012 Actions:**

- \$0.3 million of severance charges related to headcount reductions of 10 people in Semiconductor Test.

**Q3 2012 Actions:**

- \$0.7 million of severance charges related to headcount reductions of 9 people, of which \$0.5 million and 7 people were in Systems Test Group and \$0.2 million and 2 people in Wireless Test.

During the year ended December 31, 2011, Teradyne recorded the following restructuring activities:

**Q1 2011 Actions:**

- \$0.6 million of severance charges related to headcount reductions of 5 people in Semiconductor Test.

**Q2 2011 Actions:**

- \$0.3 million of severance charges related to headcount reductions of 2 people in Semiconductor Test.

**Q2 2010 Actions:**

- \$0.2 million related to a change in the estimated severance benefits related to headcount reductions in Semiconductor Test.

Q4 2010 Actions:

- \$0.1 million of severance charges related to headcount reductions in Semiconductor Test.

Pre-2010 Actions:

- \$(0.5) million credit related to changes in the estimated exit costs related to the Westford, MA and Poway, CA facilities in Systems Test Group, and the North Reading, MA facility in Semiconductor Test and Systems Test Group.

During the year ended December 31, 2010, Teradyne recorded the following restructuring activities:

Q1 2010 Actions:

- \$0.4 million of severance charges related to headcount reductions of approximately 4 people in Semiconductor Test.

Q2 2010 Actions:

- \$0.9 million of severance charges related to headcount reductions of approximately 6 people in Systems Test Group.

Q3 2010 Actions:

- \$0.4 million of severance charges related to headcount reductions of approximately 10 people in Systems Test Group.

Q4 2010 Actions:

- \$0.1 million of severance charges related to the headcount reduction of 1 person in Systems Test Group.

Pre-2010 Actions:

- \$(2.7) million credit related to the early exit of previously impaired leased facilities in Westford, Massachusetts.
- \$0.5 million and \$(0.2) million related to a change in the estimated severance benefits related to headcount reduction activities in Semiconductor Test and Systems Test Group, respectively.

## O. RETIREMENT PLANS

ASC 715, “*Compensation — Retirement Benefits*” requires an employer with defined benefit plans or other postretirement benefit plans to recognize an asset or a liability on its balance sheet for the overfunded or underfunded status of the plans as defined by ASC 715. The pension asset or liability represents a difference between the fair value of the pension plan’s assets and the projected benefit obligation at December 31.

### Defined Benefit Pension Plans

Teradyne has defined benefit pension plans covering a portion of domestic employees and employees of certain non-U.S. subsidiaries. Benefits under these plans are based on employees’ years of service and compensation. Teradyne’s funding policy is to make contributions to the plans in accordance with local laws and to the extent that such contributions are tax deductible. The assets of these plans consist primarily of fixed income and equity securities. In addition, Teradyne has an unfunded supplemental executive defined benefit plan in the United States to provide retirement benefits in excess of levels allowed by the Employment Retirement Income Security Act (“ERISA”) and the Internal Revenue Code (the “IRC”), as well as unfunded qualified foreign plans.

Teradyne uses a December 31 measurement date for all of its plans. The December 31 balances of these defined benefit pension plans assets and obligations are shown below:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
<b>Assets and Obligations</b>		
<b>Change in benefit obligation:</b>		
Projected benefit obligation:		
Beginning of year	\$390,278	\$337,796
Service cost	2,787	2,735
Interest cost	15,670	17,466
Actuarial loss	31,912	54,248
Benefits paid	(65,650)	(13,260)
Curtailment	—	210
Settlement	—	(7,637)
Transfers	—	(564)
Non-U.S. currency movement	1,501	(716)
End of year	<u>376,498</u>	<u>390,278</u>
<b>Change in plan assets:</b>		
Fair value of plan assets:		
Beginning of year	339,580	294,988
Company contributions	3,306	10,169
Plan participants' contributions	108	51
Actual return on plan assets	24,621	55,345
Benefits paid	(65,650)	(13,260)
Settlement	—	(7,637)
Non-U.S. currency movement	934	(76)
End of year	<u>302,899</u>	<u>339,580</u>
Funded status	<u>\$ (73,599)</u>	<u>\$ (50,698)</u>

During the year ended December 31, 2012, Teradyne offered to certain former U.S. employees the option to receive their vested pension benefit as a one-time, lump sum payment. Approximately 2,000 former employees elected to receive a one-time, lump sum payment. Total one-time, lump sum payments were approximately \$52.0 million.

The following table provides amounts recorded within the account line items of the statement of financial position as of December 31:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Retirement plans assets	\$ 3,282	\$ 8,840
Accrued employees' compensation and withholdings	(2,810)	(2,524)
Retirement plans liabilities	<u>(74,071)</u>	<u>(57,014)</u>
Funded status	<u>\$ (73,599)</u>	<u>\$ (50,698)</u>



The following table provides amounts recognized in accumulated other comprehensive income (loss) as of December 31:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Prior service cost .....	\$656	\$ 888
Total recognized in other comprehensive income (loss), before tax .....	<u>656</u>	<u>888</u>
Deferred taxes .....	<u>321</u>	<u>236</u>
Total recognized in other comprehensive income (loss), net of tax .....	<u>\$977</u>	<u>\$1,124</u>

The estimated portion of prior service cost remaining in accumulated other comprehensive income (loss) that is expected to be recognized as a component of net periodic pension cost in 2013 is \$0.2 million.

The accumulated benefit obligation for all defined benefit pension plans was \$360.4 million and \$370.1 million at December 31, 2012 and 2011, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of December 31:

	<u>2012</u>	<u>2011</u>
	(in millions)	
Projected benefit obligation .....	\$75.6	\$60.2
Accumulated benefit obligation .....	65.7	52.2
Fair value of plan assets .....	0.8	0.7

### **Expense**

For the years ended December 31, 2012, 2011 and 2010, Teradyne's net periodic pension cost was comprised of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
<b>Components of Net Periodic Pension Cost:</b>			
Service cost .....	\$ 2,787	\$ 2,735	\$ 3,655
Interest cost .....	15,670	17,466	17,716
Expected return on plan assets .....	(15,946)	(15,602)	(17,585)
Amortization of prior service cost .....	232	621	726
Net actuarial loss (gain) .....	23,237	12,583	(469)
Settlement loss (gain) .....	<u>—</u>	<u>1,567</u>	<u>(3,113)</u>
Total net periodic pension cost .....	<u>\$ 25,980</u>	<u>\$ 19,370</u>	<u>\$ 930</u>
<b>Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:</b>			
Reversal of amortization items:			
Prior service cost .....	<u>(232)</u>	<u>(621)</u>	<u>(726)</u>
Total recognized in other comprehensive income .....	<u>(232)</u>	<u>(621)</u>	<u>(726)</u>
Total recognized in net periodic pension cost and other comprehensive income .....	<u>\$ 25,748</u>	<u>\$ 18,749</u>	<u>\$ 204</u>

**Weighted Average Assumptions to Determine Net Periodic Pension Cost at January 1**

	United States Plans			Foreign Plans		
	2012	2011	2010	2012	2011	2010
Discount rate .....	4.2%	5.3%	5.8%	4.9%	5.0%	5.4%
Expected return on plan assets .....	5.0	5.5	7.5	3.1	3.5	3.7
Salary progression rate .....	3.0	4.0	4.0	3.4	4.0	4.2

**Weighted Average Assumptions to Determine Pension Obligations at December 31**

	United States Plans		Foreign Plans	
	2012	2011	2012	2011
Discount rate .....	3.6%	4.2%	3.7%	4.9%
Salary progression rate .....	3.0	3.0	3.5	3.4

In developing the expected return on plan assets assumption, Teradyne evaluates input from its investment manager and pension consultants, including their review of asset class return expectations. Based on this review, Teradyne believes that 5.0% was an appropriate rate to use for fiscal 2012 for the U.S. Qualified Pension Plan (“U.S. Plan”).

Effective January 1, 2012, Teradyne has elected to immediately recognize net actuarial gains and losses and the change in the fair value of the plan assets in its operating results in the year in which they occur or upon any interim rereasurement of the plans. In addition, Teradyne used to calculate the expected return on plan assets using a calculated market-related value of plan assets. Effective January 1, 2012, Teradyne elected to calculate the expected return on plan assets using the fair value of the plan assets.

The discount rate utilized to determine future pension obligations for the U.S. Plan is based on Citigroup Pension Index adjusted for the plan’s expected cash flows and was 3.6% at December 31, 2012, down from 4.2% at December 31, 2011.

**Plan Assets**

As of December 31, 2012, the fair value of Teradyne’s pension plans’ assets totaled \$302.9 million of which \$278.9 million was related to the U.S. Plan, \$23.2 million was related to the U.K. defined benefit pension plan, and \$0.8 million was related to the Taiwan defined benefit pension plan. Teradyne’s pension plans’ assets consisted primarily of investments in fixed-income and equity securities. Substantially all our pension plan assets are held in individual trusts, which were established for the investment of assets of Teradyne’s sponsored retirement plans.

Teradyne’s weighted average pension asset allocation at December 31, 2012 and 2011, by asset category is as follows:

	United States Plan		Foreign Plans	
	2012	2011	2012	2011
Fixed Income Securities .....	85.8%	86.7%	49.2%	49.7%
Equity Securities .....	13.0	12.3	49.6	48.3
Other .....	1.2	1.0	1.2	2.0
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The assets of the U.S. Plan are overseen by the Teradyne Fiduciary Committee which is comprised of members of senior management drawn from appropriate diversified levels of the management team. The

Fiduciary Committee is responsible for setting the policy that provides the framework for management of the U.S. Plan assets. In accordance with its responsibilities, the Fiduciary Committee meets on a regular basis to review the performance of the U.S. Plan assets and compliance with the investment policy. The policy sets forth an investment structure for managing U.S. Plan assets, including setting the asset allocation ranges, which are expected to provide an appropriate level of overall diversification required to maximize the long-term return on plan assets for a prudent and reasonable level of risk given prevailing market conditions, total investment return over the long term, and preservation of capital, while maintaining sufficient liquidity to pay the benefits of the U.S. Plan. The investment portfolio will not, at any time, have a direct investment in Teradyne stock. It may have indirect investment in Teradyne stock, if one of the funds selected by the investment manager invests in Teradyne stock. In developing the asset allocation ranges, third party asset allocation studies are periodically performed that consider the current and expected positions of the plan assets and funded status. Based on this study and other appropriate information, the Fiduciary Committee establishes asset allocation ranges taking into account acceptable risk targets and associated returns. The investment return objectives are to avoid excessive volatility and produce a rate of return that at least matches the Policy Index identified below. The manager's investment performance is reviewed at least annually. Results for the total portfolio and for each major category of assets are evaluated in comparison with appropriate market indices, the Policy Index, other similarly managed portfolios and the Consumer Price Index.

The target asset allocation and the index for each asset category for the U.S. Plan, per the investment policy, is as follows:

<u>Asset Category:</u>	<u>Policy Index:</u>	<u>Target Allocation</u>
Passive and Active Fixed Income	Barclays Capital Long Government Credit Index	85%
Equity (Large cap)	S&P 500 Stock Index	10
International Equity	MSCI EAFE Index (Net Dividends)	5

The assets of Teradyne's foreign pension plans are invested in funds which seek to combine long-term growth potential offered through equity exposure with the relative security provided by bonds, and are governed locally by local management in accordance with specific jurisdictional requirements. Investments in the non-U.S. plans consist primarily of fixed-income and equity securities. These investments are valued using significant observable inputs (Level 2). The fair market value of assets for the international pension plans was \$24.0 million as of December 31, 2012. There were no investments with significant unobservable inputs (Level 3) in the non-U.S. pension plans. During the years ended December 31, 2012 and 2011, there were no transfers of pension assets in or out of Level 1, Level 2 or Level 3.

Teradyne's U.S. Plan invests primarily in common trust funds and fixed income securities. Units held in the common trust funds are valued at the unit price as reported by the investment managers based on the asset value of the underlying investments; underlying investments in equity securities are valued at the last reported sales price, and underlying investments in fixed-income securities are generally valued using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. Substantially all of these investments are valued using significant observable inputs (Level 2). The fair market value of assets for the U.S. Plan was \$278.9 million as of December 31, 2012. There were no investments with significant unobservable inputs (Level 3) in the U.S. Plan. During the years ended December 31, 2012 and 2011, there were no transfers of pension assets in or out of Level 1, Level 2 or Level 3.

The fair value of pension plan assets by asset category and by level at December 31, 2012 and December 31, 2011 were as follows:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Fixed income securities:				
Corporate debt securities . . . . .	\$ —	\$157,263	\$ —	\$157,263
U.S. government securities . . . . .	23,712	58,962	—	82,674
U.K. government securities . . . . .	—	8,593	—	8,593
Asset backed securities . . . . .	—	2,042	—	2,042
U.S. equity (large cap) . . . . .	—	23,832	—	23,832
International equity . . . . .	—	23,990	—	23,990
Guarantee annuity contract . . . . .	—	3,108	—	3,108
Other . . . . .	—	839	—	839
Cash and cash equivalents . . . . .	—	558	—	558
Total . . . . .	<u>\$ 23,712</u>	<u>\$279,187</u>	<u>\$ —</u>	<u>\$302,899</u>

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Fixed income securities:				
Corporate debt securities . . . . .	\$ —	\$172,401	\$ —	\$172,401
U.S. government securities . . . . .	5,136	96,891	—	102,027
U.K. government securities . . . . .	—	7,553	—	7,553
Asset backed securities . . . . .	—	4,604	—	4,604
U.S. equity (large cap) . . . . .	—	27,725	—	27,725
International equity . . . . .	—	21,285	—	21,285
Guarantee annuity contract . . . . .	—	2,863	—	2,863
Other . . . . .	—	711	—	711
Cash and cash equivalents . . . . .	—	411	—	411
Total . . . . .	<u>\$ 5,136</u>	<u>\$334,444</u>	<u>\$ —</u>	<u>\$339,580</u>

**Contributions**

Teradyne’s funding policy is to make contributions to the plans in accordance with local laws and to the extent that such contributions are tax deductible. During 2012, Teradyne contributed \$1.7 million to the U.S. supplemental executive defined benefit pension plan and \$1.6 million to certain qualified plans for non-U.S. subsidiaries. During 2011, Teradyne contributed \$1.7 million to the U.S. supplemental executive defined benefit pension plan and \$8.5 million to certain qualified plans for non-U.S. subsidiaries. In 2013, contributions to certain qualified plans for non-U.S. subsidiaries are based on local statutory requirements and will be approximately \$2.0 million. In 2013, contributions to the U.S. supplemental executive defined benefit pension Plan will be approximately \$1.8 million. Teradyne does not expect to make any contributions to the U.S. Plan in 2013.

**Expected Future Pension Benefits Payments**

Future benefit payments are expected to be paid as follows:

	<u>United States</u>	<u>Foreign</u>
	(in thousands)	
2013 .....	\$14,398	\$ 2,109
2014 .....	15,283	1,499
2015 .....	16,248	1,397
2016 .....	17,368	2,070
2017 .....	17,868	2,206
2018-2022 .....	97,607	10,395

**Postretirement Benefit Plans**

In addition to receiving pension benefits, U.S. Teradyne employees who meet early retirement eligibility requirements as of their termination dates may participate in Teradyne’s Welfare Plan, which includes death, and medical and dental benefits up to age 65. Death benefits provide a fixed sum to retirees’ survivors and are available to all retirees. Substantially all of Teradyne’s current U.S. employees could become eligible for these benefits, and the existing benefit obligation relates primarily to those employees.

Teradyne uses a December 31 measurement date for its plan. The December 31 balances of the postretirement assets and obligations are shown below:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
<b>Assets and Obligations</b>		
<b>Change in benefit obligation:</b>		
Projected benefit obligation:		
Beginning of year .....	\$ 12,793	\$ 12,896
Service cost .....	67	59
Interest cost .....	437	539
Actuarial loss .....	82	981
Benefits paid .....	(1,472)	(1,682)
Plan amendment .....	—	—
End of year .....	<u>11,907</u>	<u>12,793</u>
Change in plan assets:		
Fair value of plan assets:		
Beginning of year .....	—	—
Company contributions .....	1,472	1,682
Benefits paid .....	(1,472)	(1,682)
End of year .....	<u>—</u>	<u>—</u>
Funded status .....	<u>\$(11,907)</u>	<u>\$(12,793)</u>

The following table provides amounts recorded within the account line items of financial position as of December 31:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Accrued employees' compensation and withholdings . . . . .	\$ (1,322)	\$ (1,484)
Retirement plans liability . . . . .	<u>(10,585)</u>	<u>(11,309)</u>
Funded status . . . . .	<u><u>\$(11,907)</u></u>	<u><u>\$(12,793)</u></u>

The following table provides amounts recognized in accumulated other comprehensive loss (income) as of December 31:

	<u>2012</u>	<u>2011</u>
	(in thousands)	
Prior service credit . . . . .	\$(3,427)	\$(4,025)
Total recognized in other comprehensive (income) loss before tax . . . . .	<u>(3,427)</u>	<u>(4,025)</u>
Deferred taxes . . . . .	<u>(445)</u>	<u>(227)</u>
Total recognized in other comprehensive income, net of tax . . . . .	<u><u>\$(3,872)</u></u>	<u><u>\$(4,252)</u></u>

The estimated portion of prior service credit remaining in accumulated other comprehensive income that is expected to be recognized as a component of net periodic postretirement benefit cost in 2013 is \$(0.6) million.

**Expense**

For the years ended December 31, 2012, 2011 and 2010, Teradyne's net periodic postretirement benefit (income) cost was comprised of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
<b>Components of Net Periodic Postretirement Benefit (Income) Cost:</b>			
Service cost . . . . .	\$ 67	\$ 59	\$ 57
Interest cost . . . . .	437	539	668
Amortization of prior service cost . . . . .	(599)	(598)	(416)
Net actuarial loss (gain) . . . . .	<u>83</u>	<u>981</u>	<u>(882)</u>
Total net periodic postretirement (income) cost . . . . .	<u>(12)</u>	<u>981</u>	<u>(573)</u>
<b>Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:</b>			
Net prior service credit arising during period . . . . .	—	—	(3,279)
Reversal of amortization items:			
Prior service credit . . . . .	<u>599</u>	<u>598</u>	<u>416</u>
Total recognized in other comprehensive income . . . . .	<u>599</u>	<u>598</u>	<u>(2,863)</u>
Total recognized in net periodic postretirement benefit cost and other comprehensive income . . . . .	<u><u>\$ 587</u></u>	<u><u>\$1,579</u></u>	<u><u>\$(3,436)</u></u>

**Weighted Average Assumptions to Determine Net Periodic Postretirement Benefit Cost as of January 1**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Discount rate . . . . .	3.7%	4.5%	5.1%
Initial Health Care Cost Trend Rate . . . . .	9.0	8.5	8.5
Ultimate Health Care Cost Trend Rate . . . . .	5.0	5.0	5.0
Year in which Ultimate Health Care Cost Trend Rate is reached . . . . .	2018	2018	2018

**Weighted Average Assumptions to Determine Postretirement Benefit Obligation as of December 31**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Discount rate . . . . .	3.1%	3.7%	4.5%
Initial Medical Trend . . . . .	8.5	9.0	8.5
Ultimate Health Care Trend . . . . .	5.0	5.0	5.0
Medical cost trend rate decrease to ultimate rate in year . . . . .	2018	2018	2018

Assumed health care trend rates could have a significant effect on the amounts reported for health care plans. A one percentage point change in the assumed health care cost trend rates for the year ended December 31, 2012, would have the following effects:

	<u>1 Percentage Point Increase</u>	<u>1 Percentage Point Decrease</u>
	(in thousands)	
Effect on total service and interest cost components . . . . .	\$ 16	\$ (15)
Effect on postretirement benefit obligations . . . . .	322	(302)

**Expected Future Benefits Payments**

Future benefit payments are expected to be paid as follows:

	<u>Benefits Payments</u>
	(in thousands)
2013 . . . . .	\$1,322
2014 . . . . .	1,202
2015 . . . . .	1,111
2016 . . . . .	1,106
2017 . . . . .	966
2018-2022 . . . . .	3,943

**P. STOCK BASED COMPENSATION**

**Stock Compensation Plans**

At Teradyne’s annual meeting of stockholders held May 28, 2009, Teradyne’s stockholders approved an amendment to Teradyne’s 2006 Equity and Cash Compensation Incentive Plan to increase the number of shares issuable by 10.0 million for an aggregate of 22.0 million shares issuable thereunder. Teradyne’s stockholders also approved an amendment to Teradyne’s 1996 Employee Stock Purchase Plan to increase the number of shares issuable by 5.0 million, for an aggregate of 25.4 million shares issuable thereunder.

Restricted stock unit awards granted to employees vest in equal annual installments over four years. Restricted stock unit awards granted to non-employee directors vest after a one year period, with 100% of the award vesting on the first anniversary of the grant date. A portion of the restricted stock unit awards granted to executive officers is subject to time-based vesting and a portion is subject to performance-based vesting. The

percentage level of performance satisfied for performance-based grants is assessed on or near the anniversary of the grant date and, in turn, that percentage level determines the number of performance-based restricted stock units available for vesting over the vesting period; portions of the performance-based grants not available for vesting will be forfeited.

In 2012, 2011 and 2010, Teradyne granted service-based stock options to executive officers. These stock options vest in equal installments over four years and have a term of seven years.

Stock compensation plan activity for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Restricted Stock Units:			
Non-vested at January 1	5,840	6,963	6,896
Awarded	1,844	1,936	2,626
Vested	(2,510)	(2,624)	(2,406)
Forfeited	(204)	(435)	(153)
Non-vested at December 31	<u>4,970</u>	<u>5,840</u>	<u>6,963</u>
Stock Options:			
Outstanding at January 1	5,335	7,194	11,238
Granted	151	145	329
Assumed from acquisition	—	2,828	—
Exercised	(1,396)	(965)	(4,031)
Forfeited	(203)	—	—
Cancelled	(46)	(3,867)	(342)
Outstanding at December 31	<u>3,841</u>	<u>5,335</u>	<u>7,194</u>
Vested and expected to vest at December 31	<u>3,785</u>	<u>4,904</u>	<u>7,193</u>
Exercisable at December 31	<u>2,004</u>	<u>1,844</u>	<u>6,046</u>

Total shares available for the years 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Shares available:			
Available for grant at January 1	8,205	9,851	12,653
Options granted	(151)	(145)	(329)
Restricted stock units granted	(1,844)	(1,936)	(2,626)
Restricted stock units forfeited	204	435	153
Available for grant at December 31	<u>6,414</u>	<u>8,205</u>	<u>9,851</u>

Weighted-average restricted stock unit award date fair value information for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Non-vested at January 1	\$10.01	\$ 7.92	\$7.31
Awarded	16.67	15.77	9.39
Vested	9.29	8.56	7.73
Forfeited	13.32	9.24	8.11
Non-vested at December 31	\$12.72	\$10.01	\$7.92



Restricted stock unit awards aggregate intrinsic value information at December 31 for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Outstanding .....	\$83,949	\$79,598	\$97,762
Expected to vest .....	78,718	75,860	90,283

Restricted stock units weighted average contractual terms (in years) information at December 31, for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Outstanding .....	1.01	1.04	1.13
Expected to vest .....	1.00	1.03	1.12

Weighted average stock options exercise price information for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Outstanding at January 1 .....	\$ 4.12	\$16.32	\$13.87
Options granted .....	16.95	16.23	9.34
Assumed from acquisition .....	—	2.69	—
Options exercised .....	3.87	4.38	8.65
Options forfeited .....	3.11	—	—
Options cancelled .....	16.21	26.38	19.54
Outstanding at December 31 .....	4.64	4.12	16.32
Exercisable at December 31 .....	3.70	4.10	18.24

Stock option aggregate intrinsic value information for the years ended December 31, 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Exercised .....	\$17,136	\$11,307	\$15,096
Outstanding .....	47,051	51,306	30,871
Vested and expected to vest .....	46,283	46,655	30,868
Exercisable .....	26,436	17,766	21,872

Stock options weighted average contractual terms (in years) information at December 31, for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Outstanding .....	5.7	6.4	2.3
Vested and Expected to vest .....	5.6	6.2	5.4
Exercisable .....	4.9	4.0	1.7

Significant option groups outstanding at December 31, 2012 and related weighted average price and remaining contractual life information follow:

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Weighted-Average Remaining Contractual Life (Years)	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
		(shares in thousands)			
\$0.47 – \$2.58 .....	6.31	864	\$ 1.69	492	\$1.60
\$2.67 – \$2.74 .....	6.76	1,278	2.69	661	2.70
\$3.23 – \$4.81 .....	3.88	795	4.29	490	4.14
\$5.80 – \$16.95 .....	5.26	904	10.54	361	7.76
		<u>3,841</u>	\$ 4.64	<u>2,004</u>	\$3.70

As of December 31, 2012, total unrecognized expense related to non-vested restricted stock unit awards and stock options totaled \$52.1 million, and is expected to be recognized over a weighted average period of 2.0 years.

### Employee Stock Purchase Plan

Under the Teradyne 1996 Employee Stock Purchase Plan, eligible employees (including executive officers) may purchase shares of common stock through regular payroll deductions of up to 10% of their compensation, to a maximum of shares with a fair market value of \$25,000 per calendar year, not to exceed 6,000 shares. Under the plan, the price paid for the common stock is equal to 85% of the lower of the fair market value of Teradyne's common stock on the first business day and the last business day of each six month purchase period within each year. Beginning in January 2013, the price paid will be equal to 85% of the stock price on the last business day of the purchase period.

In July 2012, 0.6 million shares of common stock were issued to employees who participated in the plan during the first half of 2012, at the price of \$11.69 per share. In January 2013, Teradyne issued 0.6 million shares of common stock to employees who participated in the plan during the second half of 2012, at the price of \$11.91 per share.

In July 2011, 0.6 million shares of common stock were issued to employees who participated in the plan during the first half of 2011, at the price of \$11.65 per share. In January 2012, Teradyne issued 0.6 million shares of common stock to employees who participated in the plan during the second half of 2011, at the price of \$11.59 per share.

In July 2010, 0.6 million shares of common stock were issued to employees who participated in the plan during the first half of 2010, at the price of \$8.29 per share. In January 2011, Teradyne issued 0.8 million shares of common stock to employees who participated in the plan during the second half of 2010, at the price of \$8.12 per share.

### Q. SAVINGS PLAN

Teradyne sponsors a defined contribution employee retirement Savings Plan covering substantially all U.S. employees. Under the Savings Plan, employees may contribute up to 20% of their compensation (subject to Internal Revenue Service limitations). In January 2009, Teradyne amended the Savings Plan to eliminate a fixed formula used to calculate the match and provide for a variable discretionary match to be determined each year. In 2012, 2011 and 2010, Teradyne matched 100% of eligible employee contributions up to 4% of their compensation for employees not accruing benefits in the U.S. Qualified Pension Plan. There was no match for employees still actively accruing benefits in the U.S. Qualified Pension Plan. Teradyne's contributions vest 25% per year for the first four years of employment, and contributions for those employees with four years of service vest immediately.

Teradyne also has established an unfunded U.S. Supplemental Savings Plan to provide savings benefits in excess of those allowed by ERISA and the IRC. The provisions of this plan are the same as the Savings Plan. Under Teradyne's savings plans, amounts charged to the statement of operations for the years ended December 31, 2012, 2011 and 2010 were \$10.6 million, \$11.3 million and \$7.5 million, respectively.

## R. INCOME TAXES

The components of income (loss) from continuing operations before income taxes and the provision (benefit) for income taxes from continuing operations as shown in the consolidated statements of operations were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Income from continuing operations before income taxes:			
U.S. ....	\$112,008	\$ 68,943	\$120,330
Non-U.S. ....	<u>153,968</u>	<u>145,478</u>	<u>276,017</u>
	<u>\$265,976</u>	<u>\$ 214,421</u>	<u>\$396,347</u>
Provision (benefit) for income taxes from continuing operations:			
Current:			
U.S. Federal .....	\$ 22,695	\$ 3,668	\$ (1,555)
Non-U.S. ....	18,261	23,994	16,547
State .....	(12)	760	553
	<u>40,944</u>	<u>28,422</u>	<u>15,545</u>
Deferred:			
U.S. Federal .....	8,158	(139,929)	—
Non-U.S. ....	5,997	(10,549)	1,110
State .....	(6,172)	(7,480)	—
	<u>7,983</u>	<u>(157,958)</u>	<u>1,110</u>
Total provision (benefit) for income taxes from continuing operations: . . . . .	<u>\$ 48,927</u>	<u>\$(129,536)</u>	<u>\$ 16,655</u>

For the tax year ended December 31, 2012, the income tax expense from continuing operations for 2012 totaled \$48.9 million, primarily attributable to a U.S. federal tax provision and tax provisions for foreign taxes. As of December 31, 2012, Teradyne evaluated the likelihood that it would realize the deferred income taxes to offset future taxable income and concluded that it is more likely than not that a substantial majority of its deferred tax assets will be realized through consideration of both the positive and negative evidence. Teradyne maintains a valuation allowance for certain deferred tax assets of \$55.4 million, primarily related to excess stock compensation deductions associated with pre-2006 activity, state net operating losses and state tax credit carryforwards, due to the uncertainty regarding their realization. Adjustments could be required in the future if Teradyne estimates that the amount of deferred tax assets to be realized is more or less than the net amount recorded.

For the year ended December 31, 2011, income tax benefit from continuing operations totaled \$129.5 million, primarily attributable to the reduction of Teradyne's deferred income tax valuation allowance. As of December 31, 2011, Teradyne evaluated the likelihood that it would realize the deferred income taxes to offset future taxable income and concluded that it is more likely than not that a substantial majority of its deferred tax assets will be realized through consideration of both the positive and negative evidence. The evidence consisted primarily of its three year U.S. historical cumulative profitability, projected future taxable income, forecasted utilization of the deferred tax assets and the fourth quarter of 2011 acquisition of LitePoint, offset by the volatility of the industries Teradyne operates in, primarily the semiconductor industry. As such, Teradyne reduced the valuation allowance by \$190.2 million, which was recorded as a tax benefit in the year ended December 31, 2011. At December 31, 2011, Teradyne maintained a valuation allowance for certain deferred tax assets of \$51.1 million, primarily related to excess stock compensation deductions associated with pre-2006 activity, state net operating losses and state tax credit carryforwards, due to the uncertainty regarding their realization. Adjustments could be required in the future if Teradyne estimates that the amount of deferred tax assets to be realized is more or less than the net amount recorded.

For the year ended December 31, 2010, income tax expense from continuing operations totaled \$16.7 million, primarily related to tax provisions for foreign taxes.

