

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

**FORM S-8  
REGISTRATION STATEMENT**  
*UNDER*  
**THE SECURITIES ACT OF 1933**

**APPLIED MATERIALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-165526**  
(I.R.S. Employer  
Identification No.)

**3050 Bowers Avenue, P.O. Box 58039, Santa Clara, California 95052-8039**  
(Address of Principal Executive Offices) (Zip Code)

**APPLIED FILMS CORPORATION  
1993 STOCK OPTION PLAN, AS AMENDED  
1997 STOCK OPTION PLAN, AS AMENDED  
OUTSIDE DIRECTOR STOCK OPTION PLAN, AS AMENDED  
NON-EMPLOYEE, NON-DIRECTOR OFFICER & CONSULTANT  
NON-QUALIFIED STOCK OPTION PLAN, AS AMENDED  
LONG-TERM INCENTIVE PLAN, AS AMENDED**  
(Full titles of the plans)

**Joseph J. Sweeney**  
**Applied Materials, Inc.**  
**3050 Bowers Avenue, P.O. Box 58039, Santa Clara, California 95052-8039**  
(Name and address of agent for service)

**Telephone number, including area code, of agent for service: (408) 727-5555**

*Copy to:*

**John E. Aguirre, Esq.**  
**Wilson Sonsini Goodrich & Rosati, PC**  
**650 Page Mill Road**  
**Palo Alto, California 94304**

**CALCULATION OF REGISTRATION FEE**

Title of securities to be registered (1)	Amount to be registered (2)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock issuable under the 1993 Stock Option Plan	32,693 shares	\$ 2.47(3)	\$ 80,751.71(3)	\$ 8.64(3)
Common Stock issuable under the 1997 Stock Option Plan	800,286 shares	\$ 12.78(3)	\$ 10,227,655.08(3)	\$ 1,094.36(3)
Common Stock issuable under the Outside Director Stock Option Plan	48,888 shares	\$ 16.98(3)	\$ 830,118.24(3)	\$ 88.82(3)
Common Stock issuable under the Non-Employee, Non-Director Officer & Consultant Non-Qualified Stock Option Plan	12,222 shares	\$ 16.98(3)	\$ 207,529.56(3)	\$ 22.21(3)
Common Stock issuable under the Long-Term Incentive Plan	2,116,064 shares	\$ 13.50(3)	\$ 28,566,864.00(3)	\$ 3,056.65(3)
	18,519 shares	\$ 15.42(4)	\$ 285,562.98(4)	\$ 30.56(4)
<b>Total:</b>	<b>3,028,672 shares</b>		<b>\$ 40,198,481.57</b>	<b>\$ 4,301.24</b>

(1) Includes associated rights (the "Rights") to purchase preferred or common stock. Until the occurrence of certain prescribed events, none of which has

occurred, the Rights are not exercisable.

- (2) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement also covers any additional shares of the Registrant's Common Stock that become issuable pursuant to the stock options and stock awards assumed by the Registrant under the Applied Films Corporation 1993 Stock Option Plan, as amended, 1997 Stock Option Plan, as amended, Outside Director Stock Option Plan, as amended, Non-Employee, Non-Director Officer & Consultant Non-Qualified Stock Option Plan, as amended, and Long-Term Incentive Plan, as amended (collectively, the "Plans"), described herein by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the Registrant's receipt of consideration that results in an increase in the number of the Registrant's outstanding shares of Common Stock.
  - (3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(h) under the Securities Act. The proposed maximum offering price per share is based on the weighted-average per share exercise price (rounded to the nearest cent) of the stock options assumed by the Registrant under the Plan.
  - (4) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rules 457(c) and (h) under the Securities Act. The proposed maximum offering price per share for the 18,519 shares of the Registrant's Common Stock issuable pursuant to the stock awards assumed by the Registrant under the Plan is based on the average of the high and low prices per share of the Common Stock on July 18, 2006, as reported by Nasdaq, which was \$15.42 per share.
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## INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

### ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents are incorporated by reference in this registration statement: (i) the latest annual report of Applied Materials, Inc. (the “Registrant”) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); (ii) all other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the annual report referred to in clause (i) above (other than any Current Reports on Form 8-K containing Regulation FD disclosure furnished under Item 7.01 (or its successor) or Results of Operations and Financial Condition disclosure furnished under Item 2.02 (or its successor) and exhibits relating to such disclosures, unless otherwise specifically stated in such Current Reports on Form 8-K); and (iii) the description of the Registrant’s common stock set forth in the Registrant’s Registration Statement on Form 8-A relating thereto, including any amendment or report filed for the purpose of updating such description. All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates all securities offered have been sold or which deregisters all securities then remaining unsold (other than any Current Reports on Form 8-K containing Regulation FD disclosure furnished under Item 7.01 (or its successor) or Results of Operations and Financial Condition disclosure furnished under Item 2.02 (or its successor) and exhibits relating to such disclosures, unless otherwise specifically stated in such Current Reports on Form 8-K), shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents.

### ITEM 4. DESCRIPTION OF SECURITIES

Inapplicable.

### ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

Inapplicable.

### ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law (the “Delaware Law”) authorizes a court to award, or a corporation’s board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended. The Registrant’s Certificate of Incorporation provides for indemnification of the Registrant’s directors, officers, employees and other agents to the maximum extent permitted by Delaware Law. In addition, the Registrant has entered into indemnification agreements with its directors and certain of its officers.

### ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED

Inapplicable.