The total income tax provision (benefit) for the years ended December 31, 2012, 2011 and 2010 was as follows:

	<u>2012</u>	<u>2011</u> (in thousands)	<u>2010</u>
Continuing operations . . . . .	\$48,927	\$(129,536)	\$16,655
Discontinued operations . . . . .	—	4,311	278
Total income tax provision (benefit) . . . . .	<u>\$48,927</u>	<u>\$(125,225)</u>	<u>\$16,933</u>

Significant components of Teradyne's deferred tax assets (liabilities) as of December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u> (in thousands)
Deferred tax assets:		
Net operating loss carryforwards . . . . .	\$ 36,674	\$ 37,899
Tax credits . . . . .	64,123	76,248
Inventory valuations . . . . .	50,886	42,760
Pension liability . . . . .	28,674	21,119
Research and development . . . . .	284	10,028
Accruals . . . . .	14,246	13,817
Equity compensation . . . . .	9,355	8,729
Vacation accrual . . . . .	6,452	6,267
Other . . . . .	282	398
Deferred revenue . . . . .	<u>15,118</u>	<u>35,869</u>
Gross deferred tax assets . . . . .	<u>226,094</u>	<u>253,134</u>
Less: valuation allowance . . . . .	<u>(55,446)</u>	<u>(51,066)</u>
Total deferred tax assets . . . . .	<u>170,648</u>	<u>202,068</u>
Deferred tax liabilities:		
Marketable securities . . . . .	(996)	(827)
Intangible assets . . . . .	(114,730)	(144,925)
Excess of tax over book depreciation . . . . .	<u>(22,446)</u>	<u>(18,417)</u>
Total deferred tax liabilities . . . . .	<u>(138,172)</u>	<u>(164,169)</u>
Net deferred assets . . . . .	<u>\$ 32,476</u>	<u>\$ 37,899</u>

At December 31, 2012, Teradyne had operating loss carryforwards that expire in the following years:

	<u>U.S. Federal Operating Loss Carryforwards</u>	<u>State Net Operating Loss Carryforwards</u> (in thousands)	<u>Foreign Net Operating Loss Carryforwards</u>
2013 .....	\$ —	\$ 2,708	\$ —
2014 .....	—	2	—
2015 .....	—	2	—
2016 .....	—	58	—
2017 .....	—	847	—
2018-2023 .....	22,354	3,592	—
2024-2026 .....	—	269	9
Beyond 2026 .....	—	3,667	622
Non-expiring .....	—	—	8,038
Total .....	<u>\$22,354</u>	<u>\$11,145</u>	<u>\$8,669</u>

Of the U.S. federal operating loss carryforwards, \$22.4 million relates to the acquisition of GenRad, Inc. in 2001. The GenRad losses are limited in the amount that can be used as a result of “change in ownership” rules as defined in the Internal Revenue Code of 1986. The net operating loss carryforward does not include any excess tax deduction related to stock based compensation which has not been recognized for financial statement purposes. Certain of the above tax attribute carryovers included in deferred tax assets, primarily the net operating loss carryovers, will be recorded through additional paid-in capital when realized, with the exception of the GenRad net operating losses.

Teradyne has approximately \$119.0 million of tax credit carry forwards. Federal business tax credits of approximately \$15.5 million expire in the years 2028 through 2031. Teradyne has foreign tax credits of approximately \$42.5 million expiring in the years 2013 through 2022 and alternative minimum tax credits of approximately \$6.6 million, which do not expire. In addition, there are state tax credits of \$54.4 million which begin to expire in 2013.

During 2012, Teradyne’s valuation allowance increased by \$4.4 million primarily due to the increase in the deferred tax assets related to state tax credits generated in 2012. During 2011, Teradyne’s beginning of the year valuation allowance decreased by \$190.2 million due to a release of the valuation allowance. During 2010, Teradyne’s valuation allowance decreased by \$60.0 million primarily due to the reduction in the deferred tax assets related to the decrease in net operating loss carryovers used in 2010.

A reconciliation of the effective tax rate for the years 2012, 2011 and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
U.S. statutory federal tax rate .....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit .....	(1.7)	—	0.4
Foreign taxes .....	(11.5)	(12.6)	(13.9)
Valuation allowance .....	(0.5)	(87.7)	(17.4)
Other U.S. permanent items .....	(2.8)	5.7	—
Other, net .....	(0.1)	(0.8)	0.1
	<u>18.4%</u>	<u>(60.4)%</u>	<u>4.2%</u>

Teradyne qualifies for a tax holiday in Singapore by fulfilling the requirements of an agreement with the Singapore Economic Development Board under which certain headcount and spending requirements must be met. The tax savings due to the tax holiday for the years ended December 31, 2012 and 2011 were \$10.9 million

or \$0.05 per diluted share and \$0.2 million or \$0.00 per diluted share, respectively. There were no tax savings from the tax holiday for the year ended December 31, 2010. The tax holiday is currently expected to expire on December 31, 2015.

Teradyne records all interest and penalties related to income taxes as a component of income tax expense. Accrued interest and penalties related to income tax items at December 31, 2012 were not material.

Teradyne's gross unrecognized tax benefits for the years ended December 31, 2012, 2011 and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Beginning balance, as of January 1 .....	\$19,678	\$12,028	\$12,767
Additions:			
Tax positions for current year .....	459	6,131	106
Tax positions for prior years .....	1,402	1,296	2,435
Acquired tax positions .....	—	1,388	—
Reductions:			
Tax positions for prior years .....	(4,072)	(1,165)	(3,280)
Settlements with tax authorities .....	—	—	—
Ending Balance as of December 31 .....	<u>\$17,467</u>	<u>\$19,678</u>	<u>\$12,028</u>

Current year and prior year additions include assessment of potential transfer pricing issues worldwide, federal tax credits, state tax credits, and domestic production activities deduction. Reductions for tax positions for prior years primarily relate to statute expiration and the effective settlement of a state tax audit. Of the \$17.5 million of unrecognized tax benefits as of December 31, 2012, \$14.8 million would impact the consolidated income tax rate if ultimately recognized. The remaining \$2.7 million would impact the valuation allowance if recognized.

As of December 31, 2012, Teradyne has open tax years beginning in 2006 for major jurisdictions including the U.S., Japan, Singapore and the United Kingdom. Teradyne estimates that it is reasonably possible that the balance of unrecognized tax benefits as of December 31, 2012 may decrease approximately \$0.3 million in the next twelve months, as a result of a lapse of statutes of limitation.

As of December 31, 2012, a deferred tax liability has not been established for approximately \$10.6 million of cumulative undistributed earnings of non-U.S. subsidiaries, which are expected to be reinvested indefinitely in operations outside the U.S. Determination of the unrecognized deferred tax liability on unremitted earnings is not practical.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retrospectively reinstated the research and development tax credit for 2012 and extended it through December 31, 2013. As a result, in the first quarter of 2013, Teradyne expects to record a discrete benefit related to 2012 of approximately \$7.0 million.

## **S. OPERATING SEGMENT, GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION**

Teradyne has three operating segments (Semiconductor Test, Wireless Test and Systems Test Group), which are its reportable segments. The Semiconductor Test segment includes operations related to the design, manufacturing and marketing of semiconductor test products and services. The Wireless Test segment includes operations related to the design, manufacturing and marketing of wireless test products and services. The Systems Test Group segment includes operations related to the design, manufacturing and marketing of products and services for military/aerospace instrumentation test, storage test and circuit-board test. Each operating

segment has a segment manager who is directly accountable to and maintains regular contact with Teradyne's chief operating decision maker (Teradyne's chief executive officer) to discuss operating activities, financial results, forecasts, and plans for the segment.

Teradyne evaluates performance using several factors, of which the primary financial measure is business segment income from continuing operations before taxes. The accounting policies of the business segments are the same as those described in Note B: "Accounting Policies".

Segment information for the years ended December 31, 2012, 2011 and 2010 is as follows:

	<u>Semiconductor Test</u>	<u>Wireless Test</u>	<u>Systems Test Group</u>	<u>Corporate And Eliminations</u>	<u>Consolidated</u>
	(in thousands)				
<b>2012</b>					
Net revenue . . . . .	\$1,127,726	\$286,355	\$242,669	\$ —	\$1,656,750
Income (loss) from continuing operations before taxes (1)(2) . . . . .	185,985	83,077	34,164	(37,250)	265,976
Total assets from continuing operations (3) . . . . .	604,127	672,048	71,116	1,082,054	2,429,345
Property additions (4) . . . . .	96,590	7,608	5,146	9,736	119,080
Depreciation and amortization expense (4)	67,922	50,242	3,747	20,888	142,799
<b>2011</b>					
Net revenue . . . . .	\$1,106,191	\$ 28,390	\$294,480	\$ —	\$1,429,061
Income (loss) from continuing operations before taxes (1)(2) . . . . .	212,201	(20,579)	51,802	(29,003)	214,421
Total assets from continuing operations (3) . . . . .	581,026	725,940	77,277	804,396	2,188,639
Property additions (4) . . . . .	76,164	794	4,043	5,096	86,097
Depreciation and amortization expense (4)	60,985	13,057	1,857	28,479	104,378
<b>2010</b>					
Net revenue . . . . .	\$1,413,295	\$ —	\$152,867	\$ —	\$1,566,162
Income (loss) from continuing operations before taxes (1)(2) . . . . .	414,994	—	(8,877)	(9,770)	396,347
Total assets from continuing operations (3) . . . . .	611,694	—	95,402	1,094,077	1,801,173
Property additions (4) . . . . .	69,935	—	3,142	2,967	76,044
Depreciation and amortization expense (4)	66,709	—	1,854	24,953	93,516

- (1) Interest income, interest expense and other, and pension and postretirement plans actuarial gains and losses are included in Corporate and Eliminations.
- (2) Included in income (loss) from continuing operations before taxes are charges and credits related to restructuring and other, net and inventory charges.
- (3) Total business assets are directly attributable to each business. Corporate assets consist of cash and cash equivalents, marketable securities, unallocated fixed assets of support departments, common facilities and certain other assets.
- (4) Corporate property additions and depreciation and amortization expense include items attributable to the unallocated fixed assets of support departments and common facilities.

Included in the Semiconductor Test segment are charges and credits in the following accounts:

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Cost of revenues—inventory charge (1) .....	\$18,433	\$10,370	\$4,521
Restructuring and other, net .....	386	2,142	1,437

- (1) Included in the cost of revenues for the years ended December 31, 2012 and 2011 are charges for excess inventory provisions recorded primarily as a result of product transition.

Included in the Systems Test Group segment are charges and credits in the following accounts:

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Cost of revenues—inventory charge .....	\$4,271	\$1,090	\$ 1,450
Restructuring and other, net .....	451	(300)	(2,133)

Included in the Wireless Test segment are charges and credits in the following accounts:

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Cost of revenues—inventory step-up (1) .....	\$6,089	\$12,178	—
Cost of revenues—inventory charge .....	4,145	141	—
Restructuring and other, net .....	236	—	—

- (1) Included in the cost of revenues for the years ended December 31, 2012 and 2011 is the cost for purchase accounting inventory step-up.

Included in the Corporate and Eliminations segment are charges and credits in the following accounts:

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Restructuring and other, net .....	\$(8,794)	\$4,901	\$(3,104)

Information as to Teradyne's revenues in different geographical areas is as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(in thousands)		
Revenues from customers (1):			
China .....	\$ 354,076	\$ 180,441	\$ 136,628
Taiwan .....	303,360	172,700	286,138
United States .....	233,573	221,895	235,171
Korea .....	225,099	145,958	124,738
Japan .....	105,981	148,699	77,518
Philippines .....	106,609	130,484	185,533
Europe .....	84,508	101,208	99,580
Singapore .....	80,571	90,622	145,543
Thailand .....	76,069	80,539	56,978
Malaysia .....	71,151	138,107	207,471
Rest of the World .....	15,753	18,408	10,864
	<u>\$1,656,750</u>	<u>\$1,429,061</u>	<u>\$1,566,162</u>



(1) Revenues are attributable to geographic areas based on location of customer site.

In 2012, one customer accounted for 10% of total consolidated revenues. In 2011 and 2010, no customer accounted for 10% or more of total consolidated revenues.

Long-lived assets by geographic area:

	<u>United States</u>	<u>Foreign Countries</u>	<u>Total</u>
		(in thousands)	
December 31, 2012 .....	\$211,422	\$54,360	\$265,782
December 31, 2011 .....	192,336	39,871	232,207

#### **T. STOCK REPURCHASE PROGRAM**

In November 2010, the Board cancelled the November 2007 stock repurchase program and authorized a new stock repurchase program for up to \$200 million. The cumulative repurchases under the new program as of December 31, 2012 totaled 2.6 million shares of common stock for \$31.2 million at an average price of \$11.84.

**SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

The following sets forth certain unaudited consolidated quarterly statements of operations data for each of Teradyne's last eight quarters. In management's opinion, this quarterly information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement for the periods presented. Such quarterly results are not necessarily indicative of future results of operations and should be read in conjunction with the audited consolidated financial statements of Teradyne and the notes thereto included elsewhere herein.

	2012			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1)	(2)	(3)	(4)(5)(6)
	(in thousands, except per share amounts)			
Net revenues:				
Products	\$330,891	\$480,578	\$393,037	\$179,063
Services	65,777	67,706	70,357	69,341
Total net revenues	396,668	548,284	463,394	248,404
Cost of revenues:				
Cost of products	174,001	206,498	169,782	92,599
Cost of services	31,741	32,280	33,412	30,400
Total cost of revenues	205,742	238,778	203,194	122,999
Gross profit	190,926	309,506	260,200	125,405
Operating expenses:				
Engineering and development	60,135	66,532	63,055	61,660
Selling and administrative	67,777	73,366	69,921	70,436
Acquired intangible assets amortization	18,429	18,429	18,429	18,221
Restructuring and other, net	(1,825)	(6,262)	683	(317)
Total operating expenses	144,516	152,065	152,088	150,000
Income (loss) from operations	46,410	157,441	108,112	(24,595)
Interest income	893	874	1,067	1,256
Interest expense and other	(6,059)	(6,323)	(6,154)	(6,946)
Income (loss) from continuing operations before income taxes	41,244	151,992	103,025	(30,285)
Provision (benefit) for income taxes	7,680	40,605	14,384	(13,742)
Income (loss) from continuing operations	33,564	111,387	88,641	(16,543)
Income from discontinued operations before income taxes	—	—	—	—
(Benefit) provision for income taxes	—	—	—	—
Income from discontinued operations	—	—	—	—
Net income (loss)	\$ 33,564	\$111,387	\$ 88,641	\$ (16,543)
Income (loss) per common share from continuing operations—basic	\$ 0.18	\$ 0.60	\$ 0.47	\$ (0.09)
Income (loss) per common share from continuing operations—diluted	\$ 0.15	\$ 0.49	\$ 0.39	\$ (0.09)
Net income (loss) per common share—basic	\$ 0.18	\$ 0.60	\$ 0.47	\$ (0.09)
Net income (loss) per common share—diluted	\$ 0.15	\$ 0.49	\$ 0.39	\$ (0.09)

- (1) Restructuring and other, net includes a (\$1.8) million fair value adjustment to decrease the LitePoint acquisition contingent consideration.
- (2) Restructuring and other, net includes \$0.3 million of severance charges related to headcount reductions of 10 people in Semiconductor Test and (\$6.5) million fair value adjustment to decrease the LitePoint acquisition contingent consideration.
- (3) Restructuring and other, net includes \$0.7 million of severance charges related to the headcount reductions of 9 people, of which \$0.5 million and 7 people were in Systems Test Group, \$0.2 million and 2 people were in Wireless Test.
- (4) Restructuring and other, net includes a (\$0.4) million fair value adjustment to decrease LitePoint acquisition contingent consideration.
- (5) In the fourth quarter ended December 31, 2012, we corrected prior period income tax provision (benefit) errors that resulted in a \$0.2 million income tax provision. These errors were not individually or in aggregate material to the fourth quarter of 2012 or any prior period.
- (6) In the fourth quarter ended December 31, 2012, the change in recognizing pension and postretirement benefit plans expense, as a result of the mark-to-market adjustments, decreased gross profit and net income by \$8.1 million and \$18.3 million, respectively. See Note B: "Accounting Policies" for a discussion of our accounting policy.

## 2011

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1)	(2)	(3)	(4)(5)
	(in thousands, except per share amounts)			
Net revenues:				
Products .....	\$315,719	\$341,316	\$274,944	\$ 228,212
Services .....	61,442	69,203	69,445	68,780
Total net revenues .....	377,161	410,519	344,389	296,992
Cost of revenues:				
Cost of products .....	152,880	160,491	138,088	127,477
Cost of services .....	31,389	35,438	35,927	35,548
Total cost of revenues .....	184,269	195,929	174,015	163,025
Gross profit .....	192,892	214,590	170,374	133,967
Operating expenses:				
Engineering and development .....	47,144	48,394	45,896	56,364
Selling and administrative .....	57,573	58,028	54,775	64,943
Acquired intangible assets amortization .....	7,291	7,291	6,754	19,129
Restructuring and other, net .....	413	1,041	1,465	3,824
Total operating expenses .....	112,421	114,754	108,890	144,260
Income (loss) from operations .....	80,471	99,836	61,484	(10,293)
Interest income .....	1,287	1,403	3,049	878
Interest expense and other .....	(6,176)	(5,316)	(6,068)	(6,134)
Income (loss) from continuing operations before taxes .....	75,582	95,923	58,465	(15,549)
Provision (benefit) for income taxes .....	5,486	7,839	1,759	(144,620)
Income from continuing operations .....	70,096	88,084	56,706	129,071
Income (loss) from discontinued operations before income taxes .....	1,278	—	—	—
Income tax provision .....	(267)	—	—	—
Income from discontinued operations .....	1,545	—	—	—
Gain (loss) on disposal of discontinued operations (net of income tax provision of \$4,578) .....	25,203	(832)	—	—
Net income .....	\$ 96,844	\$ 87,252	\$ 56,706	\$ 129,071
Income per common share from continuing operations—basic .....	\$ 0.38	\$ 0.48	\$ 0.31	\$ 0.70
Income per common share from continuing operations—diluted .....	\$ 0.30	\$ 0.38	\$ 0.26	\$ 0.58
Net income per common share—basic .....	\$ 0.52	\$ 0.47	\$ 0.31	\$ 0.70
Net income per common share—diluted .....	\$ 0.42	\$ 0.38	\$ 0.26	\$ 0.58

- (1) Restructuring and other, net includes \$0.8 million of severance charges related to headcount reductions of approximately 5 people in Semiconductor Test and \$(0.4) million credit related to early exit of previously impaired leased facilities in Westford and North Reading, Massachusetts.
- (2) Restructuring and other, net includes \$0.3 million of severance charges related to headcount reductions of approximately 2 people in Semiconductor Test and \$0.7 million related to pension settlement charges.
- (3) Restructuring and other, net includes \$1.4 million of charges related to the acquisition of LitePoint.
- (4) Restructuring and other, net includes \$0.5 million of charges related to pension settlement and \$3.3 million to the acquisition of LitePoint.
- (5) In the fourth quarter ended December 31, 2011, the change in recognizing pension and postretirement benefit plans expense, as a result of the mark-to-market adjustments, decreased gross profit and net income by \$2.4 million and \$6.1 million, respectively. See Note B: "Accounting Policies" for a discussion of our accounting policy.

**Item 9: *Changes in and disagreements with accountants on accounting and financial disclosure***

None.

**Item 9A: *Controls and procedures***

**Disclosure Controls and Procedures**

As of the end of the period covered by this report, our management, with the participation of our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting during the fourth fiscal quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report which is included under Item 8 of this Annual Report.

**Inherent Limitations on Effectiveness of Controls**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Item 9B: *Other Information***

None.

### PART III

**Item 10: *Directors, Executive Officers and Corporate Governance.***

Certain information relating to our directors and executive officers, committee information, reports and charters, executive compensation, security ownership of certain beneficial owners and management and related stockholder matters, and certain relationships and related transactions is incorporated by reference herein from our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held on May 21, 2013. The proxy statement will be filed with the SEC not later than 120 days after the close of the fiscal year. For this purpose, the Compensation Committee Report included in such proxy statement is specifically not incorporated herein. Also see “Item 1: Business—Our Executive Officers.”

**Item 11: *Executive Compensation.***

Certain information relating to our directors and executive officers, executive compensation, security ownership of certain beneficial owners and management and related stockholder matters, and certain relationships and related transactions is incorporated by reference herein from our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held on May 21, 2013. The proxy statement will be filed with the SEC not later than 120 days after the close of the fiscal year. For this purpose, the Compensation Committee Report included in such proxy statement is specifically not incorporated herein.

**Item 12: *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

Certain information relating to our directors and executive officers, executive compensation, security ownership of certain beneficial owners and management and related stockholder matters, and certain relationships and related transactions is incorporated by reference herein from our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held on May 21, 2013. The proxy statement will be filed with the SEC not later than 120 days after the close of the fiscal year. For this purpose, the Compensation Committee Report included in such proxy statement is specifically not incorporated herein. Also see “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations—Equity Compensation Plans.”

**Item 13: *Certain Relationships and Related Transactions, and Director Independence.***

Certain information relating to our directors and executive officers, executive compensation, security ownership of certain beneficial owners and management and related stockholder matters, and certain relationships and related transactions is incorporated by reference herein from our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held on May 21, 2013. The proxy statement will be filed with the SEC not later than 120 days after the close of the fiscal year. For this purpose, the Compensation Committee Report included in such proxy statement is specifically not incorporated herein.

**Item 14: *Principal Accountant Fees and Services.***

Certain information relating to audit fees and other of Teradyne’s independent registered public accounting firm is incorporated by reference herein from our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held on May 21, 2013. The proxy statement will be filed with the SEC not later than 120 days after the close of the fiscal year. For this purpose, the Audit Committee Report included in such proxy statement is specifically not incorporated herein.

**PART IV**

**Item 15: Exhibits and Financial Statement Schedules.**

**15(a)(1) Financial Statements**

The following consolidated financial statements are included in Item 8:

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Report of Independent Registered Public Accounting Firm . . . . .	38
Consolidated Balance Sheets as of December 31, 2012 and 2011 . . . . .	39
Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010 . . . . .	40
Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010 . . . . .	41
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2012, 2011 and 2010 . . . . .	42
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010 . . . . .	43

**15(a)(2) Financial Statement Schedule**

The following consolidated financial statement schedule is included in Item 15(c):

Schedule II—Valuation and Qualifying Accounts

Schedules other than those listed above have been omitted since they are either not required or information is otherwise included.

**15(a)(3) Listing of Exhibits**

The Exhibits which are filed with this report or which are incorporated by reference herein are set forth in the Exhibit Index.

**15(c) Financial Statement Schedules**

**TERADYNE, INC.**

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Cost and Expenses</u>	<u>Other</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
	(in thousands)				
Valuation reserve deducted in the balance sheet from the asset to which it applies: Accounts receivable:					
2012 Allowance for doubtful accounts .....	<u>\$4,102</u>	<u>\$ 78</u>	<u>\$—</u>	<u>\$62</u>	<u>\$4,118</u>
2011 Allowance for doubtful accounts .....	<u>\$3,752</u>	<u>\$—</u>	<u>\$429</u>	<u>\$79</u>	<u>\$4,102</u>
2010 Allowance for doubtful accounts .....	<u>\$3,770</u>	<u>\$—</u>	<u>\$—</u>	<u>\$18</u>	<u>\$3,752</u>

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Cost and Expenses</u>	<u>Other</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
	(in thousands)				
Valuation reserve deducted in the balance sheet from the asset to which it applies: Inventory:					
2012 Inventory reserve .....	<u>\$123,512</u>	<u>\$26,849</u>	<u>\$5,353</u>	<u>\$13,876</u>	<u>\$141,838</u>
2011 Inventory reserve .....	<u>\$122,434</u>	<u>\$11,601</u>	<u>\$6,815</u>	<u>\$17,338</u>	<u>\$123,512</u>
2010 Inventory reserve .....	<u>\$125,320</u>	<u>\$ 5,971</u>	<u>\$4,110</u>	<u>\$12,967</u>	<u>\$122,434</u>

## EXHIBIT INDEX

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission and are referred to and incorporated by reference to such filings.

Exhibit No.	Description	SEC Document Reference
2.1	Agreement and Plan of Merger by and among Teradyne, Inc., Lager Acquisition Corp., LitePoint Corporation and Michael Goguen as the Stockholder Representative dated September 14, 2011.	Exhibit 2.1 to Teradyne's Current Report on Form 8-K filed October 6, 2011.
3.1	Restated Articles of Organization, as amended.	Exhibit 3.01 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended July 2, 2000.
3.2	Amended and Restated By-laws, as amended.	Exhibit 3.1 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
4.1	Indenture dated as of April 6, 2009 between Teradyne and U.S. Bank National Association as trustee, together with form of Note.	Exhibit 4.1 to Teradyne's Current Report on Form 8-K filed April 6, 2009.
4.2	Form of Note.	Included in Exhibit 4.1 to Teradyne's Current Report on Form 8-K filed April 6, 2009.
10.1†	Standard Manufacturing Agreement entered into as of November 24, 2003 by and between Teradyne and Solectron.	Exhibit 10.1 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10.2†	Amendment 1 to Standard Manufacturing Agreement, dated as of January 18, 2007, by and between Teradyne and Solectron.	Exhibit 10.2 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10.3†	Second Amendment to Standard Manufacturing Agreement, dated as of August 27, 2007, by and between Teradyne and Solectron.	Exhibit 10.3 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10.4	Fifth Amendment to Standard Manufacturing Agreement, dated as of July 17, 2009, by and between Teradyne and Flextronics Corporation.	Exhibit 10.4 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
10.5†	Sixth Amendment to Standard Manufacturing Agreement, dated as of July 27, 2009, by and between Teradyne and Flextronics Corporation.	Exhibit 10.5 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
10.6	Addendum to Standard Manufacturing Agreement (Authorized Purchase Agreement) – Revised July 1, 2010.	Exhibit 10.6 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.



Exhibit No.	Description	SEC Document Reference
10.7	Eighth Amendment to Standard Manufacturing Agreement, dated as of April 13, 2012, by and between Teradyne and Flextronics Sales & Marketing North Asia (L) LTD.	Filed herewith.
10.8††	Ninth Amendment to Standard Manufacturing Agreement, dated as of September 17, 2012, by and between Teradyne and Flextronics Sales & Marketing North Asia (L) LTD.	Filed herewith.
10.9	2006 Equity and Cash Compensation Incentive Plan, as amended.*	Filed herewith.
10.10	Form of Performance-Based Restricted Stock Unit Agreement for Executive Officers under 2006 Equity and Cash Compensation Incentive Plan.*	Exhibit 10.8 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.
10.11	Form of Time-Based Restricted Stock Unit Agreement for Executive Officers under 2006 Equity and Cash Compensation Incentive Plan.*	Exhibit 10.9 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.
10.12	Form of Restricted Stock Unit Agreement for Directors under 2006 Equity and Cash Compensation Incentive Plan.*	Exhibit 10.10 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.
10.13	1997 Employee Stock Option Plan, as amended and restated.*	Exhibit 10.2 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 and Exhibit 10.5 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.14	Form of Option Agreement under the 1997 Employee Stock Option Plan.*	Exhibit 10.47 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended October 3, 2004.
10.15	Form of Restricted Stock Unit Agreement for Executive Officers under the 1997 Employee Stock Option Plan.*	Exhibit 10.1 to Teradyne's Current Report on Form 8-K filed January 30, 2006.
10.16	Form of Restricted Stock Unit Agreement for Directors under the 1997 Employee Stock Option Plan.*	Exhibit 10.2 to Teradyne's Current Report on Form 8-K filed January 30, 2006.
10.17	1996 Non-Employee Director Stock Option Plan, as amended.*	Exhibit 10.34 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and Exhibit 10.4 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.18	Form of Option Agreement under 1996 Non-Employee director Stock Option Plan.*	Exhibit 10.48 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended October 3, 2004.

<b>Exhibit No.</b>	<b>Description</b>	<b>SEC Document Reference</b>
10.19	1996 Employee Stock Purchase Plan, as amended.*	Filed herewith.
10.20	Deferral Plan for Non-Employee Directors, as amended.*	Exhibit 10.2 to Teradyne's Quarterly Report on form 10-Q for the quarter ended September 28, 2008.
10.21	Supplemental Savings Plan, as amended and restated.*	Exhibit 10.18 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.22	Supplemental Executive Retirement Plan, as restated.*	Exhibit 10.19 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.23	Amended and Restated Executive Officer Change in Control Agreement dated December 30, 2008 between Teradyne and Michael A. Bradley, as amended.*	Filed herewith.
10.24	Amended and Restated Agreement Regarding Termination Benefits dated December 30, 2008 between Teradyne and Michael A. Bradley, as amended.*	Filed herewith.
10.25	Employment Agreement dated July 30, 2004 between Teradyne and Michael A. Bradley.*	Exhibit 10.38 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended July 4, 2004.
10.26	Employment Agreement dated August 9, 2004 between Teradyne and Gregory R. Beecher.*	Exhibit 10.40 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended July 4, 2004.
10.27	Employment Agreement dated May 7, 2004 between Teradyne and Mark Jagiela.*	Exhibit 10.37 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended July 4, 2004.
10.28	Amended and Restated Executive Officer Change in Control Agreement dated December 30, 2008 between Teradyne and Gregory R. Beecher, as amended.*	Filed herewith.
10.29	Amended and Restated Executive Officer Change in Control Agreement dated December 30, 2008 between Teradyne and Mark Jagiela, as amended.*	Filed herewith.
10.30	Amended and Restated Executive Officer Change in Control Agreement dated May 26, 2009 between Teradyne and Charles J. Gray, as amended.	Filed herewith.
10.31	Employment Agreement dated July 24, 2009 between Teradyne and Charles J. Gray.	Exhibit 10.1 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended April 4, 2010.

<b>Exhibit No.</b>	<b>Description</b>	<b>SEC Document Reference</b>
10.32	Amended and Restated Executive Officer Change in Control Agreement dated June 30, 2012 between Teradyne and Walter G. Vahey, as amended.	Filed herewith.
10.33	Employment Agreement dated February 6, 2013 between Teradyne and Walter G. Vahey	Filed herewith.
10.34	Executive Officer Agreement dated June 29, 2012 between Teradyne and Jeffrey Hotchkiss.	Exhibit 10.1 to Teradyne's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.
10.35	Form of Executive Officer Stock Option Agreement under 2006 Equity and Cash Compensation Incentive Plan, as amended.*	Exhibit 10.34 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.
10.36	Form of Indemnification Agreement.*	Exhibit 10.24 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.37	Nextest Systems Corporation 1998 Equity Incentive Plan, as amended.	Exhibit 10.33 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.38	Nextest Systems Corporation 2006 Equity Incentive Plan.	Exhibit 10.34 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.39	Eagle Test Systems, Inc. 2003 Stock Option and Grant Plan.	Exhibit 10.35 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.40	Eagle Test Systems, Inc. 2006 Stock Option and Incentive Plan.	Exhibit 10.36 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
10.41	Convertible Note Hedge Transaction Confirmation dated as of March 31, 2009 between Teradyne and Goldman, Sachs & Co.	Exhibit 10.1 to Current Report on Form 8-K filed April 6, 2009.
10.42	Warrant Transaction Confirmation dated as of March 31, 2009 between Teradyne and Goldman, Sachs & Co.	Exhibit 10.2 to Current Report on Form 8-K filed April 6, 2009.
10.43	Amendment to Warrant Transaction Confirmation dated as of April 1, 2009 between Teradyne and Goldman, Sachs & Co.	Exhibit 10.3 to Current Report on Form 8-K filed April 6, 2009.
10.44	LitePoint Corporation 2002 Stock Plan	Exhibit 10.42 to Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
21.1	Subsidiaries of Teradyne.	Filed herewith.

<b>Exhibit No.</b>	<b>Description</b>	<b>SEC Document Reference</b>
23.1	Consent of PricewaterhouseCoopers LLP.	Filed herewith.
31.1	Rule 13a-14(a) Certification of Principal Executive Officer.	Filed herewith.
31.2	Rule 13a-14(a) Certification of Principal Financial Officer.	Filed herewith.
32.1	Section 1350 Certification of Principal Executive Officer.	Furnished herewith.
32.2	Section 1350 Certification of Principal Financial Officer.	Furnished herewith.
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

† -Confidential treatment granted.

†† -Confidential treatment requested.

\* -Management contract or compensatory plan.

## 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 this 1st day of March, 2013.

TERADYNE, INC.

By:           /s/ GREGORY R. BEECHER            
**Gregory R. Beecher,**  
**Vice President, Chief Financial Officer and**  
**Treasurer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>          /s/ ALBERT CARNESALE          </u> <b>Albert Carnesale</b>	Chair of the Board	March 1, 2013
<u>          /s/ MICHAEL A. BRADLEY          </u> <b>Michael A. Bradley</b>	Chief Executive Officer (Principal Executive Officer)	March 1, 2013
<u>          /s/ GREGORY R. BEECHER          </u> <b>Gregory R. Beecher</b>	Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 1, 2013
<u>          /s/ JAMES W. BAGLEY          </u> <b>James W. Bagley</b>	Director	March 1, 2013
<u>          /s/ DANIEL W. CHRISTMAN          </u> <b>Daniel W. Christman</b>	Director	March 1, 2013
<u>          /s/ EDWIN J. GILLIS          </u> <b>Edwin J. Gillis</b>	Director	March 1, 2013
<u>          /s/ TIMOTHY E. GUERTIN          </u> <b>Timothy E. Guertin</b>	Director	March 1, 2013
<u>          /s/ PAUL J. TUFANO          </u> <b>Paul J. Tufano</b>	Director	March 1, 2013
<u>          /s/ ROY A. VALLEE          </u> <b>Roy A. Vallee</b>	Director	March 1, 2013

**EIGHTH AMENDMENT  
TO  
STANDARD MANUFACTURING AGREEMENT  
BETWEEN  
TERADYNE, INC.  
AND  
FLEXTRONICS SALES & MARKETING NORTH ASIA (L) LTD**

**THIS EIGHTH AMENDMENT** (this “**Amendment**”) is made as of April 13, 2012 (the “**Effective Date**”) by and between Teradyne, Inc., a Massachusetts corporation having a place of business at 600 Riverpark Drive, North Reading, Massachusetts 01864 (“**Customer**”), and Flextronics Sales & Marketing North Asia (L) LTD with an office at Financial Park Labuan Complex Unit 7(D), Main Office Tower Jalan Merdeka 87000 W. P. Labuan Malaysia (successor in interest to Flextronics Corporation) (“**Supplier**”).

**W I T N E S S E T H:**

**WHEREAS**, Customer and Solectron Corporation entered into a Standard Manufacturing Agreement on November 24, 2003 (the “**Master Agreement**”), as amended by the Amendment 1 to Standard Manufacturing Agreement dated January 18, 2007 and the Second Amendment to Standard Manufacturing Agreement dated August 27, 2007 under which Supplier manufactures and sells to Customer certain board assemblies and provides other products and services, more specifically described thereunder; and

**WHEREAS**, on October 1, 2007, Solectron Corporation was acquired by Flextronics International Ltd. and by operation of the merger agreement Flextronics Corporation (“**Flextronics**”) became a party to the Master Agreement as amended with all of the rights, privileges, duties and obligations of Solectron Corporation thereunder; and

**WHEREAS**, Customer and Supplier entered into the Third Amendment to the Master Agreement dated March 27, 2008; the Fourth Amendment to the Master Agreement dated December 18, 2008; the Fifth Amendment to the Master Agreement dated July 17, 2009, by which the parties rescinded the Fourth Amendment and agreed to allow Supplier to sell certain of Customer’s Products directly to third parties; the Sixth Amendment to the Master Agreement dated July 27, 2009 to provide for the treatment of certain high value inventory items purchased by Supplier and adjustments pursuant to an agreed return on invested capital formula; and a Seventh Amendment to implement an Upside Program to allow the parties to respond more effectively to end-market demand increases for the FLEX family of automatic test equipment system products

**WHEREAS**, Customer and Supplier desire to enter into an Eighth Amendment to implement a modified Business Continuity Program (“**BCP**”).

**NOW, THEREFORE**, the parties hereto agree as follows (the “Amendment”):

- 1.0 **Capitalized Terms.** All capitalized terms not defined herein shall have the meanings ascribed to them in the Master Agreement as amended. All references to “**Supplier**” in the Master Agreement and all amendments thereto shall be deemed to mean and include Flextronics, its divisions and subsidiaries. Flextronics may assign some or all of its rights and obligations under the Master Agreement as amended to an affiliated Flextronics entity.
- 2.0 **Amendment.** Customer and Supplier acknowledge the Master Agreement contained the following Section 23, which the parties agree to remove its entirety:
  - 23.0 Backups
  - 23.1 Supplier shall identify a secondary manufacturing site that can assume within a commercially reasonable time period, all manufacture of Customer’s Products in the event the primary manufacturing site becomes incapable of executing the Customer’s requirements.
    1. The capacity and capabilities of the secondary site should be updated/reviewed quarterly as part of the QBR.
  - 23.2 Supplier shall archive, in a location that is geographically separate from the current manufacturing site, all information necessary to relocate the manufacturing process.
    1. Information to be archived will include, but is not limited to:
      - a. Assembly processes and documentation
      - b. Test processes and documentation
      - c. Current AVL and contact list
      - d. Packaging and shipping processes and documentation
      - e. Current material pipeline
  - 23.4 Archived information shall be refreshed on a weekly basis for dynamic data and as needed for static data.
- 3.0 Customer and Supplier agree to replace the above listed Section 23 with the following:
  - 23.0 Business Continuity Plan
  - 23.1 Supplier and Customer shall use commercially reasonable efforts to confer and mutually agree on a BCP within 6 months to the Effective Date of this (Eighth) Amendment which BCP shall include policies, procedures and controls to restore Supplier deliveries in the event of a disaster, as well as any other mutually agreed element. The parties will use commercially reasonable efforts to annually review and update the BCP annually. The BCP may include:
    - 23.1.1 plans and timeframes to restore mission critical processes.
    - 23.1.2 information technology relative to the Products manufactured and the Services performed by Supplier.

- 23.2. Supplier shall identify a secondary manufacturing site that can assume within a commercially reasonable time period, all manufacture of Customer's Products in the event the primary manufacturing site becomes incapable of executing Customer's requirements. The capacity and capabilities of the secondary site should be updated and reviewed on a quarterly basis.
  - 23.3. Supplier shall archive, in a location that is geographically separate from the current manufacturing site, all hardware and software information necessary to relocate the manufacturing process. Information to be archived will include, but is not limited to:
    - a. Assembly processes and tooling documentation
    - b. Test processes and tooling documentation
    - c. Current AVL and contact list
    - d. Packaging and shipping processes and documentation
    - e. Current material pipeline
    - f. Bills of Material
  - 23.4. Archived information shall be refreshed on a weekly basis for dynamic data and as needed for static data.
  - 23.5. Supplier shall provide equipment to restore service per the requirements as set forth in Section 14.7.2 of the Master Agreement.
  - 23.6. Supplier shall periodically supply Customer with a list of the key personnel who are members of the "core" Customer focus team as defined in Section 19.8 of the Master Agreement. For the purposes of this amendment, test engineers shall also be included as key personnel.
  - 23.7. Supplier shall notify Customer within two (2) business days of any potential condition including any environmental control issue that could prevent the manufacture of Products and the provision of Services.
  - 23.8. The secondary manufacturing site shall meet applicable regulatory requirements to the same extent as required of the primary manufacturing site by the Master Agreement.
- 4.0 Effect of Amendment. Except as expressly modified by the terms of this Amendment, all terms and conditions of the Master Agreement and the prior amendments thereto shall remain in full force and effect. Notwithstanding anything to the contrary contained herein, in the event of a conflict between the provisions of this Amendment and those of the Master Agreement or the prior amendments thereto, the provisions of this Amendment shall be controlling with respect to the subject matter hereof.



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the Effective Date.

**FLEXTRONICS SALES & MARKETING  
NORTH ASIA (L) LTD**

By: /s/ E.C. Sykes

Printed: E.C. Sykes

Title: Group President

Date: 13 April 2012

**TERADYNE INC.**

By: /s/ Jim Federico

Printed: Jim Federico

Title: V.P. of Operations

Date: 23 April 2012

**NINTH AMENDMENT  
TO  
STANDARD MANUFACTURING AGREEMENT  
BETWEEN  
TERADYNE, INC.  
AND  
FLEXTRONICS SALES & MARKETING NORTH ASIA (L) LTD**

**THIS NINTH AMENDMENT** (this “**Amendment**”) is made as of September 17, 2012 (the “**Effective Date**”) by and between Teradyne, Inc., a Massachusetts corporation having a place of business at 600 Riverpark Drive, North Reading, Massachusetts 01864 (“**Customer**”), and Flextronics Sales & Marketing North Asia (L) LTD with an office at Financial Park Labuan Complex Unit 7(D), Main Office Tower Jalan Merdeka, 87000 W. P. Labuan Malaysia (successor in interest to Flextronics Corporation) (“**Supplier**”). This Amendment replaces and supersedes in its entirety the Seventh Amendment to the Master Agreement dated August 29, 2011.

**W I T N E S S E T H:**

**WHEREAS**, Customer and Solectron Corporation entered into a Standard Manufacturing Agreement on November 24, 2003 (the “**Master Agreement**”), as amended by the Amendment 1 to Standard Manufacturing Agreement dated January 18, 2007 and the Second Amendment to Standard Manufacturing Agreement dated August 27, 2007 under which Supplier manufactures and sells to Customer certain board assemblies and provides other products and services, more specifically described thereunder; and

**WHEREAS**, on October 1, 2007, Solectron Corporation was acquired by Flextronics International Ltd. and by operation of the merger agreement Flextronics Corporation (“**Flextronics**”) became a party to the Master Agreement as amended with all of the rights, privileges, duties and obligations of Solectron Corporation thereunder; and

**WHEREAS**, Customer and Supplier entered into the Third Amendment to the Master Agreement dated March 27, 2008; the Fourth Amendment to the Master Agreement dated December 18, 2008; the Fifth Amendment to the Master Agreement dated July 17, 2009, by which the parties rescinded the Fourth Amendment and agreed to allow Supplier to sell certain of Customer’s Products directly to third parties; the Sixth Amendment to the Master Agreement dated July 27, 2009 to provide for the treatment of certain high value inventory items purchased by Supplier and adjustments pursuant to an agreed return on invested capital formula; the Seventh Amendment to the Master Agreement dated August 29, 2011 to implement an Upside Program to allow the parties to respond more effectively to end-market demand increases for the FLEX family of automatic test equipment system products; and the Eighth Amendment to the Master Agreement dated April 13, 2012 to implement a modified Business Continuity Program; and

**WHEREAS**, Customer and Supplier desire to enter into a Ninth Amendment to implement a modified Upside Program (as defined below) and to replace and supersede in its entirety the Seventh Amendment.

**NOW, THEREFORE**, the parties hereto agree as follows (the "Amendment"):

1.0 **Capitalized Terms**. All capitalized terms not defined herein shall have the meanings ascribed to them in the Master Agreement as amended. All references to "**Supplier**" in the Master Agreement and all amendments thereto shall be deemed to mean and include Flextronics, its divisions and subsidiaries. Flextronics may assign some or all of its rights and obligations under the Master Agreement as amended to an affiliated Flextronics entity.

2.0 **Amendment**.

2.1 **Upside Program**. The parties acknowledge that the J750, IFLEX, MFLEX and UFLEX Product builds in the FLEX family of automatic test equipment system products ("**Upside Systems**") manufactured for Customer under the Master Agreement require long lead times, yet Customer sells these Products into a dynamic marketplace subject to weekly changes in end-user demand. Consequently the parties agree to work together in good faith as described herein to implement the "**Upside Program**" - a system under which Customer will issue weekly rolling twenty (20) week forecasts for the Upside Systems in a form similar to that attached at **Exhibit A** to this Amendment, or as otherwise mutually agreed between the parties.

2.2 **Authorization, Expectation**. Supplier is authorized to procure materials, parts or components on behalf of Customer for Upside Systems as directed by written Customer forecasts. The parties agree that, although the number of Upside Systems and the corresponding Customer funding obligations may be in any mutually agreed amount, the parties expect the average number of Upside Systems subject to this Amendment at any point to be approximately twenty (20) to one hundred (100) Upside Systems.

2.3 **Financial and Materials Responsibility**. Customer agrees be financially responsible for all materials obtained by Supplier pursuant to this Amendment and as illustrated in Exhibit A. Supplier agrees to use commercially reasonable efforts to expedite in materials when required, use materials to fulfill Customer Purchase Orders, hold materials in inventory, or push out, cancel or mitigate materials costs based on Purchase Orders placed and Upside Systems forecasted demand. Supplier agrees to exclude Upside Systems from the load for the purposes of measuring load verses commit.

2.4 **The Upside Fund**. The gross amount of the upside funding is [ ]\*. [ ]\*. The parties agree the model for calculating the funds required to support the Upside Program is set forth in Exhibit A.

2.5 Quarterly Meetings and Monitoring. Customer and Supplier will meet at least quarterly to review and monitor the results of the Upside Program and make mutually agreed changes to the Upside Program.

2.6 Cancellation of Upside Program. Either party may terminate the Upside Program at any time with thirty (30) days written notice to the other. In the event of a termination of the Upside Program, Customer agrees to compensate Supplier for material inventory acquired hereunder or as set forth in the Master Agreement as amended. After undertaking good faith efforts to mitigate Upside Program costs and liabilities, Supplier shall refund to Customer the Upside Fund less any costs and liabilities in accordance with the Master Agreement as amended.

3.0 Effect of Amendment. Except as expressly modified by the terms of this Amendment, all terms and conditions of the Master Agreement and the prior amendments thereto shall remain in full force and effect, except that this Ninth Amendment shall replace and supersede in its entirety the Seventh Amendment. Notwithstanding anything to the contrary contained herein, in the event of a conflict between the provisions of this Amendment and those of the Master Agreement or the prior amendments thereto, the provisions of this Amendment shall be controlling with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the Effective Date.

**FLEXTRONICS SALES & MARKETING  
NORTH ASIA (L) LTD**

**TERADYNE INC.**

By: /s/ Manny Marimuthu

By: /s/ Jim Federico

Printed: Manny Marimuthu

Printed: Jim Federico

Title: Director

Title: V.P. & G.M. of Global Operations

Date: \_\_\_\_\_

Date: 9/12/12

\* - Confidential Treatment Requested. Omitted portions filed with the Securities and Exchange Commission.

Exhibit A

UPSIDE FUNDING MODEL

[ ]\*

\* - Confidential Treatment Requested. Omitted portions filed with the Securities and Exchange Commission.

## TERADYNE, INC.

## 2006 EQUITY AND CASH COMPENSATION INCENTIVE PLAN

(as amended through January 22, 2013)

**1. Purpose and Eligibility.**

The purpose of this 2006 Equity and Cash Compensation Incentive Plan (the "*Plan*") of Teradyne, Inc. is to provide equity ownership and compensation opportunities in the Company (each an "*Award*") to employees, officers, directors, consultants and advisors of the Company and its Subsidiaries, all of whom are eligible to receive Awards under the Plan. Any person to whom an Award has been granted under the Plan is called a "*Participant*." Additional definitions are contained in Section 14(a).

**2. Administration.**

a. *Administration by Committee of Independent Members of the Board of Directors.* The Plan will be administered by a committee (the "*Committee*") composed solely of members of the Board of Directors of the Company that are "independent," as defined pursuant to Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, and as proscribed under Rule 303A.02 of the New York Stock Exchange ("*NYSE*") Listed Company Manual, or any amendment, supplement or modification thereto; *provided, however,* that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder. The Committee, in its sole discretion, shall have the authority to grant Awards, to adopt, amend and repeal rules relating to the Plan, to interpret and correct the provisions of the Plan and any Award, and, subject to the limitations of the Plan, to modify and amend any Award. All decisions by the Committee shall be final and binding on all interested persons. Neither the Company nor any member of the Committee shall be liable for any action or determination relating to the Plan.

b. *Delegation to Executive Officers.* To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company the power to grant Awards and exercise such other powers under the Plan as the Committee may determine; *provided, however,* that the Committee shall fix the maximum number of Awards to be granted and the maximum number of shares issuable to any one Participant pursuant to Awards granted by such executive officer or officers. The Committee may, by a resolution adopted by the Committee, authorize one or more executive officers of the Company to do one or both of the following: (i) designate employees of the Company or of any of its subsidiaries to be recipients of Awards and (ii) determine the number, type and terms of such Awards to be received by such employees, subject to the limitations of the Plan; *provided, however,* that, in each case, the resolution so authorizing such officer or officers shall specify the maximum number and type of Awards such officer or officers may so award. The Committee may not authorize an officer to designate himself or herself as a recipient of any such Awards or to grant Awards to other executive officers of the Company.

### **3. Stock Available for Awards.**

a. *Number of Shares.* Subject to adjustment under Section 3(c), the aggregate number of shares (the “*Authorized Shares*”) of the Company’s common stock, \$0.125 par value per share (the “*Common Stock*”), that may be issued pursuant to the Plan shall be 22,000,000 shares of Common Stock. If any Award expires, is terminated, surrendered, forfeited, expires unexercised, is settled in cash in lieu of Common Stock or is exchanged for other Awards, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares. Notwithstanding anything to the contrary in this Plan, the foregoing limitations shall be subject to adjustment under Section 3(c), but only to the extent that such adjustment will not affect the status of any Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code.

b. *Per-Participant Limit.* Subject to adjustment under Section 3(c), no Participant may be granted stock-based Awards during any one fiscal year to purchase more than 2,000,000 shares of Common Stock.

c. *Adjustment to Common Stock.* In the event of any stock split, stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, (i) the number and class of securities available for Awards under the Plan and the per-Participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding stock-based Award, (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding stock-based Award shall be adjusted by the Company (or substituted Awards may be made) to the extent the Committee shall determine, in good faith, that such an adjustment (or substitution) is appropriate. If Section 11(f)(i) applies for any event, this Section 3(c) shall not be applicable.

d. *Fractional Shares.* No fractional shares shall be issued under the Plan and the Participant shall, at the Committee’s discretion, receive either cash in lieu of such fractional shares or a full share for each fractional share.

### **4. Stock Options.**

a. *General.* The Committee may grant options to purchase Common Stock (each, an “*Option*”) and determine the terms and conditions of each Option, including, but not limited to (i) the number of shares subject to such Option or a formula for determining such, (ii) subject to Section 4(e) hereof, the exercise price of the Options and the means of payment for the shares, (iii) the Performance Criteria (as defined in Section 11(d)), if any, and level of achievement of such Performance Criteria that shall determine the number of shares or Options granted, issued, retainable and/or vested, (iv) the terms

and conditions of the grant, issuance and/or forfeiture of the shares or Options, and (v) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this Plan.

b. *Incentive Stock Options.* An Option that the Committee intends to be an “incentive stock option” as defined in Section 422 of the Code (an “*Incentive Stock Option*”) shall be granted only to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Committee and the Company shall have no liability if an Option or any part thereof that is intended to be an Incentive Stock Option does not qualify as such.

c. *Nonstatutory Stock Options.* An Option or any part thereof that does not qualify as an Incentive Stock Option is referred to herein as a “*Nonstatutory Stock Option.*”

d. *Dollar Limitation.* For so long as the Code shall so provide, Options granted to any employee under the Plan (and any other plans of the Company) which are intended to constitute Incentive Stock Options shall not constitute Incentive Stock Options to the extent that such Options, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate Fair Market Value (as defined in Section 14 and determined as of the respective date or dates of grant) of more than \$100,000 (or such other limit as may be provided by the Code). To the extent that any such Incentive Stock Options exceed the \$100,000 limitation (or such other limit as may be provided by the Code), such Options shall be Nonstatutory Stock Options.

e. *Exercise Price.* The Committee shall establish the exercise price (or determine the method by which the exercise price shall be established) at the time each Option is granted and specify the exercise price in the applicable Option agreement, *provided*, that the exercise price per share specified in the agreement relating to each Option granted under the Plan shall not be less than the Fair Market Value per share of Common Stock on the date of such grant. In the case of an Incentive Stock Option to be granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, the price per share specified in the agreement relating to such Incentive Stock Option shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the date of grant (or such other limit as may be provided by the Code). For purposes of determining stock ownership under this subsection, the rules of Section 424(d) of the Code shall apply. Subject to Section 3(c), an Option may not be amended subsequent to its issuance to reduce the price at which it is exercisable unless such amendment is approved by the Company’s shareholders.

f. *Duration of Options.* Each Option shall be exercisable at such times and subject to such terms, conditions and expiration as the Committee may specify in the applicable Option agreement; *provided*, that no Option shall be exercisable for a period of time greater than ten (10) years from the date of grant of such Option; *provided, further*, that Incentive Stock Options granted to an employee owning stock possessing more than



ten percent (10%) of the total combined voting power of all classes of stock of the Company shall be exercisable for a maximum of five (5) years from the date of grant of such Option (or such other limit as may be provided by the Code). For purposes of determining stock ownership under this subsection, the rules of Section 424(d) of the Code shall apply.

g. *Vesting of Options.* Subject to Section 11(f) and Section 11(j) and except as provided in Section 13, at the time of the grant of an Option, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by such Options. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee.

h. *Exercise of Option.* Options may be exercised only by delivery to the Company at its principal office address or to such transfer agent as the Company shall designate of a written notice of exercise specifying the number of shares as to which such Option is being exercised, signed by the proper person, or by notification of the Company-designated third party commercial provider (the “*Third Party Commercial Provider*”), in accordance with the procedures approved by the Company and to which the holder of the Option shall have ongoing access by means of accessing such person’s account maintained with the Third Party Commercial Provider, together with payment in full as specified in Section 4(i) for the number of shares for which the Option is exercised.

i. *Payment Upon Exercise.* Common Stock purchased upon the exercise of an Option shall be paid for by one or any combination of the following forms of payment:

(i) in United States dollars in cash or by check payable to order of the Company or by fund transfer from the Option holder’s account maintained with the Third Party Commercial Provider;

(ii) at the discretion of the Committee, through delivery of shares of Common Stock having a Fair Market Value equal as of the date of the exercise to the cash exercise price of the Option, *provided*, that such shares were not acquired by the Participant in the prior six months;

(iii) at the discretion of the Committee and consistent with applicable law, through the delivery of an assignment to the Company of a sufficient amount of the proceeds from the sale of the Common Stock acquired upon exercise of the Option and an authorization to the Third Party Commercial Provider to pay that amount to the Company, which sale shall be at the Participant’s direction at the time of exercise; or

(iv) at the discretion of the Committee, by any combination of (i), (ii), or (iii) above.

If the Committee exercises its discretion to permit payment of the exercise price of an Incentive Stock Option by means of the methods set forth in clauses (ii), (iii) or (iv) of the preceding sentence, such discretion shall be exercised in writing in the instrument evidencing the Award of the Incentive Stock Option.

j. *Notice to Company of Disqualifying Disposition.* By accepting an Incentive Stock Option granted under the Plan, each optionee agrees to notify the Company in writing immediately after such optionee makes a disqualifying disposition of any stock acquired pursuant to the exercise of the Incentive Stock Options. A “disqualifying disposition” is generally any disposition occurring on or before the later of (a) the date two years following the date the Incentive Stock Option was granted or (b) the date one year following the date the Incentive Stock Option was exercised.

k. *Issuances of Securities.* Except as provided in Section 3(c) or as otherwise expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Options. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company.

## **5. Stock Appreciation Rights**

a. *General.* A Stock Appreciation Right (a “SAR”) is an Award entitling the holder, upon exercise, to receive an amount in cash or Common Stock, or a combination thereof (such form to be determined by the Committee), determined solely by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock. The date as of which such appreciation or other measure is determined shall be the exercise date of the SAR Award.

b. *Grants.* SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) *Tandem Awards.* When SARs are expressly granted in tandem with Options: (i) the SARs will be exercisable only at such time or times, and to the extent, that the related Option is exercisable, and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SARs will terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a SAR granted with respect to less than the full number of shares covered by an Option will not be terminated until and only to the extent that the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) *Independent Stock Appreciation Rights.* A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Committee may specify in the SAR Award.

c. *Terms and Conditions.* The Committee shall determine all terms and conditions of a SAR Award, including, but not limited to (i) the number of shares subject to such SAR Award or a formula for determining such, (ii) the Performance Criteria, if any, and level of achievement of such Performance Criteria that shall determine the number of shares granted, issued, retainable and/or vested or the amount of cash payable, (iii) the terms and conditions on the grant, issuance and/or forfeiture of the shares, and (iv) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this Plan.

d. *Vesting of SAR Awards.* Subject to Section 11(f) and Section 11(j), at the time of the grant of a SAR Award, the Committee shall establish a vesting date or vesting dates with respect to such SAR Award, *provided* that SARs awarded in tandem with Options shall be subject to the same vesting date or vesting dates established by the Committee pursuant to Section 4(g) for such related Options and shall be exercisable only to the extent that such related Option shall then be exercisable. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee.

## **6. Restricted Stock.**

a. *Grants.* The Committee may grant Awards entitling recipients to acquire shares of Common Stock, subject to (i) delivery to the Company by the Participant of cash, a check or other sufficient legal consideration in an amount at least equal to the par value of the shares purchased, (ii) the right of the Company to repurchase or reacquire all or part of such shares at their issue price or other stated or formula price from the Participant in the event that conditions specified by the Committee in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Committee for such Award (each, a “*Restricted Stock Award*”), and (iii) Section 6(b).

b. *Terms and Conditions.* A Participant that is the holder of a Restricted Stock Award, whether vested or unvested, shall be entitled to enjoy all shareholder rights with respect to the shares of Common Stock underlying such Restricted Stock Award, including the right to receive dividends and vote such shares. Subject to Section 6(c), the Committee shall determine all terms and conditions of any such Restricted Stock Award, including, but not limited to (i) the number of shares subject to such Restricted Stock Award or a formula for determining such, (ii) the purchase price of the shares, if any, and the means of payment for the shares, (iii) the Performance Criteria, if any, and level of achievement of such Performance Criteria that shall determine the number of shares granted, issued, retainable and/or vested, (iv) the terms and conditions on the grant, issuance and/or forfeiture of the shares, and (v) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this Plan. At the Committee’s election, shares of Common Stock issued in respect of a Restricted Stock Award may be (i) held in book entry form subject to the Company’s instructions until any restrictions relating to the Restricted Stock Award lapses, or (ii) evidenced by a stock certificate that may bear a legend indicating that the ownership of the shares of Common Stock represented by such certificate is subject to the restrictions,

terms and conditions of this Plan and the Restricted Stock Award. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant. All certificates registered in the name of the Participant shall, unless otherwise determined by the Committee, be deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). After the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or, if the Participant has died, to the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "*Designated Beneficiary*"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

c. *Vesting of Restricted Stock.* Subject to Section 11(f) and Section 11(j), at the time of the grant of a Restricted Stock Award, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by such Restricted Stock Award, which vesting dates may be based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee; *provided*, that all Restricted Stock Awards, other than Awards granted under Section 11(l), shall have a minimum vesting period of no less than one (1) year for Restricted Stock Awards granted subject to Performance Criteria and no less than three (3) years for all other Restricted Stock Awards.

## **7. Restricted Stock Unit.**

a. *Grants.* The Committee may grant Awards entitling recipients to acquire shares of Common Stock in the future, with the future delivery of the Common Stock subject to a risk of forfeiture or other restrictions that will lapse upon the satisfaction of one or more specified conditions (each, a "*Restricted Stock Unit*").

b. *Terms and Conditions.* Subject to Section 7(c), the Committee shall determine all terms and conditions of any such Restricted Stock Unit, including, but not limited to (i) the number of shares subject to such Restricted Stock Unit or a formula for determining such, (ii) the purchase price of the shares, if any, and the means of payment for the shares, (iii) the Performance Criteria, if any, and level of achievement of such Performance Criteria that shall determine the number of shares granted, issued, retainable and/or vested, (iv) the terms and conditions on the grant, issuance and/or forfeiture of the shares, and (v) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this Plan. A Participant may not vote the shares represented by a Restricted Stock Unit. A Restricted Stock Unit may be settled in cash or Common Stock, as determined by the Committee, with the amount of the cash payment based on the Fair Market Value of the shares of Common Stock at the time of vesting. Any such settlements may be subject to such conditions, restrictions and contingencies as the Committee shall establish.

c. *Vesting of Restricted Stock Unit.* Subject to Section 11(f) and Section 11(j), at the time of the grant of a Restricted Stock Unit, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by

such Restricted Stock Unit, which vesting dates may be based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee; *provided*, that all Awards of Restricted Stock Units, other than Awards granted under Section 11(l), shall have a minimum vesting period of no less than one (1) year for Restricted Stock Units granted subject to Performance Criteria and no less than three (3) years for all other Restricted Stock Units.

## **8. Phantom Stock.**

a. *General.* The Committee may grant Awards entitling recipients to receive, in cash or shares, the Fair Market Value of shares of Common Stock (“*Phantom Stock*”) upon the satisfaction of one or more specified conditions.

b. *Terms and Conditions.* Subject to Section 8(c), the Committee shall determine the terms and conditions of a Phantom Stock Award, including, but not limited to (i) the number of shares subject to or represented by such Phantom Stock Award or a formula for determining such, (ii) the purchase price of the shares, if any, and the means of payment for the shares, (iii) the Performance Criteria, if any, and level of achievement of such Performance Criteria that shall determine the number of shares granted, issued, retainable and/or vested or the amount of cash payable, (iv) the terms and conditions on the grant, issuance and/or forfeiture of the shares or Phantom Stock Award, and (v) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this Plan. A Participant may not vote the shares represented by a Phantom Stock Award. Any settlements of Phantom Stock Awards may be subject to such conditions, restrictions and contingencies as the Committee shall establish.

c. *Vesting of Phantom Stock.* Subject to Section 11(f) and Section 11(j), at the time of the grant of a Phantom Stock Award, the Committee shall establish a vesting date or vesting dates with respect to such Phantom Stock Award. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee.

## **9. Other Stock-Based Awards.**

The Committee shall have the right to grant other Awards based upon the Common Stock and having such terms and conditions as the Committee may determine, including, without limitation, the grant of shares based upon certain conditions and/or Performance Criteria, the grant of securities convertible into Common Stock and the grant of stock units. The Committee shall determine the terms and conditions of any such Awards, including, but not limited to (i) the number of shares subject to such Award or a formula for determining such, (ii) the purchase price of the shares, if any, and the means of payment for the shares, (iii) the Performance Criteria, if any, and level of achievement of such Performance Criteria that shall determine the number of shares granted, issued, retainable and/or vested, (iv) the terms and conditions on the grant, issuance and/or forfeiture of the shares or Award, and (v) such further terms and conditions as may be determined from time to time by the Committee, in each case not inconsistent with this

Plan. Subject to Section 11(f) and Section 11(j), at the time of the grant of an Award under this Section 9, the Committee shall establish a vesting date or vesting dates with respect to such Award, which vesting date may be based upon the passage of time and/or the satisfaction of Performance Criteria or other conditions as deemed appropriate by the Committee; *provided*, that all Full Value Awards granted under this Section 9, other than Full Value Awards granted under Section 11(1) herein, shall have a minimum vesting period of no less than one (1) year for Full Value Awards subject to Performance Criteria and no less than three (3) years for all other Full Value Awards granted hereunder.

#### **10. Cash Awards.**

a. *Grants.* The Committee may grant cash awards (each, a “*Cash Award*”), either alone, in addition to, or in tandem with other Awards granted under the Plan.

b. *Terms and Conditions.* The Committee shall determine the terms and conditions of any such Cash Award. From time to time, the Committee shall establish administrative rules and procedures governing the administration of Cash Awards.

c. *Variable Compensation Awards.* A Cash Award that the Committee intends to be a “*Variable Compensation Award*” subject to Section 162(m) of the Code, provides a variable compensation payment each year to the Company’s executive officers and certain eligible senior employees each year based on certain Performance Criteria that may include, among other criteria, overall corporate and/or individual business group’s or division’s performance during the prior fiscal year, as determined by the Committee. Variable Compensation Awards are calculated based on a percentage of the Participant’s base annual salary (“*Variable Compensation Factor*”) and start at 5% for new Participants. Variable Compensation Factors are reviewed annually and typically do not exceed 100%. A newly hired executive officer or employee, who is approved for eligibility for Variable Compensation Awards, will be eligible to receive a Variable Compensation Award for their first year of employment, pro-rated from the date of hire. The Committee may rely upon the recommendation of the Company’s senior management in granting Variable Compensation Awards to eligible Participants who do not constitute executive officers of the Company, including as to the amount and terms of any such Awards and the satisfaction of Performance Criteria. No Participant may be granted Variable Compensation Awards that would result in a payment of more than \$3 million during any one fiscal year.

#### **11. General Provisions Applicable to Awards.**

a. *Transferability of Awards.* Except as the Committee may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant, *provided, however*, that Nonstatutory Stock Options may be transferred to a grantor-retained annuity trust or a similar estate-planning vehicle in which the trust is bound by all provisions of the Option which are applicable to the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees of such an Option.

b. *Documentation.* Each Award granted under the Plan, with the exception of Cash Awards, shall be evidenced by a written Award agreement in such form as the Committee shall from time to time approve. Award agreements shall comply with the terms and conditions of the Plan and may contain such other provisions not inconsistent with the terms and conditions of the Plan as the Committee shall deem advisable. In the case of an Incentive Stock Option, the Award agreement shall contain, or refer to, such provisions relating to exercise and other matters as are required of “incentive stock options” under the Code. Award agreements may be evidenced by an electronic transmission (including an e-mail or reference to a website or other URL) sent to the Participant through the Company’s normal process for communicating electronically with its employees. As a condition to receiving an Award, the Committee may require the Participant to affirmatively accept the Award and agree to the terms and conditions set forth in the Award agreement by physically and/or electronically executing the Award agreement or by otherwise physically and/or electronically acknowledging such acceptance and agreement. With or without such affirmative acceptance, however, the Committee may prescribe conditions (including the exercise or attempted exercise of any benefit conferred by the Award) under which the proposed Participant may be deemed to have accepted the Award and agreed to the terms and conditions set forth in the Award agreement.

c. *Committee Discretion.* The terms of each type of Award need not be identical, and the Committee need not treat Participants uniformly.

d. *Performance Criteria.* For purposes of this Plan, the term “*Performance Criteria*” shall mean any one or more of the following performance criteria, applied to either the Company as a whole or to a division, business unit or Subsidiary, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Committee in the Award: cash flow; earnings per share; earnings before interest, taxes and amortization; return on equity; total shareholder return; share price performance; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating profit or net operating profit; income from operations less restructuring and other, net, amortization of intangibles and acquisition and divestiture related charges or credits; operating margin or profit margin; return on operating revenue; return on invested capital; market segment share; product release schedules; new product innovation; product cost reduction; brand recognition/acceptance; product ship targets; process improvement results; verification of business strategy and/or business plan; improvement of strategic position; adaptation to changes in the marketplace or environment; or customer satisfaction. If the Award so provides, the Committee may appropriately evaluate achievement against Performance Criteria to take into account any of the following events that occurs during a performance period: asset write-downs; litigation or claim judgments or settlements; the effect of changes in tax law; accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs and any

extraordinary non-recurring charges or other events. The Committee may prescribe the foregoing criteria either individually or in combination. The Committee's determination of the achievement of any Performance Criteria shall be conclusive. The minimum vesting period for all Full Value Awards granting shares of Common Stock subject to Performance Criteria, other than Full Value Awards granted under Section 11(l) herein, shall be no less than one (1) year.

e. *Termination of Status.* Except as otherwise specified herein, the Committee shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award under such circumstances, subject to applicable law and the provisions of the Code.

f. *Acquisition or Liquidation of the Company.*

(i) *Consequences of an Acquisition.* If the Company is to be consolidated with or acquired by another entity in a merger or other reorganization in which the holders of the outstanding voting stock of the Company immediately preceding the consummation of such event shall, immediately following such event, hold, as a group, less than a majority of the voting securities of the surviving or successor entity, or in the event of a sale of all or substantially all of the Company's assets or otherwise (each, an "Acquisition"), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Committee"), shall, as to outstanding Awards, either (A) make appropriate provision for the continuation of such Awards by substituting on an equitable basis for the shares then subject to such Awards either (1) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (2) shares of stock of the surviving or successor corporation or (3) such other securities as the Committee or the Successor Committee deems appropriate, the Fair Market Value of which shall not materially exceed the Fair Market Value of the shares of Common Stock subject to such Awards immediately preceding the Acquisition; or (B) upon written notice to the Participants, provide that all Awards must be exercised, to the extent then exercisable or to be exercisable as a result of the Acquisition, within a specified number of days of the date of such notice, at the end of which period the Awards shall terminate; or (C) terminate all Awards in exchange for a cash payment equal to the excess, if any, of the Fair Market Value of the shares subject to such Awards (to the extent then exercisable or to be exercisable as a result of the Acquisition) over the exercise price thereof, if any; or (D) in the case of Awards that may be settled in whole or in part in cash, provide for equitable treatment of such Awards.

(ii) *Substitution of Awards Upon Certain Events.* In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Committee may grant Awards



under the Plan in substitution for stock and stock-based awards issued by such entity or an affiliate thereof. The substitute Awards shall be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

(iii) *Liquidation or Dissolution.* In the event of the proposed liquidation or dissolution of the Company, each Award, except for Cash Awards already earned, to the extent not then exercised or vested, will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Committee.

g. *Withholding.* Each Participant shall pay to the Company, or make provisions satisfactory to the Company for payment, of any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax withholding obligation. The Committee may allow Participants to satisfy such tax withholding obligations in whole or in part by transferring shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

h. *Amendment of Awards.* The Committee may amend, modify or terminate any outstanding Award including, but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, the vesting provisions (subject to the minimum vesting requirements set forth herein), Performance Criteria, or level of achievement of Performance Criteria, and converting an Incentive Stock Option to a Nonstatutory Stock Option; *provided that*, except as otherwise provided in Section 11(f)(i), the Participant's consent to such action shall be required unless the Committee determines that the action, taking into account any related action, would not materially and adversely affect the Participant; *provided, further*, that subject to Section 3(c), an Option may not be amended subsequent to its issuance either to reduce the price at which such previously issued Option is exercisable or to extend the period of time for which such previously-issued Option shall be exercisable beyond ten (10) years unless such amendment is approved by the Company's shareholders. Furthermore, no Option shall be canceled and replaced with Options having a lower exercise price unless such cancellation and exchange is approved by the Company's shareholders.

i. *Conditions on Delivery of Stock.* The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations, and (iv) the Participant has paid to the Company, or made provisions satisfactory to the Company for payment of, any taxes required by law to be withheld in connection with the Award.

j. *Acceleration.* The Committee may at any time provide (i) that any Option shall become immediately exercisable in full or in part, (ii) that Awards that may be settled in whole or in part in cash may become immediately exercisable in full or in part, and (iii) in connection with the disability, death or retirement of a Participant or in connection with an event contemplated by Section 11(f)(i), (A) that any Restricted Stock Award or Restricted Stock Unit shall become exercisable in full or in part or shall be free of some or all restrictions or the risk of forfeiture or (B) that any other Full Value Award shall become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be. The Committee may take the actions contemplated by the preceding sentence despite the fact that such actions may (x) cause the application of Sections 280G and 4999 of the Code if an event contemplated by Section 11(f)(i) occurs, or (y) disqualify all or part of an Option as an Incentive Stock Option. In the event of the acceleration of the exercisability of one or more outstanding Options, including pursuant to Section 11(f)(i), the Committee may provide, as a condition of accelerated exercisability of any or all such Options, that the Common Stock or other substituted consideration, including cash, as to which exercisability has been accelerated shall be restricted and subject to forfeiture back to the Company at the election of the Company at the cost thereof upon termination of employment or other relationship, with the timing and other terms of the vesting of such restricted Common Stock or other consideration being not less favorable to the Participant than the timing and other terms of the superseded vesting schedule of the related Option.

k. *Option or SAR Award Exchange.* The Committee may, from time to time, upon obtaining shareholder approval therefor, undertake an exchange program under which employees deemed eligible by the Committee may elect to surrender for cancellation then existing Awards under the Plan or outstanding, unexercised options previously granted under the Company's 1991 Employee Stock Option Plan, 1997 Employee Stock Option Plan and 1996 Non-Employee Director Stock Option Plan, that have, at the time, an exercise price at or above a level determined by the Board of Directors or the Committee in exchange for cash and/or another Award under the Plan, the form of such consideration to be determined by the Committee.

l. *Exception to Minimum Vesting Periods.* The Committee may grant up to 5% of the maximum, aggregate shares of Common Stock authorized for issuance hereunder in the form of Restricted Stock Awards, Restricted Stock Units and other Awards based upon Common Stock that do not comply with the minimum vesting periods set forth in Sections 6(c), 7(c), 9 and 13.

m. *Compliance with Section 409A.* Any other provision of the Plan or any Award to the contrary notwithstanding, the Plan and every Award hereunder shall be construed, administered and enforced as necessary to comply with applicable requirements of Section 409A of the Code and the Treasury and IRS rulings and regulations issued thereunder, so that no Participant shall (without such Participant's express written consent) incur any of the additional tax or interest liabilities of Section

409A(a)(B) of the Code with respect to any Award. The Plan and each Award are hereby modified and limited as necessary to comply with applicable requirements of Section 409A.

## **12. Foreign Jurisdictions.**

To the extent that the Committee determines that the material terms set by the Committee or imposed by the Plan preclude the achievement of the material purposes of the Plan in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those terms and provide for such other terms and conditions as the Committee determines to be necessary, appropriate or desirable to accommodate differences in local law, policy or custom or to facilitate administration of the Plan. The Committee may adopt or approve sub-plans, appendices or supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary, appropriate or desirable for such purpose, without thereby affecting the terms of the Plan as in effect for any other purpose. The special terms and any appendices, supplements, amendments, restatements or alternative versions, however, shall not include any provisions that are inconsistent with the terms of the Plan as then in effect, unless the Plan could have been amended to eliminate such inconsistency without further approval by the shareholders. The Committee shall also have the authority and discretion to delegate the foregoing powers to appropriate officers of the Company.

## **13. Grant of Awards to Non-Employee Directors.**

Each person who is a member of the Board of Directors and who is not an employee of the Company (each, a “*Non-Employee Director*”) shall be automatically granted Awards having a Fair Market Value or exercisable for shares having a Fair Market Value, as the case may be, on the day of such grant as follows:

a. on the date such Non-Employee Director is first elected or appointed to the Board of Directors (other than pursuant to an election at an annual meeting of shareholders, in which case, paragraph b and only paragraph b below shall apply) equal to the value of the Automatic Annual Grant, as prorated daily to reflect the period between the directors date of election or appointment and the date of the next Automatic Annual Grant; and

b. on the date in each year which is the earlier of (i) the date that the annual meeting of shareholders is held and (ii) the last Thursday in May, equal to a dollar amount approved by the Board of Directors not to exceed \$200,000 (“*Automatic Annual Grant*”).

Awards granted under this Section 13 may be any of the following: Restricted Stock Units, Restricted Stock, Nonstatutory Stock Options, SARs, or cash, or a combination of the foregoing. Awards granted under the Plan shall be in addition to the annual Board and Committee cash retainers paid by the Company to the Non-Employee Directors. The type of Awards granted under this Section 13 shall be determined, in each instance, at the Committee’s discretion (subject to the foregoing limitations). The

number of shares, if any, covered by Awards granted under this Section 13 shall be subject to adjustment in accordance with the provisions of Section 3(c) of this Plan. Subject to Section 11(f) and Section 11(j), an Award of Restricted Stock or Restricted Stock Units granted pursuant to this Section 13 shall have a minimum vesting period of no less than one (1) year for Restricted Stock or Restricted Stock Units granted subject to Performance Criteria and no less than three (3) years for all other Restricted Stock or Restricted Stock Units granted, unless such Award is granted under Section 11(l), and shall expire on the date which is ten (10) years after the date of grant of such Award. Any Options, SARs or other cash Awards granted pursuant to this Section 13 may, at the Committee's discretion, be immediately exercisable or paid in their entirety on the date of grant.

#### 14. Miscellaneous.

##### a. Definitions.

(i) "*Company*" for purposes of eligibility under the Plan, shall include Teradyne, Inc. and any present or future subsidiary corporations of Teradyne, Inc., as defined in Section 424(f) of the Code (a "*Subsidiary*"), and any present or future parent corporation of Teradyne, Inc., as defined in Section 424(e) of the Code. For purposes of Awards other than Incentive Stock Options, the term "*Company*" shall include any other entity in which the Company has a direct or indirect significant interest, as determined by the Committee in its sole discretion.

(ii) "*Code*" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

(iii) "*Employee*" for purposes of eligibility under the Plan shall include a person to whom an offer of employment has been extended by the Company and who has actually commenced employment with the Company, whether full or part-time status.

(iv) "*Fair Market Value*" of the Company's Common Stock on any date means (i) the closing price (on that date) of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the average of the closing bid and asked prices last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not then traded on a national securities exchange; or (iii) if the Common Stock is not publicly traded, the fair market value of the Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length; *provided*, that, in all events the Fair Market Value shall represent the Committee's good faith determination of the fair market value of the Common Stock. The Committee's determination shall be conclusive as to the Fair Market Value of the Common Stock.

(v) "*Full Value Awards*" means Restricted Stock, Restricted Stock Units and Awards other than (a) Options or (b) SARs or (c) Cash Awards or (d) other stock-based Awards for which the Participant pays the intrinsic value (whether directly or by forgoing a right to receive a cash payment from the Company).

b. *Legal Consideration for Issuance of Shares.* Unless otherwise determined by the Committee, in the case of Awards of Restricted Stock, Restricted Stock Units, or Awards that are settled in whole or in part with shares of Common Stock, to the extent such Awards do not otherwise require the payment by the Participant of cash consideration that exceeds the par value of the shares of Common Stock received in connection therewith, the services rendered or to be rendered by the Participant shall satisfy the legal requirement of payment of par value for such shares of Common Stock.

c. *No Right To Employment or Other Status.* No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan.

d. *No Rights As Shareholder.* Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a shareholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder thereof.

e. *Effective Date and Term of Plan.* The Plan shall become effective on the date on which it is approved by the shareholders of the Company (the “*Effective Date*”). No Awards shall be granted under the Plan after the completion of ten (10) years from the Effective Date, but Awards previously granted may extend beyond that date.

f. *Amendment of Plan.* The Committee may amend this Plan at any time, provided that any material amendment to the Plan will not be effective unless approved by the Company’s shareholders. For this purpose, a material amendment is any amendment that would (i) other than pursuant to Section 3(c), materially increase either the aggregate number of shares of Common Stock available for issuance under the Plan; or the maximum number of shares of Common Stock issuable in one fiscal year to a Participant; (ii) expand or limit the class of persons eligible to receive Awards or otherwise participate in the Plan; (iii) subject to Section 3(c), reduce the price at which a previously-issued Option is exercisable or extend the period of time for which a previously-issued Option shall be exercisable beyond ten (10) years; (iv) subject to Section 11(f) and Section 11(j), amend the minimum vesting provisions of Full Value Awards; or (v) require shareholder approval pursuant to the requirements of the NYSE and/or any other exchange on which the Company is then listed or pursuant to applicable law.

g. *Governing Law.* The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of The Commonwealth of Massachusetts, exclusive of reference to rules and principles of conflicts of law.

## TERADYNE, INC.

## 1996 EMPLOYEE STOCK PURCHASE PLAN

(as amended, effective January 1, 2013)

**Article 1—Purpose.**

This 1996 Employee Stock Purchase Plan (the “*Plan*”) is intended to encourage stock ownership by all eligible employees of Teradyne, Inc. (the “*Company*”), a Massachusetts corporation, and its participating subsidiaries (as defined in Article 17) so that they may share in the growth of the Company by acquiring or increasing their proprietary interest in the Company. The Plan is designed to encourage eligible employees to remain in the employ of the Company and its participating subsidiaries. The Plan is intended to constitute an “employee stock purchase plan” within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended (the “*Code*”).

**Article 2—Administration of the Plan.**

The Plan may be administered by a committee appointed by the Board of Directors of the Company (the “*Committee*”). The Committee shall consist of not less than two members of the Company’s Board of Directors. The Board of Directors may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board of Directors. The Committee may select one of its members as Chairman, and shall hold meetings at such times and places as it may determine. Acts by a majority of the Committee, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee.

The interpretation and construction by the Committee of any provisions of the Plan or of any option granted under it shall be final, unless otherwise determined by the Board of Directors. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best, provided that any such rules and regulations shall be applied on a uniform basis to all employees under the Plan. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

In the event the Board of Directors fails to appoint or refrains from appointing a Committee, the Board of Directors shall have all power and authority to administer the Plan. In such event, the word “Committee” wherever used herein shall be deemed to mean the Board of Directors.

**Article 3—Eligible Employees.**

No option may be granted to any person serving as a member of the Committee at the time of grant. Subject to the foregoing limitation, all employees of the Company or any of its participating subsidiaries on United States payroll who are employees of the Company or any of its participating subsidiaries on or before the first day of any Payment

Period (as defined in Article 5), and whose customary employment is not less than twenty hours per week and more than five months in any calendar year shall be eligible to receive options under the Plan to purchase common stock of the Company, par value \$.125 per share (“*Common Stock*”). All eligible employees shall have the same rights and privileges hereunder. Persons who elect to enter the Plan in accordance with Article 7 and who are eligible employees on the first business day of any Payment Period (as defined in Article 5) shall receive their options as of such day. Persons who elect to enter the Plan in accordance with Article 7 and who become eligible employees after any date on which options are granted under the Plan shall be granted options on the first business day of the next succeeding Payment Period on which options are granted to eligible employees under the Plan. In no event, however, may an employee be granted an option if such employee, immediately after the option was granted, would be treated as owning stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any parent corporation or subsidiary corporation, as the terms “parent corporation” and “subsidiary corporation” are defined in Section 424(e) and (f) of the Code. For purposes of determining stock ownership under this paragraph, the rules of Section 424(d) of the Code shall apply, and stock which the employee may purchase under outstanding options shall be treated as stock owned by the employee.

**Article 4—Stock Subject to the Plan.**

The stock subject to the options under the Plan shall be authorized but unissued Common Stock, or shares of Common Stock reacquired by the Company, including shares purchased in the open market. The aggregate number of shares which may be issued pursuant to the Plan is 25,400,000, subject to adjustment as provided in Article 12. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased shares subject thereto shall again be available under the Plan.

**Article 5—Payment Periods and Stock Options.**

For the duration of the Plan, a Payment Period shall be defined as each six-month period commencing on the first day of January and ending on the last day of June and commencing on the first day of July and ending on the last day of December of each calendar year. Notwithstanding the foregoing, the first Payment Period during which payroll deductions will be accumulated under the Plan shall commence on July 1, 1996 and shall end on December 31, 1996.

On the first business day of each Payment Period, the Company will grant to each eligible employee who is then a participant in the Plan an option to purchase on the last day of such Payment Period, at the Option Price hereinafter provided for, a maximum number of 3,000 shares on condition that such employee remains eligible to participate in the Plan throughout the remainder of such Payment Period. The participant shall be entitled to exercise the option so granted only to the extent of the participant’s accumulated payroll deductions on the last day of such Payment Period. If the participant’s accumulated payroll deductions on the last day of the Payment Period would

enable the participant to purchase more than 3,000 shares except for the 3,000 share limitation, the excess of the amount of the accumulated payroll deductions over the aggregate purchase price of the 3,000 shares shall be promptly refunded to the participant by the Company, without interest. The Option Price per share for each Payment Period shall be 85% of the fair market value of the Common Stock on the last business day of the Payment Period rounded up to the nearest cent. The foregoing limitation on the number of shares subject to option and the Option Price shall be subject to adjustment as provided in Article 12.

For purposes of the Plan, the term “fair market value” on any date means (i) the closing price (on that date) of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the average of the closing bid and asked prices last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not reported on a national securities exchange; or (iii) if the Common Stock is not publicly traded, the fair market value of the Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm’s length.

For purposes of the Plan, the term “business day” means a day on which there is trading on The Nasdaq Stock Market or the aforementioned national securities exchange, whichever is applicable pursuant to the preceding paragraph; and if neither is applicable, a day that is not a Saturday, Sunday or legal holiday in Massachusetts.

Notwithstanding any other provision herein, no employee shall be granted an option which permits the employee’s right to purchase stock under the Plan, and under all other Section 423(b) employee stock purchase plans of the Company and any parent or subsidiary corporations, to accrue at a rate which exceeds \$25,000 of fair market value of such stock (determined on the date or dates that options on such stock were granted) for each calendar year in which such option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code. If the participant’s accumulated payroll deductions on the last day of the Payment Period would otherwise enable the participant to purchase Common Stock in excess of the Section 423(b)(8) \$25,000 limitation described in this paragraph, the excess of the amount of the accumulated payroll deductions over the aggregate purchase price of the shares actually purchased shall be promptly refunded to the participant by the Company, without interest.

#### **Article 6—Exercise of Option.**

Each eligible employee who continues to be a participant in the Plan on the last day of a Payment Period shall be deemed to have exercised his or her option on such date and shall be deemed to have purchased from the Company such number of full shares of Common Stock reserved for the purpose of the Plan as the participant’s accumulated payroll deductions on such date will pay for at the Option Price, subject to the 3,000 share limit of the option and the Section 423(b)(8) \$25,000 limitation described in Article 5.



If the individual is not a participant on the last day of a Payment Period, then he or she shall not be entitled to exercise his or her option. Only full shares of Common Stock may be purchased under the Plan. Unused payroll deductions remaining in a participant's account at the end of a Payment Period solely by reason of the inability to purchase a fractional share (and for no other reason) shall be refunded.

**Article 7—Authorization for Entering the Plan.**

An employee may elect to enter the Plan by filling out, signing and delivering to the Company an authorization:

- A. Stating the percentage to be deducted from the employee's pay;
- B. Authorizing the purchase of stock for the employee in each Payment Period in accordance with the terms of the Plan; and
- C. Specifying the exact name or names in which stock purchased for the employee is to be issued as provided under Article 11 hereof.

Such authorization must be received by the Company on or before the first day of the next succeeding Payment Period.

Unless a participant files a new authorization or withdraws from the Plan, the deductions and purchases under the authorization the participant has on file under the Plan will continue from one Payment Period to succeeding Payment Periods as long as the Plan remains in effect.

The Company will accumulate and hold for each participant's account the amounts deducted from his or her pay. No interest will be paid on these amounts.

**Article 8—Maximum Amount of Payroll Deductions.**

An employee may authorize payroll deductions in an amount (expressed as a whole percentage) not less than two percent (2%) but not more than ten percent (10%) of the employee's cash compensation.

**Article 9—Change in Payroll Deductions.**

Deductions may not be increased during a Payment Period. Deductions may be decreased during a Payment Period, provided that an employee may not decrease his deduction more than once during any Payment Period.

**Article 10—Withdrawal from the Plan.**

A participant may withdraw from the Plan (in whole but not in part) at any time prior to the last day of a Payment Period by delivering a withdrawal notice to the Company.

To re-enter the Plan, an employee who has previously withdrawn must file a new authorization on or before the first day of the next Payment Period in which he or she wishes to participate. The employee's re-entry into the Plan becomes effective at the beginning of such Payment Period, provided that he or she is an eligible employee on the first business day of the Payment Period.

**Article 11—Issuance of Stock.**

Certificates for stock issued to participants shall be delivered as soon as practicable after each Payment Period by the Company's transfer agent.

Stock purchased under the Plan shall be issued only in the name of the participant, or if the participant's authorization so specifies, in the name of the participant and another person of legal age as joint tenants with rights of survivorship.

**Article 12—Adjustments.**

Upon the happening of any of the following described events, a participant's rights under options granted under the Plan shall be adjusted as hereinafter provided:

A. In the event that the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if, upon a reorganization, split-up, liquidation, recapitalization or the like of the Company, the shares of Common Stock shall be exchanged for other securities of the Company, each participant shall be entitled, subject to the conditions herein stated, to purchase such number of shares of Common Stock or amount of other securities of the Company as were exchangeable for the number of shares of Common Stock that such participant would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or exchange; and

B. In the event the Company shall issue any of its shares as a stock dividend upon or with respect to the shares of stock of the class which shall at the time be subject to options hereunder, each participant upon exercising such an option shall be entitled to receive (for the purchase price paid upon such exercise) the shares as to which the participant is exercising his or her option and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such stock dividend or dividends were declared or paid, and such amount of cash in lieu of fractional shares, as is equal to the number of shares thereof and the amount of cash in lieu of fractional shares, respectively, which the participant would have received if the participant had been the holder of the shares as to which the participant is exercising his or her option at all times between the date of the granting of such option and the date of its exercise.

Upon the happening of any of the foregoing events, the class and aggregate number of shares set forth in Article 4 hereof which are subject to options which have been or may be granted under the Plan and the limitations set forth in the second paragraph of Article 5 shall also be appropriately adjusted to reflect the events specified

in paragraphs A and B above. Notwithstanding the foregoing, any adjustments made pursuant to paragraphs A or B shall be made only after the Committee, based on advice of counsel for the Company, determines whether such adjustments would constitute a “modification” (as that term is defined in Section 424 of the Code). If the Committee determines that such adjustments would constitute a modification, it may refrain from making such adjustments.

If the Company is to be consolidated with or acquired by another entity in a merger, a sale of all or substantially all of the Company’s assets or otherwise (an “*Acquisition*”), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the “*Successor Board*”) shall, with respect to options then outstanding under the Plan, either (i) make appropriate provision for the continuation of such options by arranging for the substitution on an equitable basis for the shares then subject to such options either (a) the consideration payable with respect to the outstanding shares of the Common Stock in connection with the Acquisition, (b) shares of stock of the successor corporation, or a parent or subsidiary of such corporation, or (c) such other securities as the Successor Board deems appropriate, the fair market value of which shall not exceed the fair market value of the shares of Common Stock subject to such options immediately preceding the Acquisition; or (ii) terminate each participant’s options in exchange for a cash payment equal to the excess of the fair market value on the date of the Acquisition of the number of shares of Common Stock that the participant’s accumulated payroll deductions as of the date of the Acquisition could purchase, at an option price determined with reference only to the first business day of the applicable Payment Period and subject to the 3,000 share limit, Code Section 423(b)(8) and fractional-share limitations on the amount of stock a participant would be entitled to purchase over the aggregate option price to such participant thereof.

The Committee or Successor Board shall determine the adjustments to be made under this Article 12, and its determination shall be conclusive.

**Article 13—No Transfer or Assignment of Employee’s Rights.**

An option granted under the Plan may not be transferred or assigned, otherwise than by will or by the laws of descent and distribution. Any option granted under the Plan may be exercised, during the participant’s lifetime, only by the participant.

**Article 14—Termination of Employee’s Rights.**

Whenever a participant ceases to be an eligible employee because of retirement, voluntary or involuntary termination, resignation, layoff, discharge, death or for any other reason, his or her rights under the Plan shall immediately terminate, and the Company shall promptly refund, without interest, the entire balance of his or her payroll deduction account under the Plan; *provided, however*, that if an employee is laid off during the last three months of any Payment Period, he shall nevertheless be deemed to be a participant in the Plan on the last day of the Payment Period. Notwithstanding the foregoing, eligible employment shall be treated as continuing intact while a participant is on military leave, sick leave or other bona fide leave of absence, for up to 90 days, or, if such leave is

longer than 90 days, for so long as the participant's right to re-employment is guaranteed either by statute or by written contract. Notwithstanding any other provision herein, if a participant's employment is terminated by reason of retirement, and the date of such termination occurs after the date that is 3 months prior to the last day of the Payment Period, such participant's rights under the Plan are not immediately terminated, and if the participant has not withdrawn from the Plan, such participant's options shall be deemed to have been exercised on the last day of the Payment Period in accordance with the terms of the Plan.

**Article 15—Termination and Amendments to Plan.**

The Plan may be terminated at any time by the Company's Board of Directors but such termination shall not affect options then outstanding under the Plan. If at any time shares of stock reserved for the purpose of the Plan remain available for purchase but not in sufficient number to satisfy all then unfilled purchase requirements, the available shares shall be apportioned among participants in proportion to the amount of payroll deductions accumulated on behalf of each participant that would otherwise be used to purchase stock, and the Plan shall terminate. Upon such termination or any other termination of the Plan, all payroll deductions not used to purchase stock will be refunded, without interest.

The Committee or the Board of Directors may from time to time adopt amendments to the Plan provided that, without the approval of the shareholders of the Company, no amendment may (i) increase the number of shares that may be issued under the Plan; (ii) change the class of employees eligible to receive options under the Plan, if such action would be treated as the adoption of a new plan for purposes of Code Section 423(b) and the regulations thereunder; (iii) cause Rule 16b-3 under the Securities Exchange Act of 1934 to become inapplicable to the Plan or (iv) materially revise the Plan pursuant to the rules and regulations of the NYSE.

**Article 16—Limits on Sale of Stock Purchased under the Plan.**

The Plan is intended to provide shares of Common Stock for investment and not for resale. The Company does not, however, intend to restrict or influence any employee in the conduct of his or her own affairs. An employee may, therefore, sell stock purchased under the Plan at any time the employee chooses, subject to compliance with any applicable federal or state securities laws and subject to any restrictions imposed under Article 21 to ensure that tax withholding obligations are satisfied. ***THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE STOCK.***

**Article 17—Participating Subsidiaries.**

The term "participating subsidiary" shall mean any present or future subsidiary of the Company, as that term is defined in Section 424(f) of the Code, that is designated from time to time by the Board of Directors to participate in the Plan. The Board of Directors shall have the power to make such designation before or after the Plan is approved by the shareholders.

**Article 18—Optionees Not Shareholders.**

Neither the granting of an option to an employee nor the deductions from his or her pay shall constitute such employee a stockholder of the shares covered by an option until such shares have been actually purchased by the employee.

**Article 19—Application of Funds.**

The proceeds received by the Company from the sale of Common Stock pursuant to options granted under the Plan will be used for general corporate purposes.

**Article 20—Notice to Company of Disqualifying Disposition.**

By electing to participate in the Plan, each participant agrees to notify the Company in writing immediately after the participant transfers Common Stock acquired under the Plan, if such transfer occurs within two years after the first business day of the Payment Period in which such Common Stock was acquired. Each participant further agrees to provide any information about such a transfer as may be requested by the Company or any subsidiary corporation in order to assist it in complying with the tax laws. Such dispositions generally are treated as “disqualifying dispositions” under Sections 421 and 424 of the Code, which have certain tax consequences to participants and to the Company and its participating subsidiaries.

**Article 21—Withholding of Additional Income Taxes.**

By electing to participate in the Plan, each participant acknowledges that the Company and its participating subsidiaries are required to withhold taxes with respect to the amounts deducted from the participant’s compensation and accumulated for the benefit of the participant under the Plan, and each participant agrees that the Company and its participating subsidiaries may deduct additional amounts from the participant’s compensation, when amounts are added to the participant’s account, used to purchase Common Stock or refunded, in order to satisfy such withholding obligations. Each participant further acknowledges that when Common Stock is purchased under the Plan the Company and its participating subsidiaries may be required to withhold taxes with respect to all or a portion of the difference between the fair market value of the Common Stock purchased and its purchase price, and each participant agrees that such taxes may be withheld from compensation otherwise payable to such participant. It is intended that tax withholding will be accomplished in such a manner that the full amount of payroll deductions elected by the participant under Article 7 will be used to purchase Common Stock. However, if amounts sufficient to satisfy applicable tax withholding obligations have not been withheld from compensation otherwise payable to any participant, then, notwithstanding any other provision of the Plan, the Company may withhold such taxes from the participant’s accumulated payroll deductions and apply the net amount to the purchase of Common Stock, unless the participant pays to the Company, prior to the exercise date, an amount sufficient to satisfy such withholding obligations. Each

participant further acknowledges that the Company and its participating subsidiaries may be required to withhold taxes in connection with the disposition of stock acquired under the Plan and agrees that the Company or any participating subsidiary may take whatever action it considers appropriate to satisfy such withholding requirements, including deducting from compensation otherwise payable to such participant an amount sufficient to satisfy such withholding requirements or conditioning any disposition of Common Stock by the participant upon the payment to the Company or such subsidiary of an amount sufficient to satisfy such withholding requirements.

**Article 22—Governmental Regulations.**

The Company's obligation to sell and deliver shares of Common Stock under the Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such shares.

Government regulations may impose reporting or other obligations on the Company with respect to the Plan. For example, the Company may be required to identify shares of Common Stock issued under the Plan on its stock ownership records and send tax information statements to employees and former employees who transfer title to such shares.

**Article 23—Governing Law.**

The validity and construction of the Plan shall be governed by the laws of Massachusetts, without giving effect to the principles of conflicts of law thereof.

**Article 24—Approval of Board of Directors and Stockholders of the Company.**

The Plan was adopted by the Board of Directors on March 19, 1996 and on such date the Board of Directors resolved that the Plan was to be submitted to the shareholders of the Company for approval at the next meeting of shareholders. The plan was subsequently approved by the shareholders.

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT entered into this 30<sup>th</sup> day of December, 2008 (the "Effective Date") and amended as of December 17, 2012, by and between Teradyne, Inc., a Massachusetts corporation ("Teradyne"), and the undersigned executive officer of Teradyne ("Employee").

WITNESSETH:

WHEREAS, Teradyne and Employee desire to set forth certain terms and conditions relating to benefits to be afforded to Employee upon the occurrence of a Change in Control (as hereinafter defined) of Teradyne;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Entitlements Upon a Termination Event. If, within twenty-four (24) months following a Change in Control or in contemplation of a Change in Control, there is a Termination Event, and subject to the conditions set forth herein and the performance by Employee of the undertakings and duties set forth herein, Employee shall be entitled to the rights, payments and other benefits set forth below:

(a) Treatment of Awards. Equity Awards that are not subject to Performance Criteria shall be governed by Section 1(b) below, and Cash Awards and Equity Awards that are subject to Performance Criteria shall be governed by Section 1(c) below. The parties hereto acknowledge that, except as otherwise provided herein, the terms of this Agreement are intended to modify the terms of Employee's existing Cash Award and Equity Award agreements and to be a supplement to Cash Award and Equity Award agreements granted on or subsequent to the date hereof.

(b) Acceleration of Equity Awards. All of Employee's invested or unexercisable Equity Awards or Equity Awards subject to restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, granted prior to, on, or after the date hereof (but only (I) such Equity Awards as have been granted to Employee by Teradyne as of the date of the Change in Control or (II) such Equity Awards as have been assumed by an acquiring company at the time of a Change in Control or such new cash and equity awards that have been substituted by an acquiring company for Equity Awards existing at the time of a Change in Control, each pursuant to the terms of any Teradyne incentive plan) shall automatically become fully vested, exercisable or free of restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, as of the date of such Termination Event, and all Equity Awards granted on or after the date hereof shall, to the extent applicable, remain exercisable for the remainder of the generally applicable term of such Equity Award.

(c) Satisfaction of Performance Criteria. All of Employee's Cash Awards and Equity Awards that are subject to Performance Criteria shall be settled and paid in the following manner: Employee shall be deemed to have satisfied the necessary percentage of the Performance Criteria to which such Cash Awards and Equity Awards are subject as of the date of the Termination Event, that will provide Employee with the target level of such Cash Awards and Equity Awards; and Employee shall be entitled to receive that portion of each Cash Award and Equity Award, payable, at the target level. For purposes of the Cash Awards, the payment shall be multiplied by a fraction, the numerator of which shall be the number of calendar months that have passed during the period in which the Performance Criteria are to be measured (treating the month in which the Termination Event occurs as a full calendar month) and the denominator of which shall be the total number of calendar months in such period. For purposes of this Agreement, "target level" is that percentage of the Performance Criteria established at the beginning of each calendar year in order for the Employee to achieve Model Compensation. Unless otherwise required under Section 1(e) below, such Cash Awards and Equity Awards shall be paid to Employee or the restrictions on transfer removed not later than 10 days following the Termination Event.

(d) Salary Continuation. Unless otherwise required under Section 1 (e) below, Teradyne shall pay Employee monthly an amount equal to 1/12<sup>th</sup> of Employee's current annual Model Compensation as of the Termination Event for a period of 24 months following the date of the Termination Event (the "Salary Continuation Period"). In the event a Termination Event constitutes termination for Good Reason on account of a material reduction in Model Compensation, the payment obligation pursuant to this Section 1(d) shall be calculated without giving effect to any such reductions in Model Compensation. All such continued payments shall be made in accordance with Teradyne's customary pay practices. Subject to Section 1(e)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, the continued payments to Employee contemplated by this Section 1(d) and any benefits provided to Employee that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Termination Event provided Employee has complied with the requirements of Section 1(g) of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Termination Event.

(e) Deferred Compensation/Section 409A

(i). Notwithstanding any other provision of this Agreement, if the Employee is a "specified employee" at the time of the Employee's "separation from service" as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to the Employee's "separation from service" that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Employee).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A,



and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(9)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither Teradyne nor the Employee shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, Teradyne makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(iv) If any amount is payable under the provisions of paragraph (f), below, as a reimbursement of Employee’s expenses, under the provisions of Section 2 and 13, or any other provision of this Agreement that constitutes a reimbursement of expenses under Section 409A then, notwithstanding the other provisions of this Agreement with respect to the payment of such reimbursement, the following limitations shall apply: (A) the expenses eligible for reimbursement may not affect the expenses eligible for reimbursement in any other taxable year; (B) such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; (C) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (D) in connection with reimbursements under Section 13 the period during which such expenses can be incurred extends to the end of the period permitted for such claims under the applicable statute of limitations.

(f) Benefit Continuation. During the Salary Continuation Period, Teradyne shall arrange or provide for continued health, dental and vision insurance plan coverage for the Employee at the same levels of coverage in existence prior to the Termination Event subject to Teradyne and Employee each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the date of the Termination Event. If the Employee is not eligible for continued health, dental and vision insurance plan coverage for any portion of the twenty-four (24) month period defined herein, Teradyne shall provide or reimburse Employee for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Employee, such additional amount as is necessary to place the Employee in substantially the same after tax position as he was while an employee of Teradyne with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and “savings plan plus”, profit sharing payments and participation in the Employee stock purchase plan shall cease as of the date of the Termination Event.

To the extent that amounts paid by Teradyne to provide the benefits under this paragraph (f) are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and any payment to preserve the Employee’s after tax position shall be made within 60 days after the end of each calendar year in which the taxable provision or reimbursement occurs.

(g) Release. Notwithstanding any other provision of this Agreement to the contrary, no payment, benefit or removal of restriction on the transfer of equity provided for under or by virtue of the provisions of this Agreement shall be paid or otherwise made available unless Teradyne shall have first received from Employee a valid, binding and irrevocable general release, in the form of Attachment A to this Agreement within twenty-one (21) days of the date of the Termination Event. Employee shall sign such release within twenty-one (21) days of a Termination Event subsequent to a Change in Control. Teradyne agrees to provide Employee an estimate relating to payments to be made under this Agreement upon Employee's written request. All rights, benefits, payments and other entitlements contemplated to be provided or paid to Employee under this Agreement shall be forfeited as of the 60<sup>th</sup> day following Employee's Termination Event if Employee has not provided Teradyne with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

(h) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Cash Awards" shall mean any cash-based bonus, cash incentive or other cash awards provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan.

"Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of Employee, after notice thereof, to render services to Teradyne in accordance with the terms or requirements of his or her employment as established by the Teradyne Board of Directors from time to time and communicated to the Employee; (ii) Employee's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to Teradyne, each in connection with Employee's employment by Teradyne; (iii) Employee's deliberate disregard of the rules or policies of, or breach of an agreement with, Teradyne which results in direct or indirect material loss, damage or injury to Teradyne; (iv) the intentional unauthorized disclosure by Employee of any trade secret or confidential information of Teradyne; (v) the commission by Employee of an act which constitutes unfair competition with Teradyne; or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Employee, to any crime involving moral turpitude or any felony. In the event that Teradyne determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, Teradyne shall give Employee written notice of the facts constituting such Cause and Employee shall have 30 days following receipt of such notice to remedy such Cause.

A "Change in Control" shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of Teradyne's assets; (iii) the adoption by the Board of Directors of Teradyne of

any plan or proposal for the liquidation or dissolution of Teradyne; (iv) a change in the majority of the Board of Directors of Teradyne through one or more contested elections occurring within a three-year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of Teradyne's outstanding voting securities, other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes at least a majority of combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of Teradyne, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of Teradyne securities.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Good Reason” shall mean any one or more of the following: (i) any material reduction of Employee's responsibilities (other than for Cause or as a result of death or disability) as they shall exist on the date of the consummation of the Change in Control; (ii) any material reduction in Employee's Model Compensation as in effect on the date of the consummation of the Change in Control, or as the same may be increased from time to time, or any failure by Teradyne to pay to Employee any bonus accrued, but not yet paid, upon written notice by Employee to Teradyne, within 45 days; (iii) a material reduction in the value of Employee's benefit package from the value of Employee's benefit package on the date of the consummation of the Change in Control; or (iv) a requirement that Employee be based at an office that is greater than 50 miles from the location of Employee's office immediately prior to the Change in Control except for required travel on Teradyne's business to an extent substantially consistent with the business travel obligations which Employee undertook on behalf of Teradyne prior to the date of the consummation of the Change in Control. In the event of a Termination Event in contemplation of a Change in Control, the applicable baseline measurement date shall be six months prior to such Termination Event and not the date of the consummation of the Change in Control.

“Model Compensation” shall mean Employee's annual “Model Compensation” as determined by Teradyne's Compensation Committee or Board of Directors, which consists of (i) a fixed annual salary and (ii) a target annual variable amount.

“Performance Criteria” shall have the meaning ascribed to that term in the Teradyne, Inc. 2006 Equity and Cash Compensation Incentive Plan.

“Termination Event” shall mean (i) any termination of Employee by Teradyne without Cause or (ii) any voluntary termination by Employee for Good Reason; provided, that it shall not be a Termination Event merely because Employee ceases to be employed by Teradyne and becomes employed by a successor to Teradyne involved in the Change in Control that assumes or is otherwise bound by this Agreement as provided in Section 7(a). It is expressly understood that no Termination Event shall be deemed to have occurred merely because, upon the occurrence of a Change in Control, Employee ceases to be employed by Teradyne and does not become employed by a successor to Teradyne after the Change in Control if the successor makes an offer to employ Employee on terms and conditions which, if imposed by Teradyne, would not give Employee a basis on which to terminate employment for Good Reason.

(i) Termination in Contemplation of a Change in Control. For purposes of this Agreement, including without limitation, this Section 1, a Termination Event occurring “in contemplation of a Change in Control” means a Termination Event occurring within 3 months prior to an actual Change in Control at the request or direction of a person who enters or has entered into an agreement the consummation of which would cause a Change in Control or who conditions the entry into such an agreement on the Employee’s termination whether or not such person actually enters into such an agreement. A termination by the Employee for Good Reason shall constitute a Termination Event in contemplation of a Change in Control if the actions constituting Good Reason were taken at the request or direction of a person who has entered into an agreement the consummation of which would cause a Change in Control.

2. (a) Parachute Payment Gross-Up. If any Payments (as hereinafter defined) to Employee are subject to the Excise Tax (as hereinafter defined), Teradyne shall pay to Employee a Gross-Up Payment (as hereinafter defined). The Gross-Up Payment with respect to any Payment shall be paid no later than 15 days prior to the date that the Excise Tax is due with respect to such Payment.

(b) Definitions. For purposes of this Section 2, the following terms shall have the following meanings:

- (i) “Code” shall mean the Internal Revenue Code of 1986, as amended.
- (ii) “Excise Tax” shall mean the tax imposed by Section 4999 of the Code. The amount of the Excise Tax (if any) imposed on any non-cash benefits or any deferred payment or benefit shall be reasonably determined by Teradyne, after consultation with its legal and tax advisors.
- (iii) “Gross-Up Payment” shall mean, with respect to Payments to Employee, the amount necessary so that the amount retained by Employee, after reduction for (1) any Excise Tax on the Gross-Up Payment and (2) any federal, state, or local income and employment taxes imposed on the Gross-Up Payment, is an amount equal to the Excise Tax on the Payments to Employee,

other than the Gross-Up Payment. The amount of the Gross-Up Payment shall be reasonably determined by Teradyne after consultation with its legal and tax advisors.

- (1) For purposes of determining the amount of the Gross-Up Payment, Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal, state and local income tax in the calendar year in which the Gross-Up Payment is made (determined by reference to Employee's residence for such calendar year), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
  - (2) In the event that the Excise Tax with respect to the Payments is determined to exceed the amount taken into account hereunder, Teradyne shall make an additional Gross-Up Payment in respect of such excess. For purposes of calculating such Gross-Up Payment, any interest or penalties imposed in connection with such excess Excise Tax shall be treated as an Excise Tax.
  - (3) In the event that the Excise Tax with respect to the Payments is subsequently determined to be less than the amount taken into account for purposes of calculating the Gross-Up Payment, Employee shall promptly repay to Teradyne the after-tax portion of the Gross-Up Payment that exceeds the Gross-Up Payment that otherwise would have been payable in connection with the actual Excise Tax imposed on the Payments.
- (iv) "Payment" shall mean, with respect to Employee, any payment in the nature of compensation to (or for the benefit of) such individual, if such payment is contingent on a change (i) in the ownership or effective control of Teradyne or (ii) in the ownership of a substantial portion of the assets of Teradyne (in each case, as reasonably determined by Teradyne in accordance with Section 280G(b)(2) of the Code and the regulations promulgated thereunder). Notwithstanding the foregoing, any amount payable to (or for the benefit of) Employee shall be a Payment if an Excise Tax is imposed on Employee with respect to such payment or benefit.

3. (a) Non-Competition and Non-Solicitation. From the Termination Event through the end of the Salary Continuation Period, Employee shall not directly or indirectly:

- (i) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) that is competitive with Teradyne (including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service competitive with any product or service developed, produced, marketed, sold or rendered by Teradyne while Employee was employed by Teradyne);
- (ii) Either alone or in association with others, recruit, solicit, hire or engage as an independent contractor, any person who was employed by Teradyne at any time during the period of Employee's employment with Teradyne, except for an individual whose employment with Teradyne has been terminated for a period of six months or longer; and
- (iii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any client or customer or entity that was a prospective client or customer of Teradyne during the Employee's employment.

(b) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 3 are necessary for the protection of the business and goodwill of Teradyne and are considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 3 will cause Teradyne irreparable harm and therefore, in the event of any such breach, in addition to such other remedies that may be available, Teradyne shall have the right to seek equitable and/or injunctive relief.

(d) The geographic scope of this Section 3 shall extend to anywhere Teradyne or any of its subsidiaries is doing business, has done business or has plans to do business.

(e) Employee agrees that during the Salary Continuation Period, he/she will make reasonable good faith efforts to give verbal notice to Teradyne of each new business activity he/she plans to undertake, at least (5) business days prior to beginning any such activity.

(f) If Employee violates the provisions of this Section 3, Teradyne shall be entitled to suspend and recoup any salary continuation payment made per Section 1 (d) above and Employee shall continue to be bound by the restrictions set forth in this Section 3 for an additional period of time equal to the duration of the violation, such additional period not to exceed 24 months.

3A. No Obligation of Employment. Employee understands that the employment relationship between Employee and Teradyne will be “at will” and Employee understands that, prior to any Change in Control, Teradyne may terminate Employee with or without “Cause” at any time, including in contemplation of a Change in Control. Following any Change in Control, Teradyne may also terminate Employee with or without “Cause” at any time subject to Employee’s rights and Teradyne’s obligations specified in this Agreement.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

5. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

6. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 6. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

7. Assignment. (a) Teradyne shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Teradyne expressly to assume and agree to perform under the terms of this Agreement in the same manner and to the same extent that Teradyne and its affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event Teradyne (as constituted prior to such succession) shall have no further obligation under or with respect to this Agreement. Failure of Teradyne to obtain such assumption and agreement with respect to Employee prior to the effectiveness of any such succession shall be a breach of the terms of this Agreement with respect to Employee and shall entitle Employee to compensation from Teradyne (as constituted prior to such succession) in the same amount and on the same terms as Employee would be entitled to hereunder were Employee’s employment terminated for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of the Termination Event. As used in this Agreement, “Teradyne” shall mean Teradyne as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform this Agreement. Nothing in this Section 7(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) Notwithstanding Section 7(a), Teradyne shall remain liable to Employee upon a Termination Event after a Change in Control if Employee is not offered continuing employment by a successor to Teradyne or is offered continuing employment by a successor to Teradyne only on a basis which would constitute Good Reason for termination of employment hereunder.

(c) This Agreement, and Employee's and Teradyne's rights and obligations hereunder, may not be assigned by Employee or, except as provided in Section 7(a), Teradyne, respectively; any purported assignment by Employee or Teradyne in violation hereof shall be null and void.

(d) The terms of this Agreement shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, permitted successors, heirs, distributees, devisees and legatees of Employee. If Employee shall die while an amount would still be payable to Employee hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, Employee's estate.

8. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Employee and Teradyne relating to the subject matter hereof including but not limited to the Employee Officer Change in Control Agreement entered into on October 19, 2001 and March 1, 2007 between Teradyne and Employee; provided, however, that Employee's existing Cash Award and Equity Award agreements, as modified hereby, shall remain in effect and provided further that the Agreement Regarding Termination Benefits entered into contemporaneously herewith between Teradyne and the Employee shall not be modified by this Agreement but shall remain in full force and effect in accordance with its own terms. This Agreement shall not limit any right of Employee to receive any payments or benefits under an employee benefit or Employee compensation plan of Teradyne, initially adopted as of or after the date hereof, which are expressly contingent thereunder upon the occurrence of a Change in Control (including, but not limited to, the acceleration of any rights or benefits thereunder); provided that in no event shall Employee be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Employee under any severance or similar plan or policy of Teradyne, and in any such case Employee shall only be entitled to receive the greater of the two payments.

9. Notices. All notices hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

If to Teradyne, to: Teradyne, Inc.  
700 Riverpark Drive  
MS NR700-2-3 (Legal Department)  
North Reading, MA 01864  
Attention: General Counsel



If to Employee, at Employee's address in his employment file on record with the Human Resources Department.

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

11. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

12. Term. The term of this Agreement (the "Term") shall commence upon the Effective Date hereof and terminate upon the earlier of (i) twenty-four (24) months following any Change in Control of Teradyne, (ii) the date prior to any Change in Control of Teradyne that Employee for any reason ceases to be an employee of Teradyne (other than a Termination Event in contemplation of a Change in Control), and (iii) the date following any Change in Control of Teradyne that Employee is terminated for Cause or voluntarily terminates his employment (other than for Good Reason).

13. Expenses. All reasonable legal fees and expenses incurred in a legal proceeding by Employee in seeking to obtain or enforce any right or benefit provided by this Agreement against a successor to Teradyne shall be the responsibility of and paid for by the successor to Teradyne (but not Teradyne as constituted prior to such succession). Such payments are to be made within twenty (20) days after Employee's request for payment accompanied with such evidence of fees and expenses incurred as Teradyne's successor reasonably may require; provided that if Employee institutes a proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that Employee has failed to prevail substantially, Employee shall pay Employee's own costs and expenses (and, if applicable, return any amounts theretofore paid on Employee's behalf under this Section 13).

14. Payments. Any payments hereunder shall be made out of the general assets of Teradyne. The Employee shall have the status of general unsecured creditor of Teradyne, and this Agreement constitutes a mere promise by Teradyne to make payments under this Agreement in the future as and to the extent provided herein. Unless otherwise determined by Teradyne in an applicable plan or arrangement, no amounts payable hereunder upon a Termination Event shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of Teradyne for the benefit of its employees. Teradyne shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

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

TERADYNE, INC.

By: /s/ Roy A. Vallee  
Name: Roy A. Vallee  
Title: Chair, Compensation Committee

EMPLOYEE

/s/ Michael A. Bradley  
Name: Michael A. Bradley

## ATTACHMENT A

### Release

In consideration of the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement with an Effective Date of December 30, 2012 between me and Teradyne, Inc. (the "Company"), all of which I acknowledge I would not otherwise be entitled to receive, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as an officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims Employee may bring to enforce the terms of the Amended and Restated Employee Officer Change in Control Agreement, (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles of organization or bylaws, or as mandated by statute to indemnify me as an officer of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

**Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:** Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

**in consideration for the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;**

**I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;**

**I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;**

**I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and**

**in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.**

**Period for Review and Consideration of Agreement:**

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Executive Officer Change in Control Agreement shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, equity awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
**Name:**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT

I, \_\_\_\_\_, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness

**AMENDED AND RESTATED AGREEMENT REGARDING TERMINATION BENEFITS**

This “Amended and Restated Agreement Regarding Termination Benefits” (“Agreement”) is entered into as of December 30, 2008 (the “Effective Date”) and amended as of December 17, 2012 between Teradyne, Inc., a Massachusetts Corporation with a principal office at 600 Riverpark Drive, North Reading, MA 01864 (the “Company”) and Michael A. Bradley, the Chief Executive Officer (CEO) and President of the Company (“Executive”).

WHEREAS, the Company and Executive have agreed on certain Termination Benefits in the event the Executive’s employment with the Company terminates under the conditions described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the Company and the Executive agree as follows:

1. Effective Date and Term: This Agreement shall become effective as of the date set forth in the opening paragraph. Subject to the provisions of Sections 4 and 9 below and unless earlier terminated as permitted herein, this Agreement shall continue in effect for a period of three (3) years from the Effective Date (“Term”) and thereafter, the Term shall automatically be extended for additional one-year periods unless, not later than sixty (60) days prior to the end of the then current Term, the Company shall have given notice to the Executive not to extend the then current Term.

2. Definitions: For purposes of this Agreement, capitalized terms shall be defined as follows:

“Model Compensation” shall mean the Executive’s annual “model compensation” as determined by the Company’s Compensation Committee or Board of Directors, which consists of (a) a fixed annual salary and (b) a target annual variable amount.

“Cause” shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of the Executive, after notice thereof, to render services to Company in accordance with the terms or requirements of his employment, as established by the Company Board of Directors from time to time and communicated to the Executive; (ii) the Executive’s disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to the Company [each in connection with the Executive’s employment by the Company]; (iii) the Executive’s deliberate disregard of the rules or policies of, or breach of an agreement with, Company which results in direct or indirect material loss, damage or injury to the Company; (iv) the intentional, unauthorized disclosure by the Executive of any trade secret or confidential information of the Company; (v) the commission by the Executive of an act which constitutes unfair

competition with the Company or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Executive, to any crime involving moral turpitude or any felony. [In the event that the Company determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, the Company shall give the Executive written notice of the facts constituting such Cause and the Executive shall have thirty (30) days following receipt of such notice to remedy such Cause.]

“Change in Control” shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, re-capitalization, merger or plan of share exchange following which the capital stock of the Company immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of the Company’s assets; (iii) the adoption by the Board of Directors of Company of any plan or proposal for the liquidation or dissolution of the Company; (iv) a change in the majority of the Board of Directors of the Company through one or more contested elections occurring within a three year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of the Company’s outstanding voting securities other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of the Company outstanding immediately prior to such transaction constitutes at least a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of the Company’s securities.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Company” shall mean “Teradyne, Inc. and shall include its successors and assigns, and any corporation or other entity which is the surviving or continuing entity following a merger, consolidation, or sale of all or substantially all of the Company’s assets or stock.

“Competitor” includes, but is not limited to, any business or enterprise that develops, designs, produces, markets, sells, or renders any product or service developed, produced, marketed, sold or rendered by the Company, including actual or demonstrably anticipated research or development.

“Date of Termination” shall mean the last day of Executive’s employment with the Company.

“Disability” shall mean an illness, injury or other incapacitating condition as a result of which the Executive is absent from full time performance of his duties with the Company or is unable to perform his duties and responsibilities for a period of sixty (60) consecutive days during the Term or a period or periods aggregating to more than ninety (90) days in any consecutive six (6) month period but shall not include death.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by the Company to the Executive pursuant to incentive plans that the Company maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Restricted Activities” shall include the following:

- a) Recruiting, soliciting, hiring or engaging, as an employee or independent contractor, any employees or former employees (excluding any former employee whose employment with the Company or its subsidiaries has been terminated for a period of six months or longer) of the Company or its subsidiaries;
- b) Soliciting, enticing, or encouraging employees of the Company or its subsidiaries to leave employment with the Company or its subsidiaries;
- c) Soliciting (for the purpose of providing a product or service that is competitive with the Company) any customer or prospective customer of the Company or its subsidiaries;
- d) Soliciting, enticing, advising, encouraging, or inducing (i) customers of the Company or its subsidiaries to discontinue or alter their business relationship or (ii) customers or prospective customers to refrain from entering into a business relationship with the Company or its subsidiaries;
- e) Entering the employment, rendering any professional services or taking a position as an officer, director, partner, owner, consultant, independent contractor, advisory board or committee member, principal, agent, employee or 10% or more shareholder with or to any individual, partnership, association or corporation which is a Competitor of the Company or its subsidiaries; but this clause (e) shall not preclude the Executive from rendering services to an entity that competes with an entity that has acquired Teradyne, Inc. (an “Acquirer”) so long as (i) the Executive’s services do not involve products or services that are competitive to those that were produced, marketed, sold or rendered by Teradyne, Inc. or any of its subsidiaries (including actual or demonstratively anticipated research or development) before the



acquisition (“Teradyne Product/Services”) and (ii) the Executive is not retained as an Officer of the Acquirer following the consummation of the acquisition to render services involving the Acquirer’s products and services which are not Teradyne Products/Services.

- f) Establishing, funding, purchasing or managing a business which is competitive with the business of the Company or its subsidiaries.

3. Employment & Agreement Consideration: In consideration of (a) the Executive’s “at-will” employment with the Company and the compensation payments made to the Executive as CEO and President and (b) the Company’s willingness to enter into an agreement regarding termination benefits, specifically this Agreement, the Executive covenants and agrees that during the Term of this Agreement and for two (2) years after the Executive’s Date of Termination resulting from the Executive’s resignation, retirement or a termination by the Company for Cause, the Executive will not directly or indirectly engage in any of the Restricted Activities.

4. Termination Benefits and Covenants:

4.1 For the Executive: In consideration of, and as condition to, the performance by the Executive of the covenants, undertakings and other agreements set forth in Section 4.3 below, and for so long as the Executive performs such obligations, the Company shall provide the Termination Benefits described in subsections (a)-(f) below to the Executive if his employment with the Company is terminated by the Company for any reason other than for death, Disability, or Cause, provided that such termination by the Company does not trigger or entitle the Executive to any payments or benefits under the Amended and Restated Executive Officer Amended and Restated Change in Control Agreement dated contemporaneously herewith (the “Change in Control Agreement”). If the Executive’s employment with the Company is terminated within twenty-four (24) months following a Change in Control or within three (3) months prior to an actual Change in Control, then the terms and conditions of the Change in Control Agreement shall govern such employment termination and the Executive shall not be entitled to the payments and benefits described below. Subject to Section 4.1(b)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, payment or provision of the Executive’s Termination Benefits that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Date of Termination provided the Executive has complied with the requirements of Section 4.3 of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Date of Termination. All Termination Benefits shall be forfeited as of the 60<sup>th</sup> day following the Executive’s Date of Termination if the Executive has not provided the Company with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

- (a) Continued Payments: Unless otherwise required under Section 4.1(b) below, the Company shall pay monthly to the Executive an amount equal to 1/12<sup>th</sup> of his current annual Model Compensation as of the Date of Termination

for a period of twenty-four (24) months from the Date of Termination (the “Severance Period”). Except as otherwise expressly provided herein, under no circumstances shall the Executive receive more than a total of twenty-four (24) months of payments under this Agreement. All such continued payments shall be in accord with the Company’s customary pay practices.

(b) Deferred Compensation/Section 409A.

(i) Notwithstanding any other provision of this Agreement, if the Executive is a “specified employee” at the time of Executive’s “separation from service,” as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to Executive’s separation from service that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Executive).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor the Executive shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, the Company makes no representations or warranty and shall have no liability to Executive or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(c) Benefits: During the Severance Period, the Company shall arrange or provide for continued health, dental and vision insurance plan coverage for the Executive at the same levels of coverage in existence prior to the Date of Termination subject to the Company and Executive each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the Date of Termination. If the Executive is not eligible for continued health, dental and vision insurance plan coverage for any

portion of the Severance Period, the Company shall provide or reimburse the Executive for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Executive, such additional amount as is necessary to place the Executive in substantially the same after tax position as he was while an employee of the Company with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and savings plan plus, profit sharing payments and participation in the employee stock purchase plan shall cease as of the Date of Termination.

To the extent that amounts paid by the Company to provide benefits under this paragraph (c), are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and to the extent any such benefits are reimbursements of expenses incurred by the Executive then the expenses eligible for reimbursement in one taxable year may not effect the expenses eligible for reimbursement in another taxable year; such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; and the right to reimbursement is not subject to liquidation or exchange for another benefit.

(d) Equity Awards: All unvested Equity Awards held by the Executive as of the date of the Executive's termination by the Company shall continue to vest during the Severance Period as if the Executive's employment had not been terminated. Except as modified in this Section 1(d), the terms of the applicable equity Plan(s) and Equity Award Agreements (including any successor plans and agreements) under which the Equity Awards were granted to the Executive shall continue to govern all of the Executive's Equity Awards.

(e) Taxes and Withholdings: All payments made by the Company to the Executive under this Agreement shall be net of any applicable taxes (whether local, state, federal, provincial or otherwise) or other required or voluntary withholdings or deductions.

(f) Notwithstanding anything to the contrary herein, in the event the Executive dies after (i) his employment with the Company has been terminated for any reason other than Death, Disability and Cause and (ii) his right to the Termination Benefits stated in Section 4.1 has attached, the Company agrees that the Executive's estate, conservator or designated beneficiary(ies), as the case may be, shall be entitled to the remainder of the Executive's Termination Benefits described in Section 4.1.

4.2 Notwithstanding the preceding Section 4.1 and in consideration of, and as condition to, the Executive providing to the Company the covenants and agreements set forth in Section 4.3 below, the Company agrees that if the Executive's employment with the Company is terminated by the Company for Disability, the Company shall, unless otherwise required under Section 4.1(b) above:

(a) provide the monthly payments described in Section 4.1(a) above, as reduced pursuant to 4.2(b) below, to the Executive for each month during the two (2) year period following his termination during which the Executive does not receive or is no longer eligible to receive any Company disability insurance benefits under the applicable insurance policy or program(s), other than as a result of Executive's intentional malfeasance or death; and

(b) under this Section 4.2, reduce each monthly payment described in Section 4.1(a) above to the Executive by any compensation received by the Executive from other employment, consulting or the rendition of services outside the Restricted Activities.

The Executive agrees to use his best efforts to obtain and maintain any benefits from any disability policy or program under which he is an insured party or participant.

4.3 Executive's Covenants: In consideration of, and as a condition to, the Company providing to the Executive the Termination Benefits set forth in Sections 4.1 and 4.2, the Executive covenants and agrees:

(a) that during the Term of this Agreement and for two (2) years after the Executive's Date of Termination resulting from a termination by the Company for any reason other than for Death or Disability and so long as such termination does not trigger or entitle the Executive to any payments or benefits under the Change in Control Agreement, the Executive will not directly or indirectly engage in any of the Restricted Activities.

(b) to sign a valid, binding, irrevocable general release of any claims he has or may have against the Company, including its subsidiaries, in connection with or relating to his employment by and/or termination from employment with the Company in the form attached hereto as Attachment A, within twenty-one (21) days of his Date of Termination resulting from a termination by the Company. Notwithstanding the foregoing, the Company agrees and hereby acknowledges that the Release contained in Attachment A is not intended to and does not (i) apply to any claims the Executive may bring to enforce the terms of this Agreement, the Change in Control Agreement, or any outstanding Equity Award Agreement and applicable equity Plan; (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles or organization or bylaws or as mandated by statute to indemnify the Executive as an officer or director of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to the Executive or the Executive's estate, conservator or designated beneficiary (ies) under and in accordance with the terms of any applicable Company benefit plan and/or program.

(c) to continue to comply with any post-termination obligations he may have to the Company arising from this Agreement or any other agreement the Executive has with the Company, its subsidiaries, affiliates or divisions, including but not limited to the following:

- All Outstanding Equity Award Agreements
- Employment Agreement dated July 30, 2004
- Change in Control Agreement

(d) to cooperate with and provide all reasonable assistance to the Company, with respect to any civil, criminal or administrative investigations, actions and/or proceedings involving the Company and relating in any way to Executive's positions, duties and responsibilities while at the Company or to any matters which the Executive handled, participated in or had knowledge of while employed by the Company.,

(e) not to make any false or disparaging or derogatory statements or remarks to any person or entity about the Company's (including its subsidiaries') business affairs, financial condition, or about any Company or subsidiary directors, officers, employees, stockholders and agents.

4.4 Return of Property: Within sixty (60) days of the Executive's termination of employment, for any reason, or his resignation or retirement, the Executive shall (a) return to the Company all Company property in his possession or control, including all electronic documents; and (b) submit all documentation for any reimbursements owed to the Executive for business expenses incurred prior to the Date of Termination.

4.5 No Termination Benefits: Except as expressly stated otherwise in Section 4.2, the Executive shall not be eligible for or receive any of the Termination Benefits described in Section 4.1 above upon the occurrence of any one of the following: (a) the Executive's resignation of or retirement from employment with the Company, or (b) the termination of Executive's employment with the Company resulting from Death or Disability, or (c) the termination of Executive's employment by the Company for Cause; or (d) the Executive's failure to perform or breach of any of the covenants, undertakings or other agreements set forth in Section 4.3; or (e) the Executive's entitlement to receive payments or benefits under the Change in Control Agreement.

5. Termination Notice: Any termination of the Executive's employment by the Company (other than by reason of Death) shall (a) be in writing; (b) indicate the basis for termination (such as with or without Cause, Disability, etc...) and with respect to a termination for Cause indicate the basis for termination in reasonable detail and (c) be delivered to the Executive in accordance with Section 17 below.

6. Resignation or Retirement Notice: Any resignation or retirement by Executive shall be (a) in writing, (b) explain the resignation or retirement and (c) be delivered to the Company at least ninety (90) days in advance of the resignation or retirement date and otherwise in accordance with Section 17 below.

7. Resignation as a Director: Upon termination of Executive's employment by the Company for any reason or the resignation of or retirement from employment by the Executive, the Executive shall provide the Chairman of the Board with his written resignation from the Company's Board and all subsidiary Boards, and the Board may choose to accept or reject the Executive's resignation as a Company Board member.

8. No Third Party Beneficiaries: Except as otherwise provided in Section 4.1(f) above and in the Change in Control Agreement, nothing in this Agreement shall confer upon any person or entity not a party to this Agreement, or the legal representative, executor, administrator or heir of such person or entity, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

9. No Obligation of Employment. Nothing in this Agreement shall be construed as an express or implied contract of employment between the Executive and the Company (or its subsidiaries, affiliate or divisions) or as a commitment on the part of the Company to retain Executive in any capacity for any period of time. Executive understands that the employment relationship between the Executive and the Company will be "at will" and the Executive understands that the Company may terminate Executive with or without "Cause" at any time (including prior to a Change in Control) or for any or no reason. Following any Change in Control, the Company may also terminate Executive with or without "Cause" at any time subject to the terms of this Agreement and the Executive's rights and the Company's obligations specified in the Change in Control Agreement.

10. Specific Performance: Executive acknowledges that (a) the services to be rendered under this Agreement and the obligations of the Executive assumed herein are of a special, unique and extraordinary character, (b) it would be difficult or impossible to replace such services and obligations, (c) the Company, its subsidiaries and affiliates will be irreparably harmed, and (d) the award of monetary damages will not adequately protect the Company, its subsidiaries and affiliates in the event of a breach hereof by the Executive. As a result, the Executive agrees and consents that if he violates any of the provisions of this Agreement, the Company shall, without any bond or other security, being required and without the necessity of proving monetary damages, be entitled to temporary and/or permanent injunctive relief to be issued by a court of competent jurisdiction restraining the Executive from committing or continuing any violation of this Agreement or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy the Company may have whether at law or in equity.

11. Dispute Resolution: Except for the equitable relief provisions set forth in Section 10, the Executive and the Company agree that any dispute, controversy or claim arising between the parties relating to this Agreement, otherwise relating in any way to Executive's employment with and/or termination from the Company, or relating to

Executive's relationship as a director or in any other capacity for the Company (whether such dispute arises under any federal, state or local statute or regulation, or at common law), shall be resolved by final and binding arbitration before a single arbitrator. The arbitrator shall be selected in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") pertaining at the time the dispute arises. The parties agree that such arbitration shall take place at the offices of the AAA in Boston, Massachusetts. In such arbitration proceedings, the arbitrator shall have the discretion, to be exercised in accordance with applicable law, to allocate among the parties the arbitrator's fees, tribunal and other administrative and litigation costs and, to the prevailing party, reasonable attorneys' fees. The award of the arbitrator may be confirmed before and entered as a judgment of any court having jurisdiction of the parties.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

13. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

14. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 14. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

15. Assignment. Executive may not assign any of his rights or delegate any of his duties or obligations under this Agreement. The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

16. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Executive and the Company relating to the subject matter hereof including the Agreement Regarding Termination Benefits entered into between Teradyne, Inc. and the Executive dated September 3, 2004 ; provided, however, that the following Executive Agreements, as may be modified herein, shall remain in effect in accordance with their terms.

- a) All Outstanding Equity Award Agreements

- b) Employment Agreement dated July 30, 2004
- c) Change in Control Agreement
- d) Any written indemnification Agreements signed by the Company.
- e) The Release, Attachment A hereto, once executed between the Company and the Executive

17. Notices. All notices hereunder shall be in writing and shall be delivered (a) in person, (b) mailed by U.S. certified or registered mail, return receipt requested, postage prepaid, (c) sent via facsimile with a confirmed facsimile transmission receipt, or (d) sent via overnight delivery with a confirmed receipt of delivery; in each instance addressed, if to the Executive or the Company, as the case may be at the address noted below or to such other address as either party may furnish to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt.

To the Company:

Teradyne, Inc.  
600 Riverpark Drive  
North Reading, MA 01864  
Attention: General Counsel

To the Executive:

Executive's address in his employment file on record  
with the Human Resources Department

With a copy to the Executive's Counsel:

Robert L. Birnbaum, Esq.  
Foley Hoag, LLP  
Seaport World Trade Center West  
155 Seaport Boulevard  
Boston, Mass. 02210-2600

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

19. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.



IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Company, by a duly authorized director, and by the Executive.

TERADYNE, INC.

EXECUTIVE

/s/ Roy A. Vallee

/s/ Michael A. Bradley

Name: Roy A. Vallee

Michael A. Bradley

Title: Chair, Compensation Committee

President & Chief Executive Officer

## ATTACHMENT A

### Release

In consideration of the payment and receipt of the Termination Benefits described in the “Amended and Restated Agreement Regarding Termination Benefits” dated December 30, 2008 between me and Teradyne, Inc. of 600 Riverpark Drive, North Reading, MA 01864 (the “Company”), all of which I acknowledge I would not otherwise be entitled to receive and except as otherwise expressly excluded under Section 4.3(b) of said Agreement, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the “Released Parties”) from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys’ fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as a Director, Officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 (“ERISA”), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act , M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims I may bring to enforce the terms of this Agreement, the Amended and Restated Executive Officer Change in Control Agreement, or any outstanding Equity Award Agreement and equity Plan; (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company’s articles of organization or bylaws, or as mandated by statute to indemnify me as an officer or director of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

#### Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:

Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

(a) in consideration for the severance payments and benefits described in Section 4.1 of the Amended and Restated Agreement Regarding Termination Benefits, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;

(b) I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;

(c) I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;

(d) I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and

(e) in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.

Period for Review and Consideration of Agreement:

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Agreement Regarding Termination Benefits shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, Equity Awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
Michael A. Bradley

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

**IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT**

I, Michael A. Bradley, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Michael A. Bradley

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT entered into this 30<sup>th</sup> day of December, 2008 (the "Effective Date") and amended as of December 17, 2012, by and between Teradyne, Inc., a Massachusetts corporation ("Teradyne"), and the undersigned executive officer of Teradyne ("Employee").

WITNESSETH:

WHEREAS, Teradyne and Employee desire to set forth certain terms and conditions relating to the termination of Employee's employment upon the occurrence of a Change in Control (as hereinafter defined) of Teradyne;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Entitlements Upon a Termination Event. If, within twenty-four (24) months following a Change in Control or in contemplation of a Change in Control, there is a Termination Event, and subject to the conditions set forth herein and the performance by Employee of the undertakings and duties set forth herein, Employee shall be entitled to the rights, payments and other benefits set forth below:

(a) Treatment of Awards. Equity Awards that are not subject to Performance Criteria shall be governed by Section 1(b) below, and Cash Awards and Equity Awards that are subject to Performance Criteria shall be governed by Section 1(c) below. The parties hereto acknowledge that, except as otherwise provided herein, the terms of this Agreement are intended to modify the terms of Employee's existing Cash Award and Equity Award agreements and to be a supplement to Cash Award and Equity Award agreements granted on or subsequent to the date hereof.

(b) Acceleration of Equity Awards. All of Employee's invested or unexercisable Equity Awards or Equity Awards subject to restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, granted prior to, on, or after the date hereof (but only (I) such Equity Awards as have been granted to Employee by Teradyne as of the date of the Change in Control or (II) such Equity Awards as have been assumed by an acquiring company at the time of a Change in Control or such new cash and equity awards that have been substituted by an acquiring company for Equity Awards existing at the time of a Change in Control, each pursuant to the terms of any Teradyne incentive plan) shall automatically become fully vested, exercisable or free of restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, as of the date of such Termination Event, and all Equity Awards granted on or after the date hereof shall, to the extent applicable, remain exercisable for the remainder of the generally applicable term of such Equity Award.

(c) Satisfaction of Performance Criteria. All of Employee's Cash Awards and Equity Awards that are subject to Performance Criteria shall be settled and paid in the following manner: Employee shall be deemed to have satisfied the necessary percentage of the Performance Criteria to which such Cash Awards and Equity Awards are subject as of the date of the Termination Event, that will provide Employee with the target level of such Cash Awards and Equity Awards; and Employee shall be entitled to receive that portion of each Cash Award and Equity Award, payable, at the target level. For purposes of the Cash Awards, the payment shall be multiplied by a fraction, the numerator of which shall be the number of calendar months that have passed during the period in which the Performance Criteria are to be measured (treating the month in which the Termination Event occurs as a full calendar month) and the denominator of which shall be the total number of calendar months in such period. For purposes of this Agreement, "target level" is that percentage of the Performance Criteria established at the beginning of each calendar year in order for the Employee to achieve Model Compensation. Unless otherwise required under Section 1(e) below, such Cash Awards and Equity Awards shall be paid to Employee or the restrictions on transfer removed not later than 10 days following the Termination Event.

(d) Salary Continuation. Unless otherwise required under Section 1 (e) below, Teradyne shall pay Employee monthly an amount equal to 1/12<sup>th</sup> of Employee's current annual Model Compensation as of the Termination Event for a period of 24 months following the date of the Termination Event (the "Salary Continuation Period"). In the event a Termination Event constitutes termination for Good Reason on account of a material reduction in Model Compensation, the payment obligation pursuant to this Section 1(d) shall be calculated without giving effect to any such reductions in Model Compensation. All such continued payments shall be made in accordance with Teradyne's customary pay practices. Subject to Section 1(e)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, the continued payments to Employee contemplated by this Section 1(d) and any benefits provided to Employee that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Termination Event provided Employee has complied with the requirements of Section 1(g) of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Termination Event.

(e) Deferred Compensation/Section 409A

(i). Notwithstanding any other provision of this Agreement, if the Employee is a "specified employee" at the time of the Employee's "separation from service" as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to the Employee's "separation from service" that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Employee).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A,

and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(9)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither Teradyne nor the Employee shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, Teradyne makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(iv) If any amount is payable under the provisions of paragraph (f), below, as a reimbursement of Employee’s expenses, under the provisions of Section 2 and 13, or any other provision of this Agreement that constitutes a reimbursement of expenses under Section 409A then, notwithstanding the other provisions of this Agreement with respect to the payment of such reimbursement, the following limitations shall apply: (A) the expenses eligible for reimbursement may not affect the expenses eligible for reimbursement in any other taxable year; (B) such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; (C) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (D) in connection with reimbursements under Section 13 the period during which such expenses can be incurred extends to the end of the period permitted for such claims under the applicable statute of limitations.

(f) Benefit Continuation. During the Salary Continuation Period, Teradyne shall arrange or provide for continued health, dental and vision insurance plan coverage for the Employee at the same levels of coverage in existence prior to the Termination Event subject to Teradyne and Employee each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the date of the Termination Event. If the Employee is not eligible for continued health, dental and vision insurance plan coverage for any portion of the twenty-four (24) month period defined herein, Teradyne shall provide or reimburse Employee for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Employee, such additional amount as is necessary to place the Employee in substantially the same after tax position as he was while an employee of Teradyne with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and “savings plan plus”, profit sharing payments and participation in the Employee stock purchase plan shall cease as of the date of the Termination Event.

To the extent that amounts paid by Teradyne to provide the benefits under this paragraph (f) are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and any payment to preserve the Employee’s after tax position shall be made within 60 days after the end of each calendar year in which the taxable provision or reimbursement occurs.

(g) Release. Notwithstanding any other provision of this Agreement to the contrary, no payment, benefit or removal of restriction on the transfer of equity provided for under or by virtue of the provisions of this Agreement shall be paid or otherwise made available unless Teradyne shall have first received from Employee a valid, binding and irrevocable general release, in the form of Attachment A to this Agreement within twenty-one (21) days of the date of the Termination Event. Employee shall sign such release within twenty-one (21) days of a Termination Event subsequent to a Change in Control. Teradyne agrees to provide Employee an estimate relating to payments to be made under this Agreement upon Employee's written request. All rights, benefits, payments and other entitlements contemplated to be provided or paid to Employee under this Agreement shall be forfeited as of the 60<sup>th</sup> day following Employee's Termination Event if Employee has not provided Teradyne with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

(h) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Cash Awards" shall mean any cash-based bonus, cash incentive or other cash awards provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan.

"Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of Employee, after notice thereof, to render services to Teradyne in accordance with the terms or requirements of his or her employment as established by the Teradyne Board of Directors from time to time and communicated to the Employee; (ii) Employee's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to Teradyne, each in connection with Employee's employment by Teradyne; (iii) Employee's deliberate disregard of the rules or policies of, or breach of an agreement with, Teradyne which results in direct or indirect material loss, damage or injury to Teradyne; (iv) the intentional unauthorized disclosure by Employee of any trade secret or confidential information of Teradyne; (v) the commission by Employee of an act which constitutes unfair competition with Teradyne; or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Employee, to any crime involving moral turpitude or any felony. In the event that Teradyne determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, Teradyne shall give Employee written notice of the facts constituting such Cause and Employee shall have 30 days following receipt of such notice to remedy such Cause.

A "Change in Control" shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of Teradyne's assets; (iii) the adoption by the Board of Directors of Teradyne of



any plan or proposal for the liquidation or dissolution of Teradyne; (iv) a change in the majority of the Board of Directors of Teradyne through one or more contested elections occurring within a three-year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of Teradyne's outstanding voting securities, other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes at least a majority of combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of Teradyne, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of Teradyne securities.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Good Reason” shall mean any one or more of the following: (i) any material reduction of Employee's responsibilities (other than for Cause or as a result of death or disability) as they shall exist on the date of the consummation of the Change in Control; (ii) any material reduction in Employee's Model Compensation as in effect on the date of the consummation of the Change in Control, or as the same may be increased from time to time, or any failure by Teradyne to pay to Employee any bonus accrued, but not yet paid, upon written notice by Employee to Teradyne, within 45 days; (iii) a material reduction in the value of Employee's benefit package from the value of Employee's benefit package on the date of the consummation of the Change in Control; or (iv) a requirement that Employee be based at an office that is greater than 50 miles from the location of Employee's office immediately prior to the Change in Control except for required travel on Teradyne's business to an extent substantially consistent with the business travel obligations which Employee undertook on behalf of Teradyne prior to the date of the consummation of the Change in Control. In the event of a Termination Event in contemplation of a Change in Control, the applicable baseline measurement date shall be six months prior to such Termination Event and not the date of the consummation of the Change in Control.

“Model Compensation” shall mean Employee's annual “Model Compensation” as determined by Teradyne's Compensation Committee or Board of Directors, which consists of (i) a fixed annual salary and (ii) a target annual variable amount.

“Performance Criteria” shall have the meaning ascribed to that term in the Teradyne, Inc. 2006 Equity and Cash Compensation Incentive Plan.

“Termination Event” shall mean (i) any termination of Employee by Teradyne without Cause or (ii) any voluntary termination by Employee for Good Reason; provided, that it shall not be a Termination Event merely because Employee ceases to be employed by Teradyne and becomes employed by a successor to Teradyne involved in the Change in Control that assumes or is otherwise bound by this Agreement as provided in Section 7(a). It is expressly understood that no Termination Event shall be deemed to have occurred merely because, upon the occurrence of a Change in Control, Employee ceases to be employed by Teradyne and does not become employed by a successor to Teradyne after the Change in Control if the successor makes an offer to employ Employee on terms and conditions which, if imposed by Teradyne, would not give Employee a basis on which to terminate employment for Good Reason.

(i) Termination in Contemplation of a Change in Control. For purposes of this Agreement, including without limitation, this Section 1, a Termination Event occurring “in contemplation of a Change in Control” means a Termination Event occurring within 3 months prior to an actual Change in Control at the request or direction of a person who enters or has entered into an agreement the consummation of which would cause a Change in Control or who conditions the entry into such an agreement on the Employee’s termination whether or not such person actually enters into such an agreement. A termination by the Employee for Good Reason shall constitute a Termination Event in contemplation of a Change in Control if the actions constituting Good Reason were taken at the request or direction of a person who has entered into an agreement the consummation of which would cause a Change in Control.

2. (a) Parachute Payment Gross-Up. If any Payments (as hereinafter defined) to Employee are subject to the Excise Tax (as hereinafter defined), Teradyne shall pay to Employee a Gross-Up Payment (as hereinafter defined). The Gross-Up Payment with respect to any Payment shall be paid no later than 15 days prior to the date that the Excise Tax is due with respect to such Payment.

(b) Definitions. For purposes of this Section 2, the following terms shall have the following meanings:

- (i) “Code” shall mean the Internal Revenue Code of 1986, as amended.
- (ii) “Excise Tax” shall mean the tax imposed by Section 4999 of the Code. The amount of the Excise Tax (if any) imposed on any non-cash benefits or any deferred payment or benefit shall be reasonably determined by Teradyne, after consultation with its legal and tax advisors.
- (iii) “Gross-Up Payment” shall mean, with respect to Payments to Employee, the amount necessary so that the amount retained by Employee, after reduction for (1) any Excise Tax on the Gross-Up Payment and (2) any federal, state, or local income and employment taxes imposed on the Gross-Up Payment, is an amount equal to the Excise Tax on the Payments to Employee,

other than the Gross-Up Payment. The amount of the Gross-Up Payment shall be reasonably determined by Teradyne after consultation with its legal and tax advisors.

- (1) For purposes of determining the amount of the Gross-Up Payment, Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal, state and local income tax in the calendar year in which the Gross-Up Payment is made (determined by reference to Employee's residence for such calendar year), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
  - (2) In the event that the Excise Tax with respect to the Payments is determined to exceed the amount taken into account hereunder, Teradyne shall make an additional Gross-Up Payment in respect of such excess. For purposes of calculating such Gross-Up Payment, any interest or penalties imposed in connection with such excess Excise Tax shall be treated as an Excise Tax.
  - (3) In the event that the Excise Tax with respect to the Payments is subsequently determined to be less than the amount taken into account for purposes of calculating the Gross-Up Payment, Employee shall promptly repay to Teradyne the after-tax portion of the Gross-Up Payment that exceeds the Gross-Up Payment that otherwise would have been payable in connection with the actual Excise Tax imposed on the Payments.
- (iv) "Payment" shall mean, with respect to Employee, any payment in the nature of compensation to (or for the benefit of) such individual, if such payment is contingent on a change (i) in the ownership or effective control of Teradyne or (ii) in the ownership of a substantial portion of the assets of Teradyne (in each case, as reasonably determined by Teradyne in accordance with Section 280G(b)(2) of the Code and the regulations promulgated thereunder). Notwithstanding the foregoing, any amount payable to (or for the benefit of) Employee shall be a Payment if an Excise Tax is imposed on Employee with respect to such payment or benefit.

3. (a) Non-Competition and Non-Solicitation. From the Termination Event through the end of the Salary Continuation Period, Employee shall not directly or indirectly:

- (i) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) that is competitive with Teradyne (including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service competitive with any product or service developed, produced, marketed, sold or rendered by Teradyne while Employee was employed by Teradyne);
- (ii) Either alone or in association with others, recruit, solicit, hire or engage as an independent contractor, any person who was employed by Teradyne at any time during the period of Employee's employment with Teradyne, except for an individual whose employment with Teradyne has been terminated for a period of six months or longer; and
- (iii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any client or customer or entity that was a prospective client or customer of Teradyne during the Employee's employment.

(b) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 3 are necessary for the protection of the business and goodwill of Teradyne and are considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 3 will cause Teradyne irreparable harm and therefore, in the event of any such breach, in addition to such other remedies that may be available, Teradyne shall have the right to seek equitable and/or injunctive relief.

(d) The geographic scope of this Section 3 shall extend to anywhere Teradyne or any of its subsidiaries is doing business, has done business or has plans to do business.

(e) Employee agrees that during the Salary Continuation Period, he/she will make reasonable good faith efforts to give verbal notice to Teradyne of each new business activity he/she plans to undertake, at least (5) business days prior to beginning any such activity.

(f) If Employee violates the provisions of this Section 3, Teradyne shall be entitled to suspend and recoup any salary continuation payment made per Section 1 (d) above and Employee shall continue to be bound by the restrictions set forth in this Section 3 for an additional period of time equal to the duration of the violation, such additional period not to exceed 24 months.

3A. No Obligation of Employment. Employee understands that the employment relationship between Employee and Teradyne will be “at will” and Employee understands that, prior to any Change in Control, Teradyne may terminate Employee with or without “Cause” at any time, including in contemplation of a Change in Control. Following any Change in Control, Teradyne may also terminate Employee with or without “Cause” at any time subject to Employee’s rights and Teradyne’s obligations specified in this Agreement.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

5. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

6. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 6. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

7. Assignment. (a) Teradyne shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Teradyne expressly to assume and agree to perform under the terms of this Agreement in the same manner and to the same extent that Teradyne and its affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event Teradyne (as constituted prior to such succession) shall have no further obligation under or with respect to this Agreement. Failure of Teradyne to obtain such assumption and agreement with respect to Employee prior to the effectiveness of any such succession shall be a breach of the terms of this Agreement with respect to Employee and shall entitle Employee to compensation from Teradyne (as constituted prior to such succession) in the same amount and on the same terms as Employee would be entitled to hereunder were Employee’s employment terminated for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of the Termination Event. As used in this Agreement, “Teradyne” shall mean Teradyne as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform this Agreement. Nothing in this Section 7(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) Notwithstanding Section 7(a), Teradyne shall remain liable to Employee upon a Termination Event after a Change in Control if Employee is not offered continuing employment by a successor to Teradyne or is offered continuing employment by a successor to Teradyne only on a basis which would constitute Good Reason for termination of employment hereunder.

(c) This Agreement, and Employee's and Teradyne's rights and obligations hereunder, may not be assigned by Employee or, except as provided in Section 7(a), Teradyne, respectively; any purported assignment by Employee or Teradyne in violation hereof shall be null and void.

(d) The terms of this Agreement shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, permitted successors, heirs, distributees, devisees and legatees of Employee. If Employee shall die while an amount would still be payable to Employee hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, Employee's estate.

8. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Employee and Teradyne relating to the subject matter hereof including but not limited to the Employee Officer Change in Control Agreement entered into on October 19, 2001 and March 1, 2007 between Teradyne and Employee; provided, however, that Employee's existing Cash Award and Equity Award agreements, as modified hereby, shall remain in effect. This Agreement shall not limit any right of Employee to receive any payments or benefits under an employee benefit or Employee compensation plan of Teradyne, initially adopted as of or after the date hereof, which are expressly contingent thereunder upon the occurrence of a Change in Control (including, but not limited to, the acceleration of any rights or benefits thereunder); provided that in no event shall Employee be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Employee under any severance or similar plan or policy of Teradyne, and in any such case Employee shall only be entitled to receive the greater of the two payments.

9. Notices. All notices hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

If to Teradyne, to: Teradyne, Inc.  
700 Riverpark Drive  
MS NR700-2-3 (Legal Department)  
North Reading, MA 01864  
Attention: General Counsel

If to Employee, at Employee's address in his employment file on record with the Human Resources Department.

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

11. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

12. Term. The term of this Agreement (the "Term") shall commence upon the Effective Date hereof and terminate upon the earlier of (i) twenty-four (24) months following any Change in Control of Teradyne, (ii) the date prior to any Change in Control of Teradyne that Employee for any reason ceases to be an employee of Teradyne (other than a Termination Event in contemplation of a Change in Control), and (iii) the date following any Change in Control of Teradyne that Employee is terminated for Cause or voluntarily terminates his employment (other than for Good Reason).

13. Expenses. All reasonable legal fees and expenses incurred in a legal proceeding by Employee in seeking to obtain or enforce any right or benefit provided by this Agreement against a successor to Teradyne shall be the responsibility of and paid for by the successor to Teradyne (but not Teradyne as constituted prior to such succession). Such payments are to be made within twenty (20) days after Employee's request for payment accompanied with such evidence of fees and expenses incurred as Teradyne's successor reasonably may require; provided that if Employee institutes a proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that Employee has failed to prevail substantially, Employee shall pay Employee's own costs and expenses (and, if applicable, return any amounts theretofore paid on Employee's behalf under this Section 13).

14. Payments. Any payments hereunder shall be made out of the general assets of Teradyne. The Employee shall have the status of general unsecured creditor of Teradyne, and this Agreement constitutes a mere promise by Teradyne to make payments under this Agreement in the future as and to the extent provided herein. Unless otherwise determined by Teradyne in an applicable plan or arrangement, no amounts payable hereunder upon a Termination Event shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of Teradyne for the benefit of its employees. Teradyne shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

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

TERADYNE, INC.

By: /s/ Michael A. Bradley

Name: Michael A. Bradley

Title: CEO & President

EMPLOYEE

/s/ Gregory R. Beecher

Name: Gregory R. Beecher



## ATTACHMENT A

### Release

In consideration of the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement with an Effective Date of December 30, 2008 between me and Teradyne, Inc. (the "Company"), all of which I acknowledge I would not otherwise be entitled to receive, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as an officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims Employee may bring to enforce the terms of the Amended and Restated Employee Officer Change in Control Agreement, (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles of organization or bylaws, or as mandated by statute to indemnify me as an officer of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

**Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:** Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

**in consideration for the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;**

**I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;**

**I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;**

**I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and**

**in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.**

**Period for Review and Consideration of Agreement:**

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Executive Officer Change in Control Agreement shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, equity awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
**Name:**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT

I, \_\_\_\_\_, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT entered into this 30<sup>th</sup> day of December, 2008 (the "Effective Date") and amended as of December 17, 2012, by and between Teradyne, Inc., a Massachusetts corporation ("Teradyne"), and the undersigned executive officer of Teradyne ("Employee").

WITNESSETH:

WHEREAS, Teradyne and Employee desire to set forth certain terms and conditions relating to the termination of Employee's employment upon the occurrence of a Change in Control (as hereinafter defined) of Teradyne;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Entitlements Upon a Termination Event. If, within twenty-four (24) months following a Change in Control or in contemplation of a Change in Control, there is a Termination Event, and subject to the conditions set forth herein and the performance by Employee of the undertakings and duties set forth herein, Employee shall be entitled to the rights, payments and other benefits set forth below:

(a) Treatment of Awards. Equity Awards that are not subject to Performance Criteria shall be governed by Section 1(b) below, and Cash Awards and Equity Awards that are subject to Performance Criteria shall be governed by Section 1(c) below. The parties hereto acknowledge that, except as otherwise provided herein, the terms of this Agreement are intended to modify the terms of Employee's existing Cash Award and Equity Award agreements and to be a supplement to Cash Award and Equity Award agreements granted on or subsequent to the date hereof.

(b) Acceleration of Equity Awards. All of Employee's unvested or unexercisable Equity Awards or Equity Awards subject to restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, granted prior to, on, or after the date hereof (but only (I) such Equity Awards as have been granted to Employee by Teradyne as of the date of the Change in Control or (II) such Equity Awards as have been assumed by an acquiring company at the time of a Change in Control or such new cash and equity awards that have been substituted by an acquiring company for Equity Awards existing at the time of a Change in Control, each pursuant to the terms of any Teradyne incentive plan) shall automatically become fully vested, exercisable or free of restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, as of the date of such Termination Event, and all Equity Awards granted on or after the date hereof shall, to the extent applicable, remain exercisable for the remainder of the generally applicable term of such Equity Award.

(c) Satisfaction of Performance Criteria. All of Employee's Cash Awards and Equity Awards that are subject to Performance Criteria shall be settled and paid in the following manner: Employee shall be deemed to have satisfied the necessary percentage of the Performance Criteria to which such Cash Awards and Equity Awards are subject as of the date of the Termination Event, that will provide Employee with the target level of such Cash Awards and Equity Awards; and Employee shall be entitled to receive that portion of each Cash Award and Equity Award, payable, at the target level. For purposes of the Cash Awards, the payment shall be multiplied by a fraction, the numerator of which shall be the number of calendar months that have passed during the period in which the Performance Criteria are to be measured (treating the month in which the Termination Event occurs as a full calendar month) and the denominator of which shall be the total number of calendar months in such period. For purposes of this Agreement, "target level" is that percentage of the Performance Criteria established at the beginning of each calendar year in order for the Employee to achieve Model Compensation. Unless otherwise required under Section 1(e) below, such Cash Awards and Equity Awards shall be paid to Employee or the restrictions on transfer removed not later than 10 days following the Termination Event.

(d) Salary Continuation. Unless otherwise required under Section 1 (e) below, Teradyne shall pay Employee monthly an amount equal to 1/12<sup>th</sup> of Employee's current annual Model Compensation as of the Termination Event for a period of 24 months following the date of the Termination Event (the "Salary Continuation Period"). In the event a Termination Event constitutes termination for Good Reason on account of a material reduction in Model Compensation, the payment obligation pursuant to this Section 1(d) shall be calculated without giving effect to any such reductions in Model Compensation. All such continued payments shall be made in accordance with Teradyne's customary pay practices. Subject to Section 1(e)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, the continued payments to Employee contemplated by this Section 1(d) and any benefits provided to Employee that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Termination Event provided Employee has complied with the requirements of Section 1(g) of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Termination Event.

(e) Deferred Compensation/Section 409A

(i). Notwithstanding any other provision of this Agreement, if the Employee is a "specified employee" at the time of the Employee's "separation from service" as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to the Employee's "separation from service" that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Employee).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A,

and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(9)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither Teradyne nor the Employee shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, Teradyne makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(iv) If any amount is payable under the provisions of paragraph (f), below, as a reimbursement of Employee’s expenses, under the provisions of Section 2 and 13, or any other provision of this Agreement that constitutes a reimbursement of expenses under Section 409A then, notwithstanding the other provisions of this Agreement with respect to the payment of such reimbursement, the following limitations shall apply: (A) the expenses eligible for reimbursement may not affect the expenses eligible for reimbursement in any other taxable year; (B) such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; (C) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (D) in connection with reimbursements under Section 13 the period during which such expenses can be incurred extends to the end of the period permitted for such claims under the applicable statute of limitations.

(f) Benefit Continuation. During the Salary Continuation Period, Teradyne shall arrange or provide for continued health, dental and vision insurance plan coverage for the Employee at the same levels of coverage in existence prior to the Termination Event subject to Teradyne and Employee each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the date of the Termination Event. If the Employee is not eligible for continued health, dental and vision insurance plan coverage for any portion of the twenty-four (24) month period defined herein, Teradyne shall provide or reimburse Employee for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Employee, such additional amount as is necessary to place the Employee in substantially the same after tax position as he was while an employee of Teradyne with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and “savings plan plus”, profit sharing payments and participation in the Employee stock purchase plan shall cease as of the date of the Termination Event.

To the extent that amounts paid by Teradyne to provide the benefits under this paragraph (f) are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and any payment to preserve the Employee’s after tax position shall be made within 60 days after the end of each calendar year in which the taxable provision or reimbursement occurs.

(g) Release. Notwithstanding any other provision of this Agreement to the contrary, no payment, benefit or removal of restriction on the transfer of equity provided for under or by virtue of the provisions of this Agreement shall be paid or otherwise made available unless Teradyne shall have first received from Employee a valid, binding and irrevocable general release, in the form of Attachment A to this Agreement within twenty-one (21) days of the date of the Termination Event. Employee shall sign such release within twenty-one (21) days of a Termination Event subsequent to a Change in Control. Teradyne agrees to provide Employee an estimate relating to payments to be made under this Agreement upon Employee's written request. All rights, benefits, payments and other entitlements contemplated to be provided or paid to Employee under this Agreement shall be forfeited as of the 60<sup>th</sup> day following Employee's Termination Event if Employee has not provided Teradyne with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

(h) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Cash Awards" shall mean any cash-based bonus, cash incentive or other cash awards provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan.

"Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of Employee, after notice thereof, to render services to Teradyne in accordance with the terms or requirements of his or her employment as established by the Teradyne Board of Directors from time to time and communicated to the Employee; (ii) Employee's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to Teradyne, each in connection with Employee's employment by Teradyne; (iii) Employee's deliberate disregard of the rules or policies of, or breach of an agreement with, Teradyne which results in direct or indirect material loss, damage or injury to Teradyne; (iv) the intentional unauthorized disclosure by Employee of any trade secret or confidential information of Teradyne; (v) the commission by Employee of an act which constitutes unfair competition with Teradyne; or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Employee, to any crime involving moral turpitude or any felony. In the event that Teradyne determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, Teradyne shall give Employee written notice of the facts constituting such Cause and Employee shall have 30 days following receipt of such notice to remedy such Cause.

A "Change in Control" shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of Teradyne's assets; (iii) the adoption by the Board of Directors of Teradyne of

any plan or proposal for the liquidation or dissolution of Teradyne; (iv) a change in the majority of the Board of Directors of Teradyne through one or more contested elections occurring within a three-year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of Teradyne's outstanding voting securities, other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes at least a majority of combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of Teradyne, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of Teradyne securities.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Good Reason” shall mean any one or more of the following: (i) any material reduction of Employee's responsibilities (other than for Cause or as a result of death or disability) as they shall exist on the date of the consummation of the Change in Control; (ii) any material reduction in Employee's Model Compensation as in effect on the date of the consummation of the Change in Control, or as the same may be increased from time to time, or any failure by Teradyne to pay to Employee any bonus accrued, but not yet paid, upon written notice by Employee to Teradyne, within 45 days; (iii) a material reduction in the value of Employee's benefit package from the value of Employee's benefit package on the date of the consummation of the Change in Control; or (iv) a requirement that Employee be based at an office that is greater than 50 miles from the location of Employee's office immediately prior to the Change in Control except for required travel on Teradyne's business to an extent substantially consistent with the business travel obligations which Employee undertook on behalf of Teradyne prior to the date of the consummation of the Change in Control. In the event of a Termination Event in contemplation of a Change in Control, the applicable baseline measurement date shall be six months prior to such Termination Event and not the date of the consummation of the Change in Control.

“Model Compensation” shall mean Employee's annual “Model Compensation” as determined by Teradyne's Compensation Committee or Board of Directors, which consists of (i) a fixed annual salary and (ii) a target annual variable amount.

“Performance Criteria” shall have the meaning ascribed to that term in the Teradyne, Inc. 2006 Equity and Cash Compensation Incentive Plan.



“Termination Event” shall mean (i) any termination of Employee by Teradyne without Cause or (ii) any voluntary termination by Employee for Good Reason; provided, that it shall not be a Termination Event merely because Employee ceases to be employed by Teradyne and becomes employed by a successor to Teradyne involved in the Change in Control that assumes or is otherwise bound by this Agreement as provided in Section 7(a). It is expressly understood that no Termination Event shall be deemed to have occurred merely because, upon the occurrence of a Change in Control, Employee ceases to be employed by Teradyne and does not become employed by a successor to Teradyne after the Change in Control if the successor makes an offer to employ Employee on terms and conditions which, if imposed by Teradyne, would not give Employee a basis on which to terminate employment for Good Reason.

(i) Termination in Contemplation of a Change in Control. For purposes of this Agreement, including without limitation, this Section 1, a Termination Event occurring “in contemplation of a Change in Control” means a Termination Event occurring within 3 months prior to an actual Change in Control at the request or direction of a person who enters or has entered into an agreement the consummation of which would cause a Change in Control or who conditions the entry into such an agreement on the Employee’s termination whether or not such person actually enters into such an agreement. A termination by the Employee for Good Reason shall constitute a Termination Event in contemplation of a Change in Control if the actions constituting Good Reason were taken at the request or direction of a person who has entered into an agreement the consummation of which would cause a Change in Control.

2. (a) Parachute Payment Gross-Up. If any Payments (as hereinafter defined) to Employee are subject to the Excise Tax (as hereinafter defined), Teradyne shall pay to Employee a Gross-Up Payment (as hereinafter defined). The Gross-Up Payment with respect to any Payment shall be paid no later than 15 days prior to the date that the Excise Tax is due with respect to such Payment.

(b) Definitions. For purposes of this Section 2, the following terms shall have the following meanings:

- (i) “Code” shall mean the Internal Revenue Code of 1986, as amended.
- (ii) “Excise Tax” shall mean the tax imposed by Section 4999 of the Code. The amount of the Excise Tax (if any) imposed on any non-cash benefits or any deferred payment or benefit shall be reasonably determined by Teradyne, after consultation with its legal and tax advisors.
- (iii) “Gross-Up Payment” shall mean, with respect to Payments to Employee, the amount necessary so that the amount retained by Employee, after reduction for (1) any Excise Tax on the Gross-Up Payment and (2) any federal, state, or local income and employment taxes imposed on the Gross-Up Payment, is an amount equal to the Excise Tax on the Payments to Employee,

other than the Gross-Up Payment. The amount of the Gross-Up Payment shall be reasonably determined by Teradyne after consultation with its legal and tax advisors.

- (1) For purposes of determining the amount of the Gross-Up Payment, Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal, state and local income tax in the calendar year in which the Gross-Up Payment is made (determined by reference to Employee's residence for such calendar year), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
  - (2) In the event that the Excise Tax with respect to the Payments is determined to exceed the amount taken into account hereunder, Teradyne shall make an additional Gross-Up Payment in respect of such excess. For purposes of calculating such Gross-Up Payment, any interest or penalties imposed in connection with such excess Excise Tax shall be treated as an Excise Tax.
  - (3) In the event that the Excise Tax with respect to the Payments is subsequently determined to be less than the amount taken into account for purposes of calculating the Gross-Up Payment, Employee shall promptly repay to Teradyne the after-tax portion of the Gross-Up Payment that exceeds the Gross-Up Payment that otherwise would have been payable in connection with the actual Excise Tax imposed on the Payments.
- (iv) "Payment" shall mean, with respect to Employee, any payment in the nature of compensation to (or for the benefit of) such individual, if such payment is contingent on a change (i) in the ownership or effective control of Teradyne or (ii) in the ownership of a substantial portion of the assets of Teradyne (in each case, as reasonably determined by Teradyne in accordance with Section 280G(b)(2) of the Code and the regulations promulgated thereunder). Notwithstanding the foregoing, any amount payable to (or for the benefit of) Employee shall be a Payment if an Excise Tax is imposed on Employee with respect to such payment or benefit.

3. (a) Non-Competition and Non-Solicitation. From the Termination Event through the end of the Salary Continuation Period, Employee shall not directly or indirectly:

- (i) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) that is competitive with Teradyne (including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service competitive with any product or service developed, produced, marketed, sold or rendered by Teradyne while Employee was employed by Teradyne);
- (ii) Either alone or in association with others, recruit, solicit, hire or engage as an independent contractor, any person who was employed by Teradyne at any time during the period of Employee's employment with Teradyne, except for an individual whose employment with Teradyne has been terminated for a period of six months or longer; and
- (iii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any client or customer or entity that was a prospective client or customer of Teradyne during the Employee's employment.

(b) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 3 are necessary for the protection of the business and goodwill of Teradyne and are considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 3 will cause Teradyne irreparable harm and therefore, in the event of any such breach, in addition to such other remedies that may be available, Teradyne shall have the right to seek equitable and/or injunctive relief.

(d) The geographic scope of this Section 3 shall extend to anywhere Teradyne or any of its subsidiaries is doing business, has done business or has plans to do business.

(e) Employee agrees that during the Salary Continuation Period, he/she will make reasonable good faith efforts to give verbal notice to Teradyne of each new business activity he/she plans to undertake, at least (5) business days prior to beginning any such activity.

(f) If Employee violates the provisions of this Section 3, Teradyne shall be entitled to suspend and recoup any salary continuation payment made per Section 1 (d) above and Employee shall continue to be bound by the restrictions set forth in this Section 3 for an additional period of time equal to the duration of the violation, such additional period not to exceed 24 months.

3A. No Obligation of Employment. Employee understands that the employment relationship between Employee and Teradyne will be “at will” and Employee understands that, prior to any Change in Control, Teradyne may terminate Employee with or without “Cause” at any time, including in contemplation of a Change in Control. Following any Change in Control, Teradyne may also terminate Employee with or without “Cause” at any time subject to Employee’s rights and Teradyne’s obligations specified in this Agreement.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

5. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

6. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 6. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

7. Assignment. (a) Teradyne shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Teradyne expressly to assume and agree to perform under the terms of this Agreement in the same manner and to the same extent that Teradyne and its affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event Teradyne (as constituted prior to such succession) shall have no further obligation under or with respect to this Agreement. Failure of Teradyne to obtain such assumption and agreement with respect to Employee prior to the effectiveness of any such succession shall be a breach of the terms of this Agreement with respect to Employee and shall entitle Employee to compensation from Teradyne (as constituted prior to such succession) in the same amount and on the same terms as Employee would be entitled to hereunder were Employee’s employment terminated for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of the Termination Event. As used in this Agreement, “Teradyne” shall mean Teradyne as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform this Agreement. Nothing in this Section 7(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) Notwithstanding Section 7(a), Teradyne shall remain liable to Employee upon a Termination Event after a Change in Control if Employee is not offered continuing employment by a successor to Teradyne or is offered continuing employment by a successor to Teradyne only on a basis which would constitute Good Reason for termination of employment hereunder.

(c) This Agreement, and Employee's and Teradyne's rights and obligations hereunder, may not be assigned by Employee or, except as provided in Section 7(a), Teradyne, respectively; any purported assignment by Employee or Teradyne in violation hereof shall be null and void.

(d) The terms of this Agreement shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, permitted successors, heirs, distributees, devisees and legatees of Employee. If Employee shall die while an amount would still be payable to Employee hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, Employee's estate.

8. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Employee and Teradyne relating to the subject matter hereof including but not limited to the Employee Officer Change in Control Agreement entered into on October 19, 2001 and March 1, 2007 between Teradyne and Employee; provided, however, that Employee's existing Cash Award and Equity Award agreements, as modified hereby, shall remain in effect. This Agreement shall not limit any right of Employee to receive any payments or benefits under an employee benefit or Employee compensation plan of Teradyne, initially adopted as of or after the date hereof, which are expressly contingent thereunder upon the occurrence of a Change in Control (including, but not limited to, the acceleration of any rights or benefits thereunder); provided that in no event shall Employee be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Employee under any severance or similar plan or policy of Teradyne, and in any such case Employee shall only be entitled to receive the greater of the two payments.

9. Notices. All notices hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

If to Teradyne, to: Teradyne, Inc.  
700 Riverpark Drive  
MS NR700-2-3 (Legal Department)  
North Reading, MA 01864  
Attention: General Counsel

If to Employee, at Employee's address in his employment file on record with the Human Resources Department.

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

11. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

12. Term. The term of this Agreement (the "Term") shall commence upon the Effective Date hereof and terminate upon the earlier of (i) twenty-four (24) months following any Change in Control of Teradyne, (ii) the date prior to any Change in Control of Teradyne that Employee for any reason ceases to be an employee of Teradyne (other than a Termination Event in contemplation of a Change in Control), and (iii) the date following any Change in Control of Teradyne that Employee is terminated for Cause or voluntarily terminates his employment (other than for Good Reason).

13. Expenses. All reasonable legal fees and expenses incurred in a legal proceeding by Employee in seeking to obtain or enforce any right or benefit provided by this Agreement against a successor to Teradyne shall be the responsibility of and paid for by the successor to Teradyne (but not Teradyne as constituted prior to such succession). Such payments are to be made within twenty (20) days after Employee's request for payment accompanied with such evidence of fees and expenses incurred as Teradyne's successor reasonably may require; provided that if Employee institutes a proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that Employee has failed to prevail substantially, Employee shall pay Employee's own costs and expenses (and, if applicable, return any amounts theretofore paid on Employee's behalf under this Section 13).

14. Payments. Any payments hereunder shall be made out of the general assets of Teradyne. The Employee shall have the status of general unsecured creditor of Teradyne, and this Agreement constitutes a mere promise by Teradyne to make payments under this Agreement in the future as and to the extent provided herein. Unless otherwise determined by Teradyne in an applicable plan or arrangement, no amounts payable hereunder upon a Termination Event shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of Teradyne for the benefit of its employees. Teradyne shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

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

TERADYNE, INC.

By: /s/ Michael A. Bradley

Name: Michael A. Bradley

Title: CEO & President

EMPLOYEE

/s/ Mark Jagiela

Name: Mark Jagiela

## ATTACHMENT A

### Release

In consideration of the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement with an Effective Date of December 30, 2008 between me and Teradyne, Inc. (the "Company"), all of which I acknowledge I would not otherwise be entitled to receive, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as an officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims Employee may bring to enforce the terms of the Amended and Restated Employee Officer Change in Control Agreement, (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles of organization or bylaws, or as mandated by statute to indemnify me as an officer of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

**Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:** Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

**in consideration for the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;**



**I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;**

**I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;**

**I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and**

**in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.**

**Period for Review and Consideration of Agreement:**

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Executive Officer Change in Control Agreement shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, equity awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
**Name:**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT

I, \_\_\_\_\_, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT entered into this 26th day of May, 2009 and amended as of December 17, 2012 by and between Teradyne, Inc., a Massachusetts corporation ("Teradyne"), and the undersigned executive officer of Teradyne ("Employee").

WITNESSETH:

WHEREAS, Teradyne and Employee desire to set forth certain terms and conditions relating to the termination of Employee's employment upon the occurrence of a Change in Control (as hereinafter defined) of Teradyne.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Entitlements Upon a Termination Event. If, within twenty-four (24) months following a Change in Control or in contemplation of a Change in Control, there is a Termination Event, and subject to the conditions set forth herein and the performance by Employee of the undertakings and duties set forth herein, Employee shall be entitled to the rights, payments and other benefits set forth below:

(a) Treatment of Awards. Equity Awards that are not subject to Performance Criteria shall be governed by Section 1(b) below, and Cash Awards and Equity Awards that are subject to Performance Criteria shall be governed by Section 1(c) below. The parties hereto acknowledge that, except as otherwise provided herein, the terms of this Agreement are intended to modify the terms of Employee's existing Cash Award and Equity Award agreements and to be a supplement to Cash Award and Equity Award agreements granted on or subsequent to the date hereof.

(b) Acceleration of Equity Awards. All of Employee's invested or unexercisable Equity Awards or Equity Awards subject to restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, granted prior to, on, or after the date hereof (but only (I) such Equity Awards as have been granted to Employee by Teradyne as of the date of the Change in Control or (II) such Equity Awards as have been assumed by an acquiring company at the time of a Change in Control or such new cash and equity awards that have been substituted by an acquiring company for Equity Awards existing at the time of a Change in Control, each pursuant to the terms of any Teradyne incentive plan) shall automatically become fully vested, exercisable or free of restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, as of the date of such Termination Event, and all Equity Awards granted on or after the date hereof shall, to the extent applicable, remain exercisable for the remainder of the generally applicable term of such Equity Award.

(c) Satisfaction of Performance Criteria. All of Employee's Cash Awards and Equity Awards that are subject to Performance Criteria shall be settled and paid in the following manner: Employee shall be deemed to have satisfied the necessary percentage of the Performance Criteria to which such Cash Awards and Equity Awards are subject as of the date of the Termination Event, that will provide Employee with the target level of such Cash Awards and Equity Awards; and Employee shall be entitled to receive that portion of each Cash Award and Equity Award payable, at the target level. For purposes of the Cash Awards, the payment shall be multiplied by a fraction, the numerator of which shall be the number of calendar months that have passed during the period in which the Performance Criteria are to be measured (treating the month in which the Termination Event occurs as a full calendar month) and the denominator of which shall be the total number of calendar months in such period. For purposes of this Agreement, "target level" is that percentage of the Performance Criteria established at the beginning of each calendar year in order for the Employee to achieve Model Compensation. Unless otherwise required under Section 1(e) below, such Cash Awards and Equity Awards shall be paid to Employee or the restrictions on transfer removed not later than 10 days following the Termination Event.

(d) Salary Continuation. Unless otherwise required under Section 1 (e) below, Teradyne shall pay Employee monthly an amount equal to 1/12<sup>th</sup> of Employee's current annual Model Compensation as of the Termination Event for a period of 24 months following the date of the Termination Event (the "Salary Continuation Period"). In the event a Termination Event constitutes termination for Good Reason on account of a material reduction in Model Compensation, the payment obligation pursuant to this Section 1(d) shall be calculated without giving effect to any such reductions in Model Compensation. All such continued payments shall be made in accordance with Teradyne's customary pay practices. Subject to Section 1(e)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, the continued payments to Employee contemplated by this Section 1(d) and any benefits provided to Employee that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Termination Event provided Employee has complied with the requirements of Section 1(g) of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Termination Event.

(e) Deferred Compensation/Section 409A.

(i) Notwithstanding any other provision of this Agreement, if the Employee is a "specified employee" at the time of the Employee's "separation from service" as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to the Employee's "separation from service" that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Employee).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A,

and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(9)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither Teradyne nor the Employee shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, Teradyne makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(iv) If any amount is payable under the provisions of paragraph (f), below, as a reimbursement of Employee’s expenses, under the provisions of Section 2 and 13, or any other provision of this Agreement that constitutes a reimbursement of expenses under Section 409A then, notwithstanding the other provisions of this Agreement with respect to the payment of such reimbursement, the following limitations shall apply: (A) the expenses eligible for reimbursement may not affect the expenses eligible for reimbursement in any other taxable year; (B) such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; (C) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (D) in connection with reimbursements under Section 13 the period during which such expenses can be incurred extends to the end of the period permitted for such claims under the applicable statute of limitations.

(f) Benefit Continuation. During the Salary Continuation Period, Teradyne shall arrange or provide for continued health, dental and vision insurance plan coverage for the Employee at the same levels of coverage in existence prior to the Termination Event subject to Teradyne and Employee each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the date of the Termination Event. If the Employee is not eligible for continued health, dental and vision insurance plan coverage for any portion of the twenty-four (24) month period defined herein, Teradyne shall provide or reimburse Employee for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Employee, such additional amount as is necessary to place the Employee in substantially the same after tax position as he was while an employee of Teradyne with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and “savings plan plus”, profit sharing payments and participation in the Employee stock purchase plan shall cease as of the date of the Termination Event.

To the extent that amounts paid by Teradyne to provide the benefits under this paragraph (f) are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and any payment to preserve the Employee’s after tax position shall be made within 60 days after the end of each calendar year in which the taxable provision or reimbursement occurs.

(g) Release. Notwithstanding any other provision of this Agreement to the contrary, no payment, benefit or removal of restriction on the transfer of equity provided for under or by virtue of the provisions of this Agreement shall be paid or otherwise made available unless Teradyne shall have first received from Employee a valid, binding and irrevocable general release, in the form of Attachment A to this Agreement within twenty-one (21) days of the date of the Termination Event. Employee shall sign such release within twenty-one (21) days of a Termination Event subsequent to a Change in Control. Teradyne agrees to provide Employee an estimate relating to payments to be made under this Agreement upon Employee's written request. All rights, benefits, payments and other entitlements contemplated to be provided or paid to Employee under this Agreement shall be forfeited as of the 60<sup>th</sup> day following Employee's Termination Event if Employee has not provided Teradyne with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

(h) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Cash Awards" shall mean any cash-based bonus, cash incentive or other cash awards provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan.

"Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of Employee, after notice thereof, to render services to Teradyne in accordance with the terms or requirements of his or her employment as established by the Teradyne Board of Directors from time to time and communicated to the Employee; (ii) Employee's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to Teradyne, each in connection with Employee's employment by Teradyne; (iii) Employee's deliberate disregard of the rules or policies of, or breach of an agreement with, Teradyne which results in direct or indirect material loss, damage or injury to Teradyne; (iv) the intentional unauthorized disclosure by Employee of any trade secret or confidential information of Teradyne; (v) the commission by Employee of an act which constitutes unfair competition with Teradyne; or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Employee, to any crime involving moral turpitude or any felony. In the event that Teradyne determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, Teradyne shall give Employee written notice of the facts constituting such Cause and Employee shall have 30 days following receipt of such notice to remedy such Cause.

A "Change in Control" shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of Teradyne's assets; (iii) the adoption by the Board of Directors of Teradyne of

any plan or proposal for the liquidation or dissolution of Teradyne; (iv) a change in the majority of the Board of Directors of Teradyne through one or more contested elections occurring within a three-year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of Teradyne's outstanding voting securities, other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes at least a majority of combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of Teradyne, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of Teradyne securities.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Good Reason” shall mean any one or more of the following: (i) any material reduction of Employee's responsibilities (other than for Cause or as a result of death or disability) as they shall exist on the date of the consummation of the Change in Control; (ii) any material reduction in Employee's Model Compensation as in effect on the date of the consummation of the Change in Control, or as the same may be increased from time to time, or any failure by Teradyne to pay to Employee any bonus accrued, but not yet paid, upon written notice by Employee to Teradyne, within 45 days; (iii) a material reduction in the value of Employee's benefit package from the value of Employee's benefit package on the date of the consummation of the Change in Control; or (iv) a requirement that Employee be based at an office that is greater than 50 miles from the location of Employee's office immediately prior to the Change in Control except for required travel on Teradyne's business to an extent substantially consistent with the business travel obligations which Employee undertook on behalf of Teradyne prior to the date of the consummation of the Change in Control. In the event of a Termination Event in contemplation of a Change in Control, the applicable baseline measurement date shall be six months prior to such Termination Event and not the date of the consummation of the Change in Control.

“Model Compensation” shall mean Employee's annual “Model Compensation” as determined by Teradyne's Compensation Committee or Board of Directors, which consists of (i) a fixed annual salary and (ii) a target annual variable amount.

“Performance Criteria” shall have the meaning ascribed to that term in the Teradyne, Inc. 2006 Equity and Cash Compensation Incentive Plan.

“Termination Event” shall mean (i) any termination of Employee by Teradyne without Cause or (ii) any voluntary termination by Employee for Good Reason; provided, that it shall not be a Termination Event merely because Employee ceases to be employed by Teradyne and becomes employed by a successor to Teradyne involved in the Change in Control that assumes or is otherwise bound by this Agreement as provided in Section 7(a). It is expressly understood that no Termination Event shall be deemed to have occurred merely because, upon the occurrence of a Change in Control, Employee ceases to be employed by Teradyne and does not become employed by a successor to Teradyne after the Change in Control if the successor makes an offer to employ Employee on terms and conditions which, if imposed by Teradyne, would not give Employee a basis on which to terminate employment for Good Reason.

(i) Termination in Contemplation of a Change in Control. For purposes of this Agreement, including without limitation, this Section 1, a Termination Event occurring “in contemplation of a Change in Control” means a Termination Event occurring within 3 months prior to an actual Change in Control at the request or direction of a person who enters or has entered into an agreement the consummation of which would cause a Change in Control or who conditions the entry into such an agreement on the Employee’s termination whether or not such person actually enters into such an agreement. A termination by the Employee for Good Reason shall constitute a Termination Event in contemplation of a Change in Control if the actions constituting Good Reason were taken at the request or direction of a person who has entered into an agreement the consummation of which would cause a Change in Control.

## 2. Reduction of Payments

(a) Notwithstanding any other provision of this Agreement, in the event that the Company undergoes a Change in Ownership or Control (as defined below), the Company shall not be obligated to provide to the Executive a portion of any “Contingent Compensation Payments” (as defined below) that the Executive would otherwise be entitled to receive to the extent necessary to eliminate any “excess parachute payments” (as defined in Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the Executive. For purposes of this Section 2, the Contingent Compensation Payments so eliminated shall be referred to as the “Eliminated Payments” and the aggregate amount (determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-30 or any successor provision) of the Contingent Compensation Payments so eliminated shall be referred to as the “Eliminated Amount.”

(b) For purposes of this Section 2, the following terms shall have the following respective meanings:

- (i) “Change in Ownership or Control” shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.
- (ii) “Contingent Compensation Payment” shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a “disqualified



individual” (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

(c) If and to the extent that any Contingent Compensation Payments are required to be treated as Eliminated Payments pursuant to this Section 2, then the Payments shall be reduced or eliminated, as determined by the Company, in the following order (i) any cash payments, (ii) any taxable benefits, (iii) any nontaxable benefits and (iv) any vesting of equity awards, in each case in reverse order beginning with the payments or benefits that are to be paid the farthest in time from the date that triggers the applicability of the excise tax, to the extent necessary to maximize the Eliminated Payments.

3. (a) Non-Competition and Non-Solicitation. From the Termination Event through the end of the Salary Continuation Period, Employee shall not directly or indirectly:

- (i) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) that is competitive with Teradyne (including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service competitive with any product or service developed, produced, marketed, sold or rendered by Teradyne while Employee was employed by Teradyne);
- (ii) Either alone or in association with others, recruit, solicit, hire or engage as an independent contractor, any person who was employed by Teradyne at any time during the period of Employee’s employment with Teradyne, except for an individual whose employment with Teradyne has been terminated for a period of six months or longer; and
- (iii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any client or customer or entity that was a prospective client or customer of Teradyne during the Employee’s employment.

(b) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 3 are necessary for the protection of the business and goodwill of Teradyne and are

considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 3 will cause Teradyne irreparable harm and therefore, in the event of any such breach, in addition to such other remedies that may be available, Teradyne shall have the right to seek equitable and/or injunctive relief.

(d) The geographic scope of this Section 3 shall extend to anywhere Teradyne or any of its subsidiaries is doing business, has done business or has plans to do business.

(e) Employee agrees that during the Salary Continuation Period, he/she will make reasonable good faith efforts to give verbal notice to Teradyne of each new business activity he/she plans to undertake, at least (5) business days prior to beginning any such activity.

(f) If Employee violates the provisions of this Section 3, Teradyne shall be entitled to suspend and recoup any salary continuation payment made per Section 1 (d) above and Employee shall continue to be bound by the restrictions set forth in this Section 3 for an additional period of time equal to the duration of the violation, such additional period not to exceed 24 months.

3A. No Obligation of Employment. Employee understands that the employment relationship between Employee and Teradyne will be "at will" and Employee understands that, prior to any Change in Control, Teradyne may terminate Employee with or without "Cause" at any time, including in contemplation of a Change in Control. Following any Change in Control, Teradyne may also terminate Employee with or without "Cause" at any time subject to Employee's rights and Teradyne's obligations specified in this Agreement.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

5. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

6. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 6. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

7. Assignment. (a) Teradyne shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the

business or assets of Teradyne expressly to assume and agree to perform under the terms of this Agreement in the same manner and to the same extent that Teradyne and its affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event Teradyne (as constituted prior to such succession) shall have no further obligation under or with respect to this Agreement. Failure of Teradyne to obtain such assumption and agreement with respect to Employee prior to the effectiveness of any such succession shall be a breach of the terms of this Agreement with respect to Employee and shall entitle Employee to compensation from Teradyne (as constituted prior to such succession) in the same amount and on the same terms as Employee would be entitled to hereunder were Employee's employment terminated for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of the Termination Event. As used in this Agreement, "Teradyne" shall mean Teradyne as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform this Agreement. Nothing in this Section 7(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) Notwithstanding Section 7(a), Teradyne shall remain liable to Employee upon a Termination Event after a Change in Control if Employee is not offered continuing employment by a successor to Teradyne or is offered continuing employment by a successor to Teradyne only on a basis which would constitute Good Reason for termination of employment hereunder.

(c) This Agreement, and Employee's and Teradyne's rights and obligations hereunder, may not be assigned by Employee or, except as provided in Section 7(a), Teradyne, respectively; any purported assignment by Employee or Teradyne in violation hereof shall be null and void.

(d) The terms of this Agreement shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, permitted successors, heirs, distributees, devisees and legatees of Employee. If Employee shall die while an amount would still be payable to Employee hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, Employee's estate.

8. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Employee and Teradyne relating to the subject matter hereof; provided, however, that Employee's existing Cash Award and Equity Award agreements, as modified hereby, shall remain in effect. This Agreement shall not limit any right of Employee to receive any payments or benefits under an employee benefit or Employee compensation plan of Teradyne, initially adopted as of or after the date hereof, which are expressly contingent thereunder upon the occurrence of a Change in Control (including, but not limited to, the acceleration of any rights or benefits thereunder); provided that in no event shall Employee be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Employee under any severance or similar plan or policy of Teradyne, and in any such case Employee shall only be entitled to receive the greater of the two payments.

9. Notices. All notices hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

If to Teradyne, to: Teradyne, Inc.  
600 Riverpark Drive  
MS NR600-2-2 (Legal Department)  
North Reading, MA 01864  
Attention: Associate General Counsel

If to Employee, at Employee's address in his employment file on record with the Human Resources Department.

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

11. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

12. Term. The term of this Agreement (the "Term") shall commence upon the Effective Date hereof and terminate upon the earlier of (i) twenty-four (24) months following any Change in Control of Teradyne, (ii) the date prior to any Change in Control of Teradyne that Employee for any reason ceases to be an employee of Teradyne (other than a Termination Event in contemplation of a Change in Control) and (iii) the date following any Change in Control of Teradyne that Employee is terminated for Cause or voluntary terminates his employment (other than for Good Reason).

13. Expenses. All reasonable legal fees and expenses incurred in a legal proceeding by Employee in seeking to obtain or enforce any right or benefit provided by this Agreement against a successor to Teradyne shall be the responsibility of and paid for by the successor to Teradyne (but not Teradyne as constituted prior to such succession). Such payments are to be made within twenty (20) days after Employee's request for payment accompanied with such evidence of fees and expenses incurred as Teradyne's successor reasonably may require; provided that if Employee institutes a proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that Employee has failed to prevail substantially, Employee shall pay Employee's own costs and expenses (and, if applicable, return any amounts theretofore paid on Employee's behalf under this Section 13).

14. Payments. Any payments hereunder shall be made out of the general assets of Teradyne. The Employee shall have the status of general unsecured creditor of Teradyne, and this Agreement constitutes a mere promise by Teradyne to make payments under this Agreement in the future as and to the extent provided herein. Unless otherwise determined by Teradyne in

an applicable plan or arrangement, no amounts payable hereunder upon a Termination Event shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of Teradyne for the benefit of its employees. Teradyne shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

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

TERADYNE, INC.

By: /s/ Michael A. Bradley  
Name: Michael A. Bradley  
Title: CEO & President

EMPLOYEE

/s/ Charles J. Gray  
Name: Charles J. Gray

## ATTACHMENT A

### Release

In consideration of the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement dated May 30, 2009 between me and Teradyne, Inc. (the "Company"), all of which I acknowledge I would not otherwise be entitled to receive, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as an officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims Executive may bring to enforce the terms of the Amended and Restated Executive Officer Change in Control Agreement, (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles of organization or bylaws, or as mandated by statute to indemnify me as an officer of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

**Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:** Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

**in consideration for the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;**

**I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;**

**I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;**

**I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and**

**in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.**

**Period for Review and Consideration of Agreement:**

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Executive Officer Change in Control Agreement shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, equity awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT

I, \_\_\_\_\_, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness



AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED EXECUTIVE OFFICER CHANGE IN CONTROL AGREEMENT entered into this 30th day of June, 2012 and amended as of December 17, 2012 by and between Teradyne, Inc., a Massachusetts corporation ("Teradyne"), and the undersigned executive officer of Teradyne ("Employee").

WITNESSETH:

WHEREAS, Teradyne and Employee desire to set forth certain terms and conditions relating to the termination of Employee's employment upon the occurrence of a Change in Control (as hereinafter defined) of Teradyne.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Entitlements Upon a Termination Event. If, within twenty-four (24) months following a Change in Control or in contemplation of a Change in Control, there is a Termination Event, and subject to the conditions set forth herein and the performance by Employee of the undertakings and duties set forth herein, Employee shall be entitled to the rights, payments and other benefits set forth below:

(a) Treatment of Awards. Equity Awards that are not subject to Performance Criteria shall be governed by Section 1(b) below, and Cash Awards and Equity Awards that are subject to Performance Criteria shall be governed by Section 1(c) below. The parties hereto acknowledge that, except as otherwise provided herein, the terms of this Agreement are intended to modify the terms of Employee's existing Cash Award and Equity Award agreements and to be a supplement to Cash Award and Equity Award agreements granted on or subsequent to the date hereof.

(b) Acceleration of Equity Awards. All of Employee's unvested or unexercisable Equity Awards or Equity Awards subject to restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, granted prior to, on, or after the date hereof (but only (I) such Equity Awards as have been granted to Employee by Teradyne as of the date of the Change in Control or (II) such Equity Awards as have been assumed by an acquiring company at the time of a Change in Control or such new cash and equity awards that have been substituted by an acquiring company for Equity Awards existing at the time of a Change in Control, each pursuant to the terms of any Teradyne incentive plan) shall automatically become fully vested, exercisable or free of restrictions on transfer imposed by Teradyne or repurchase rights in favor of Teradyne, as applicable, as of the date of such Termination Event, and all Equity Awards granted on or after the date hereof shall, to the extent applicable, remain exercisable for the remainder of the generally applicable term of such Equity Award.

(c) Satisfaction of Performance Criteria. All of Employee's Cash Awards and Equity Awards that are subject to Performance Criteria shall be settled and paid in the following manner: Employee shall be deemed to have satisfied the necessary percentage of the Performance Criteria to which such Cash Awards and Equity Awards are subject as of the date of the Termination Event, that will provide Employee with the target level of such Cash Awards and Equity Awards; and Employee shall be entitled to receive that portion of each Cash Award and Equity Award payable, at the target level. For purposes of the Cash Awards, the payment shall be multiplied by a fraction, the numerator of which shall be the number of calendar months that have passed during the period in which the Performance Criteria are to be measured (treating the month in which the Termination Event occurs as a full calendar month) and the denominator of which shall be the total number of calendar months in such period. For purposes of this Agreement, "target level" is that percentage of the Performance Criteria established at the beginning of each calendar year in order for the Employee to achieve Model Compensation. Unless otherwise required under Section 1(e) below, such Cash Awards and Equity Awards shall be paid to Employee or the restrictions on transfer removed not later than 10 days following the Termination Event.

(d) Salary Continuation. Unless otherwise required under Section 1 (e) below, Teradyne shall pay Employee monthly an amount equal to 1/12<sup>th</sup> of Employee's current annual Model Compensation as of the Termination Event for a period of 24 months following the date of the Termination Event (the "Salary Continuation Period"). In the event a Termination Event constitutes termination for Good Reason on account of a material reduction in Model Compensation, the payment obligation pursuant to this Section 1(d) shall be calculated without giving effect to any such reductions in Model Compensation. All such continued payments shall be made in accordance with Teradyne's customary pay practices. Subject to Section 1(e)(i) of this Agreement but notwithstanding any other provision of this Agreement to the contrary, the continued payments to Employee contemplated by this Section 1(d) and any benefits provided to Employee that are subject to Section 409A of the Code shall commence on the 60<sup>th</sup> day following the Termination Event provided Employee has complied with the requirements of Section 1(g) of this Agreement and the release of claims has become irrevocable under applicable law no later than on the 60<sup>th</sup> day following his Termination Event.

(e) Deferred Compensation/Section 409A.

(i) Notwithstanding any other provision of this Agreement, if the Employee is a "specified employee" at the time of the Employee's "separation from service" as defined in Section 409A of the Code, all payments, benefits, or removal of restrictions on the transfer of equity under this Agreement with respect to the Employee's "separation from service" that constitute compensation deferred under a nonqualified deferred compensation plan as defined in Section 409A of the Code to which such specified employee would otherwise be entitled during the first six months following the date of separation from service shall be made on the first day of the seventh month after the date of separation from service (or, if earlier, the date of death of the Employee).

(ii) For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A,

and any payments that are due within the “short term deferral period” as defined in Section 409A or payments that are made under separation pay plans as described in Treasury Regulation Section 1.409A-1(b)(9)(ii), (iii) or (iv), shall not be treated as deferred compensation unless applicable law requires otherwise. Neither Teradyne nor the Employee shall have the right to accelerate or defer the delivery of any payments or benefits under this Agreement except to the extent specifically permitted or required by Section 409A.

(iii) This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, Teradyne makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(iv) If any amount is payable under the provisions of paragraph (f), below, as a reimbursement of Employee’s expenses, under the provisions of Section 2 and 13, or any other provision of this Agreement that constitutes a reimbursement of expenses under Section 409A then, notwithstanding the other provisions of this Agreement with respect to the payment of such reimbursement, the following limitations shall apply: (A) the expenses eligible for reimbursement may not affect the expenses eligible for reimbursement in any other taxable year; (B) such reimbursement must be made on or before the last day of the year following the year in which the expenses are incurred; (C) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (D) in connection with reimbursements under Section 13 the period during which such expenses can be incurred extends to the end of the period permitted for such claims under the applicable statute of limitations.

(f) Benefit Continuation. During the Salary Continuation Period, Teradyne shall arrange or provide for continued health, dental and vision insurance plan coverage for the Employee at the same levels of coverage in existence prior to the Termination Event subject to Teradyne and Employee each contributing to the applicable insurance premium payments on the same basis and in the same proportions as in existence at the date of the Termination Event. If the Employee is not eligible for continued health, dental and vision insurance plan coverage for any portion of the twenty-four (24) month period defined herein, Teradyne shall provide or reimburse Employee for comparable individual insurance and, if such provision or reimbursement constitutes taxable income to the Employee, such additional amount as is necessary to place the Employee in substantially the same after tax position as he was while an employee of Teradyne with respect to such insurance plan coverages. All other benefits, including but not limited to flex/vacation time accrual, short and long term disability insurance, life insurance, contributions (including company matches) into savings plan and “savings plan plus”, profit sharing payments and participation in the Employee stock purchase plan shall cease as of the date of the Termination Event.

To the extent that amounts paid by Teradyne to provide the benefits under this paragraph (f) are deemed to be deferred compensation subject to Section 409A, then such payments shall be made monthly and any payment to preserve the Employee’s after tax position shall be made within 60 days after the end of each calendar year in which the taxable provision or reimbursement occurs.

(g) Release. Notwithstanding any other provision of this Agreement to the contrary, no payment, benefit or removal of restriction on the transfer of equity provided for under or by virtue of the provisions of this Agreement shall be paid or otherwise made available unless Teradyne shall have first received from Employee a valid, binding and irrevocable general release, in the form of Attachment A to this Agreement within twenty-one (21) days of the date of the Termination Event. Employee shall sign such release within twenty-one (21) days of a Termination Event subsequent to a Change in Control. Teradyne agrees to provide Employee an estimate relating to payments to be made under this Agreement upon Employee's written request. All rights, benefits, payments and other entitlements contemplated to be provided or paid to Employee under this Agreement shall be forfeited as of the 60<sup>th</sup> day following Employee's Termination Event if Employee has not provided Teradyne with a valid, irrevocable release of claims as of such 60<sup>th</sup> day.

(h) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cash Awards” shall mean any cash-based bonus, cash incentive or other cash awards provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan.

“Cause” shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of Employee, after notice thereof, to render services to Teradyne in accordance with the terms or requirements of his or her employment as established by the Teradyne Board of Directors from time to time and communicated to the Employee; (ii) Employee's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to Teradyne, each in connection with Employee's employment by Teradyne; (iii) Employee's deliberate disregard of the rules or policies of, or breach of an agreement with, Teradyne which results in direct or indirect material loss, damage or injury to Teradyne; (iv) the intentional unauthorized disclosure by Employee of any trade secret or confidential information of Teradyne; (v) the commission by Employee of an act which constitutes unfair competition with Teradyne; or (vi) the conviction of, or the entry of a plea of guilty or nolo contendere by the Employee, to any crime involving moral turpitude or any felony. In the event that Teradyne determines that Cause may exist pursuant to clauses (i), (iii) and (v) above, Teradyne shall give Employee written notice of the facts constituting such Cause and Employee shall have 30 days following receipt of such notice to remedy such Cause.

A “Change in Control” shall be deemed to have occurred upon the occurrence of any of the following events: (i) any consolidation, cash tender offer, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes less than a majority of the combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction; (ii) any sale, lease, exchange or other transfer of all or substantially all of Teradyne's assets; (iii) the adoption by the Board of Directors of Teradyne of

any plan or proposal for the liquidation or dissolution of Teradyne; (iv) a change in the majority of the Board of Directors of Teradyne through one or more contested elections occurring within a three-year period; or (v) any person (as that term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes beneficial owner of 30% or more of the combined voting power of Teradyne's outstanding voting securities, other than (A) as a result of a consolidation, reorganization, recapitalization, merger or plan of share exchange following which the capital stock of Teradyne outstanding immediately prior to such transaction constitutes at least a majority of combined voting power of the then-outstanding securities of the combined corporation or person immediately after such transaction, (B) by any trustee or other fiduciary holding securities under an employee benefit plan of Teradyne, or (C) by a person temporarily acquiring beneficial ownership in its capacity as an underwriter (as defined pursuant to Section 2(a)(11) of the Securities Act of 1933, as amended) in connection with a public offering of Teradyne securities.

“Equity Awards” shall mean the equity ownership, participation or appreciation opportunities provided by Teradyne to Employee pursuant to incentive plans that Teradyne maintains, including but not limited to its 2006 Equity and Cash Compensation Incentive Plan, the Teradyne, Inc. 1991 Employee Stock Option Plan and the Teradyne, Inc. 1997 Employee Stock Option Plan, and any stock options, restricted stock units, restricted stock, stock appreciation rights, phantom stock and other stock-based awards granted thereunder.

“Good Reason” shall mean any one or more of the following: (i) any material reduction of Employee's responsibilities (other than for Cause or as a result of death or disability) as they shall exist on the date of the consummation of the Change in Control; (ii) any material reduction in Employee's Model Compensation as in effect on the date of the consummation of the Change in Control, or as the same may be increased from time to time, or any failure by Teradyne to pay to Employee any bonus accrued, but not yet paid, upon written notice by Employee to Teradyne, within 45 days; (iii) a material reduction in the value of Employee's benefit package from the value of Employee's benefit package on the date of the consummation of the Change in Control; or (iv) a requirement that Employee be based at an office that is greater than 50 miles from the location of Employee's office immediately prior to the Change in Control except for required travel on Teradyne's business to an extent substantially consistent with the business travel obligations which Employee undertook on behalf of Teradyne prior to the date of the consummation of the Change in Control. In the event of a Termination Event in contemplation of a Change in Control, the applicable baseline measurement date shall be six months prior to such Termination Event and not the date of the consummation of the Change in Control.

“Model Compensation” shall mean Employee's annual “Model Compensation” as determined by Teradyne's Compensation Committee or Board of Directors, which consists of (i) a fixed annual salary and (ii) a target annual variable amount.

“Performance Criteria” shall have the meaning ascribed to that term in the Teradyne, Inc. 2006 Equity and Cash Compensation Incentive Plan.

“Termination Event” shall mean (i) any termination of Employee by Teradyne without Cause or (ii) any voluntary termination by Employee for Good Reason; provided, that it shall not be a Termination Event merely because Employee ceases to be employed by Teradyne and becomes employed by a successor to Teradyne involved in the Change in Control that assumes or is otherwise bound by this Agreement as provided in Section 7(a). It is expressly understood that no Termination Event shall be deemed to have occurred merely because, upon the occurrence of a Change in Control, Employee ceases to be employed by Teradyne and does not become employed by a successor to Teradyne after the Change in Control if the successor makes an offer to employ Employee on terms and conditions which, if imposed by Teradyne, would not give Employee a basis on which to terminate employment for Good Reason.

(i) Termination in Contemplation of a Change in Control. For purposes of this Agreement, including without limitation, this Section 1, a Termination Event occurring “in contemplation of a Change in Control” means a Termination Event occurring within 3 months prior to an actual Change in Control at the request or direction of a person who enters or has entered into an agreement the consummation of which would cause a Change in Control or who conditions the entry into such an agreement on the Employee’s termination whether or not such person actually enters into such an agreement. A termination by the Employee for Good Reason shall constitute a Termination Event in contemplation of a Change in Control if the actions constituting Good Reason were taken at the request or direction of a person who has entered into an agreement the consummation of which would cause a Change in Control.

## 2. Reduction of Payments

(a) Notwithstanding any other provision of this Agreement, in the event that the Company undergoes a Change in Ownership or Control (as defined below), the Company shall not be obligated to provide to the Executive a portion of any “Contingent Compensation Payments” (as defined below) that the Executive would otherwise be entitled to receive to the extent necessary to eliminate any “excess parachute payments” (as defined in Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the Executive. For purposes of this Section 2, the Contingent Compensation Payments so eliminated shall be referred to as the “Eliminated Payments” and the aggregate amount (determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-30 or any successor provision) of the Contingent Compensation Payments so eliminated shall be referred to as the “Eliminated Amount.”

(b) For purposes of this Section 2, the following terms shall have the following respective meanings:

- (i) “Change in Ownership or Control” shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.
- (ii) “Contingent Compensation Payment” shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a “disqualified

individual” (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

(c) If and to the extent that any Contingent Compensation Payments are required to be treated as Eliminated Payments pursuant to this Section 2, then the Payments shall be reduced or eliminated, as determined by the Company, in the following order (i) any cash payments, (ii) any taxable benefits, (iii) any nontaxable benefits and (iv) any vesting of equity awards, in each case in reverse order beginning with the payments or benefits that are to be paid the farthest in time from the date that triggers the applicability of the excise tax, to the extent necessary to maximize the Eliminated Payments.

3.(a) Non-Competition and Non-Solicitation. From the Termination Event through the end of the Salary Continuation Period, Employee shall not directly or indirectly:

- (i) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) that is competitive with Teradyne (including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service competitive with any product or service developed, produced, marketed, sold or rendered by Teradyne while Employee was employed by Teradyne);
- (ii) Either alone or in association with others, recruit, solicit, hire or engage as an independent contractor, any person who was employed by Teradyne at any time during the period of Employee’s employment with Teradyne, except for an individual whose employment with Teradyne has been terminated for a period of six months or longer; and
- (iii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any client or customer or entity that was a prospective client or customer of Teradyne during the Employee’s employment.

(b) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 3 are necessary for the protection of the business and goodwill of Teradyne and are

considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 3 will cause Teradyne irreparable harm and therefore, in the event of any such breach, in addition to such other remedies that may be available, Teradyne shall have the right to seek equitable and/or injunctive relief.

(d) The geographic scope of this Section 3 shall extend to anywhere Teradyne or any of its subsidiaries is doing business, has done business or has plans to do business.

(e) Employee agrees that during the Salary Continuation Period, he/she will make reasonable good faith efforts to give verbal notice to Teradyne of each new business activity he/she plans to undertake, at least (5) business days prior to beginning any such activity.

(f) If Employee violates the provisions of this Section 3, Teradyne shall be entitled to suspend and recoup any salary continuation payment made per Section 1 (d) above and Employee shall continue to be bound by the restrictions set forth in this Section 3 for an additional period of time equal to the duration of the violation, such additional period not to exceed 24 months.

3A. No Obligation of Employment. Employee understands that the employment relationship between Employee and Teradyne will be “at will” and Employee understands that, prior to any Change in Control, Teradyne may terminate Employee with or without “Cause” at any time, including in contemplation of a Change in Control. Following any Change in Control, Teradyne may also terminate Employee with or without “Cause” at any time subject to Employee’s rights and Teradyne’s obligations specified in this Agreement.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts and this Agreement shall be deemed to be performable in Massachusetts.

5. Severability. In case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed to the maximum extent permitted by law.

6. Waivers and Modifications. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section 6. No waiver by either party of any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

7. Assignment. (a) Teradyne shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the



business or assets of Teradyne expressly to assume and agree to perform under the terms of this Agreement in the same manner and to the same extent that Teradyne and its affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event Teradyne (as constituted prior to such succession) shall have no further obligation under or with respect to this Agreement. Failure of Teradyne to obtain such assumption and agreement with respect to Employee prior to the effectiveness of any such succession shall be a breach of the terms of this Agreement with respect to Employee and shall entitle Employee to compensation from Teradyne (as constituted prior to such succession) in the same amount and on the same terms as Employee would be entitled to hereunder were Employee's employment terminated for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of the Termination Event. As used in this Agreement, "Teradyne" shall mean Teradyne as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform this Agreement. Nothing in this Section 7(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) Notwithstanding Section 7(a), Teradyne shall remain liable to Employee upon a Termination Event after a Change in Control if Employee is not offered continuing employment by a successor to Teradyne or is offered continuing employment by a successor to Teradyne only on a basis which would constitute Good Reason for termination of employment hereunder.

(c) This Agreement, and Employee's and Teradyne's rights and obligations hereunder, may not be assigned by Employee or, except as provided in Section 7(a), Teradyne, respectively; any purported assignment by Employee or Teradyne in violation hereof shall be null and void.

(d) The terms of this Agreement shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, permitted successors, heirs, distributees, devisees and legatees of Employee. If Employee shall die while an amount would still be payable to Employee hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, Employee's estate.

8. Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels all agreements, written or oral, made prior to the date hereof between Employee and Teradyne relating to the subject matter hereof; provided, however, that Employee's existing Cash Award and Equity Award agreements, as modified hereby, shall remain in effect. This Agreement shall not limit any right of Employee to receive any payments or benefits under an employee benefit or Employee compensation plan of Teradyne, initially adopted as of or after the date hereof, which are expressly contingent thereunder upon the occurrence of a Change in Control (including, but not limited to, the acceleration of any rights or benefits thereunder); provided that in no event shall Employee be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Employee under any severance or similar plan or policy of Teradyne, and in any such case Employee shall only be entitled to receive the greater of the two payments.

9. Notices. All notices hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

If to Teradyne, to: Teradyne, Inc.  
600 Riverpark Drive  
MS NR600-2-2 (Legal Department)  
North Reading, MA 01864  
Attention: General Counsel

If to Employee, at Employee's address in his employment file on record with the Human Resources Department.

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

11. Section Headings. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

12. Term. The term of this Agreement (the "Term") shall commence upon the Effective Date hereof and terminate upon the earlier of (i) twenty-four (24) months following any Change in Control of Teradyne, (ii) the date prior to any Change in Control of Teradyne that Employee for any reason ceases to be an employee of Teradyne (other than a Termination Event in contemplation of a Change in Control) and (iii) the date following any Change in Control of Teradyne that Employee is terminated for Cause or voluntarily terminates his employment (other than for Good Reason).

13. Expenses. All reasonable legal fees and expenses incurred in a legal proceeding by Employee in seeking to obtain or enforce any right or benefit provided by this Agreement against a successor to Teradyne shall be the responsibility of and paid for by the successor to Teradyne (but not Teradyne as constituted prior to such succession). Such payments are to be made within twenty (20) days after Employee's request for payment accompanied with such evidence of fees and expenses incurred as Teradyne's successor reasonably may require; provided that if Employee institutes a proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that Employee has failed to prevail substantially, Employee shall pay Employee's own costs and expenses (and, if applicable, return any amounts theretofore paid on Employee's behalf under this Section 13).

14. Payments. Any payments hereunder shall be made out of the general assets of Teradyne. The Employee shall have the status of general unsecured creditor of Teradyne, and this Agreement constitutes a mere promise by Teradyne to make payments under this Agreement in the future as and to the extent provided herein. Unless otherwise determined by Teradyne in

an applicable plan or arrangement, no amounts payable hereunder upon a Termination Event shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of Teradyne for the benefit of its employees. Teradyne shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

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

TERADYNE, INC.

By: /s/ Michael A. Bradley  
Name: Michael A. Bradley  
Title: CEO & President

EMPLOYEE

/s/ Walter G. Vahey  
Name: Walter G. Vahey

## ATTACHMENT A

### Release

In consideration of the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement dated June 30, 2012 between me and Teradyne, Inc. (the "Company"), all of which I acknowledge I would not otherwise be entitled to receive, I hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, its successors and assigns and their respective officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which I ever had or now have against the Released Parties arising out of my employment with and/or termination or separation from the Company or relating to my relationship as an officer or in any other capacity for the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., §12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., and the Massachusetts Fair Employment Practices Act., M.G.L. c.151B, §1 et seq., all as amended; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1001 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, §1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of my employment with, termination or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that notwithstanding the foregoing, the Company agrees and hereby acknowledges that this Release Agreement is not intended to and does not (i) apply to any claims Executive may bring to enforce the terms of the Amended and Restated Executive Officer Change in Control Agreement, (ii) release the Company of any obligation it may have pursuant to a written agreement, the Company's articles of organization or bylaws, or as mandated by statute to indemnify me as an officer of the Company; and (iii) release the Company of any obligation to provide and/or pay benefits to me or my estate, conservator or designated beneficiary(ies) under and in accordance with the terms of any applicable Company benefit plan and/or program; provided further, that nothing in this Release Agreement prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

**Waiver of Rights and Claims Under the Age Discrimination in Employment Act of 1967:** Since I am 40 years of age or older, I have been informed that I have or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and I agree that:

**in consideration for the payments and benefits described in the Amended and Restated Executive Officer Change in Control Agreement, which I am not otherwise entitled to receive, I specifically and voluntarily waive such rights and/or claims under the ADEA I might have against the Released Parties to the extent such rights and/or claims arose prior to the date this Release Agreement was executed;**

**I understand that rights or claims under the ADEA which may arise after the date this Release Agreement is executed are not waived by me;**

**I was advised that I have at least 21 days within which to consider the terms of this Release Agreement and to consult with or seek advice from an attorney of my choice or any other person of your choosing prior to executing this Release Agreement;**

**I have carefully read and fully understand all of the provisions of this Release Agreement, and I knowingly and voluntarily agree to all of the terms set forth in this Release Agreement; and**

**in entering into this Release Agreement I am not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.**

**Period for Review and Consideration of Agreement:**

I acknowledge that I was informed and understand that I have twenty-one (21) days to review this Release Agreement and consider its terms before signing it.

The 21-day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

Accord and Satisfaction: The amounts set forth in the Amended and Restated Executive Officer Change in Control Agreement shall be complete and unconditional payment, settlement, accord and/or satisfaction with respect to all obligations and liabilities of the Released Parties to me, including, without limitation, all claims for back wages, salary, vacation pay, draws, incentive pay, bonuses, cash awards, equity awards, commissions, severance pay, reimbursement of expenses, any and all other forms of compensation or benefits, attorney's fees, or other costs or sums.

Revocation Period: I may revoke this Release Agreement at any time during the seven-day period immediately following my execution hereof. As a result, this Release Agreement shall not become effective or enforceable and the Company shall have no obligation to make any payments or provide any benefits described herein until the seven-day revocation period has expired.

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

**IF YOU DO NOT WISH TO USE THE 21-DAY PERIOD,  
PLEASE CAREFULLY REVIEW AND SIGN THIS DOCUMENT**

I, \_\_\_\_\_, acknowledge that I was informed and understand that I have 21 days within which to consider the attached Release Agreement, have been advised of my right to consult with an attorney regarding such Agreement and have considered carefully every provision of the Agreement, and that after having engaged in those actions, I prefer to and have requested that I enter into the Agreement prior to the expiration of the 21 day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Witness



## EMPLOYMENT AGREEMENT

In consideration of my promotion to President, Systems Test Group by Teradyne, Inc., a corporation of the Commonwealth of Massachusetts (herein referred to as "the Company"), effective July 1, 2012 and the payments made to me as consequence thereof, I agree that, effective July 1, 2012, I will promptly report to an officer of the Company or to such other individual as may from time to time be designated, all inventions and new ideas which I, alone or with others, have conceived or reduced to practice since the time of entering the employment of the Company in respect to any subject matter relating to the business in which the Company is engaging as of the date of conception or reduction to practice of each such invention or new idea. This obligation ceases with termination of my employment with the Company.

I further agree to assign to the Company the entire interest throughout the world in all inventions and new ideas referred to in the proceeding paragraph, whether or not reported by me, and to execute all papers and do anything necessary and reasonable to secure to the Company title therein and Letters Patent pertaining thereto including the giving of testimony in any suit if called so to do during or after my employment but all at the expense of the Company. I also waive all claims to moral rights in any Inventions.

All inventions and new ideas that would fall within the scope of this Agreement, but for the fact that they were conceived prior to my employment by the Company, may be excluded from this Agreement only if I can establish, under applicable inventorship law, a date of conception prior to my entering the employment of the Company. I further agree that I will make a written record of all inventions and new ideas falling within the scope of this Agreement in the form of notes, sketches, drawing, or reports relating thereto, which records shall be and remain the property of and available to the Company at all times. I further agree that I will not, during or after the period of my employment with the Company, divulge to any unauthorized persons confidential information concerning the Company's business, technology, and activities that I learn during the period of my employment, or use any such information except on the Company's behalf.

I further agree that I will observe all rules and regulations laid down by the Government agencies relating to the safeguarding of classified information that may be disclosed or entrusted to me in connection with any contract between the Company and the Government or any contractor with the Government.

I further agree that during the period of my employment by the Company, I will not directly or indirectly enter the employment of, or render any professional services, including but not limited to as an independent contractor, consultant, director, partner, owner or otherwise, except such as are rendered at the request of the Company, to any individual,

the Company. Competitor includes, but is not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any product or service or intends to do so that is competitive with any product or service developed, produced, marketed, sold or rendered by the Company, including actual or demonstrably anticipated research or development. I further agree that I will notify the Company of any outside employment in which I am engaged during the period of my employment with the Company.

I further agree that during the period of my employment with the Company, and for a period of one year after my employment ceases as a result of my voluntary resignation, I will not (except on the Company's behalf) solicit (for the purpose of providing a product or service that is competitive with the Company) any customer or prospective customer of the Company that was contacted, solicited or served by me within the five-year period immediately preceding the termination of my employment with the Company.

I further agree that during the period of my employment with the Company, and for a period of one year after my employment ceases as a result of my voluntary resignation, I will not recruit, solicit, hire, or engage as an employee or an independent contractor, any employee or former employee of the Company, excluding former employees whose employment with the Company has been terminated for a period of six months or longer.

Due to the global market in which the Company operates, the geographic scope of this Agreement shall extend to anywhere the Company or its subsidiaries do business, have done business or have plans to do business.

This Agreement supersedes all previous agreements between me and the Company relating to the subject matter hereof, and may not be modified on behalf of the Company in whole or in part except by a statement in writing signed by an authorized officer of the Company.

I further agree that if any one or more provisions in this Agreement are deemed unenforceable, they will be reformed to the extent necessary to make them enforceable, and the remaining provisions of this Agreement will continue in full force and effect.

I further agree that this Agreement shall be governed by and construed as a sealed instrument under and in accordance with the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions. Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Massachusetts (or, if appropriate, federal court located within Massachusetts), and I consent to the jurisdiction of such a

partnership, association or corporation who or which is a court.  
competitor of the Company without the prior permission in  
writing of

I acknowledge that I have carefully read this Agreement and understand and agree to all the provisions in this Agreement.

The parties hereto agree that the effective date of this Agreement shall be July 1, 2012.

Signed at North Reading, MA, this 6<sup>th</sup> day of February 2013.

Employee Signature: /s/ Walter Vahey

Teradyne Signature: /s/ Steve Fagerquist



## Present Subsidiaries

Entity Name:	State or Jurisdiction Of Incorporation	Percentage of Voting Securities Owned
Teradyne (Asia) Pte., Ltd. ....	Singapore	100%*
Teradyne Canada Limited ....	Canada	100%
Teradyne de Costa Rica S.A. ....	Costa Rica	100%
Teradyne Diagnostic Solutions Ltd. ....	United Kingdom	100%*
Teradyne GmbH ....	Germany	100%*
Teradyne (India) Engineering Private Ltd. ....	India	100%*
Teradyne International Holdings B.V. ....	The Netherlands	100%
Teradyne Italia SrL ....	Italy	100%*
Teradyne K.K. ....	Japan	100%
Teradyne Korea Ltd. ....	Delaware	100%
Teradyne Limited ....	United Kingdom	100%*
Teradyne Malaysia Sdn. Bhd. ....	Malaysia	99%*
Teradyne Philippines Limited ....	Delaware	100%
Teradyne SAS ....	France	100%
Teradyne (Shanghai) Co., Ltd ....	Peoples Republic of China	100%*
Teradyne Taiwan Ltd. ....	Delaware	100%
Teradyne Thailand Ltd. ....	Delaware	100%
GenRad, LLC ....	Delaware	100%
Herco Technology Corp. ....	California	100%
P.L.S.T., Inc. (f/k/a Perception Laminates, Inc.) ....	California	100%
Eagle Test Systems, Inc. ....	Delaware	100%
Eagle Test Systems (Philippines) LLC ....	Delaware	100%*
Eagle Test Systems Italy S.r.l. ....	Italy	100%*
Nextest Systems Corporation ....	Delaware	100%
Nextest Systems (Philippines) Corp. ....	Philippines	99.9%*
LitePoint Corporation ....	Delaware	100%
LitePoint Europe A/S ....	Denmark	100%*
LitePoint Technology Limited ....	Hong Kong	100%*
LitePoint Technology (Shanghai) Company Ltd. ....	Peoples Republic of China	100%*
LitePoint Japan K.K. ....	Japan	100%*

\* Indirect subsidiaries whose voting securities are 100% controlled by Teradyne, Inc.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-158282) and Form S-8 (Nos. 333-177246; 333-159723; 333-155564; 333-149017; 333-143231; 333-134519; 333-116632; 333-101983; 333-73700; 333-68074; 333-56373; 333-32547; 333-07177; 033-64683; and 033-55123) of Teradyne, Inc. of our report dated March 1, 2013 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
March 1, 2013

CERTIFICATIONS

I, Michael A. Bradley, certify that:

1. I have reviewed this annual report on Form 10-K of Teradyne, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

By:           /s/ MICHAEL A. BRADLEY            
          Michael A. Bradley  
          Chief Executive Officer

I, Gregory R. Beecher, certify that:

1. I have reviewed this annual report on Form 10-K of Teradyne, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

By:           /s/ GREGORY R. BEECHER          

**Gregory R. Beecher**  
**Chief Financial Officer**

**CERTIFICATION PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Teradyne, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. Bradley, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. BRADLEY

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**Michael A. Bradley**  
**Chief Executive Officer**

March 1, 2013

**CERTIFICATION PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Teradyne, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory R. Beecher, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREGORY R. BEECHER

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**Gregory R. Beecher**  
**Chief Financial Officer**

March 1, 2013