## ITEM 8. EXHIBITS

- 4.1 Applied Films Corporation 1993 Stock Option Plan, as amended.
- 4.2 Applied Films Corporation 1997 Stock Option Plan, as amended.
- 4.3 Applied Films Corporation Outside Director Stock Option Plan, as amended.
- 4.4 Applied Films Corporation Non-Employee, Non-Director Officer & Consultant Non-Qualified Stock Option Plan, as amended.
- 4.5 Applied Films Corporation Long-Term Incentive Plan, as amended.
- 5.1 Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
- 23.1 Consent of Independent Registered Public Accounting Firm, KPMG LLP.
- 23.2 Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP.
- 23.3 Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation is included in Exhibit 5.1 to this Registration Statement.
- 24.1 Power of Attorney of Directors.

## ITEM 9. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Signatures

THE REGISTRANT

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California on the 21st day of July, 2006.

APPLIED MATERIALS, INC.  
(Registrant)

                                /s/ Michael R. Splinter

Michael R. Splinter  
President,  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
Principal Executive Officer:		
<u>                                /s/ Michael R. Splinter</u> Michael R. Splinter	President, Chief Executive Officer	July 21, 2006
Principal Financial Officer:		
<u>                                /s/ Nancy H. Handel</u> Nancy H. Handel	Senior Vice President, Chief Financial Officer	July 21, 2006
Principal Accounting Officer:		
<u>                                /s/ Yvonne Weatherford</u> Yvonne Weatherford	Corporate Vice President, Corporate Controller	July 21, 2006

Directors:

* _____ James C. Morgan	Chairman of the Board	July 21, 2006
* _____ Michael H. Armacost	Director	July 21, 2006
* _____ Robert H. Brust	Director	July 21, 2006
* _____ Deborah A. Coleman	Director	July 21, 2006
* _____ Philip V. Gerdine	Director	July 21, 2006
* _____ Thomas J. Iannotti	Director	July 21, 2006
* _____ Charles Y.S. Liu	Director	July 21, 2006
* _____ Gerhard H. Parker	Director	July 21, 2006
* _____ Willem P. Roelandts	Director	July 21, 2006
* _____ Michael R. Splinter	Director	July 21, 2006

Representing a majority of the members of the Board of Directors.

\*By \_\_\_\_\_ /s/ Joseph J. Sweeney  
Joseph J. Sweeney  
Attorney-in-Fact\*\*

\*\* By authority of the Power of Attorney of Directors filed as Exhibit 24.1 to this Registration Statement.

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EXHIBIT INDEX

- 4.1 Applied Films Corporation 1993 Stock Option Plan, as amended.
- 4.2 Applied Films Corporation 1997 Stock Option Plan, as amended.
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- 24.1 Power of Attorney of Directors.



**APPLIED FILMS CORPORATION**  
**1993 STOCK OPTION PLAN**

1. Purpose of Plan

The purpose of this Stock Option Plan (the "Plan") is to provide certain key employees of Donnelly Applied Films Corporation (the "Company") with options to acquire and own shares of the Company's common stock (the "shares"), and to strengthen the mutuality of interests between those employees and the Company's shareholders.

2. Term of Plan

The Plan shall become effective on the date the Plan is approved by the shareholders of the Company (the "Effective Date") and continue until exactly ten (10) years after the Effective Date (the "Plan Termination Date"); provided, however, that all options outstanding as of the Plan Termination Date shall remain or become exercisable pursuant to their terms and the terms of the Plan.

3. Administration

The Plan shall be administered by the Company's Board of Directors (the "Board"), provided, however, that the Board may appoint a committee comprised of not less than three (3) members of the Board (the "Committee") to administer the Plan if deemed necessary or advisable in order to comply with any securities rules or regulations.

The Board and any such Committee shall have full power and authority to interpret the provisions of the Plan, to supervise the administration of the Plan, and to adopt forms, regulations and procedures for the administration of the Plan. All interpretations and constructions by the Board and/or the Committee of or relating to any provision of the Plan or any option, policy or procedure arising thereunder shall be final and binding.

No member of the Board 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. Each person who is or shall have been a member of the Board or the Committee shall be indemnified and held harmless by the Company from and against any cost, liability or expense imposed or incurred in connection with such person's or the Board's or the Committee's taking or failing to take any action under the Plan. Each such person may rely on information furnished in connection with the Plan's administration by any appropriate person or persons.

The proceeds received by the Company from the sale of shares pursuant to options may be used for the Company's general corporate purposes.

#### 4. Eligibility

The persons eligible to receive options shall be those employees of the Company that the Board or the Committee administering the Plan may select from time to time.

The granting of any option pursuant to the Plan shall be entirely within the discretion of the Board or the Committee. Nothing herein contained shall be construed to give any person any right to participate under the Plan.

An optionee may hold more than one option.

#### 5. Stock Available for Options

Subject to adjustments as provided in section 7, the aggregate number of shares reserved for purposes of the Plan shall be 39,500 shares, which shall be authorized but unissued shares after the authorized capital has been increased to 1,200,000 shares. If any outstanding option under the Plan for any reason expires or is terminated before the Plan Termination Date, the shares allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

#### 6. Terms and Conditions of Options

Each option granted pursuant to the Plan shall be authorized by the Board or the Committee and shall be evidenced by a written agreement (an "Option Agreement") containing such terms and conditions as are set by the Board or the Committee, including without limitation the following:

(a) Number of Shares. Each Option Agreement shall state the number of shares with respect to which it pertains.

(b) Exercise Price. Each Option Agreement shall state the exercise price, which shall be not less than the fair market value of the shares on the date the option is granted. For purposes of this Plan, the fair market value of every share shall be deemed to be the amount determined by an appraiser selected by the Board or the Committee. The Company shall pay all costs and fees of the appraiser. Notwithstanding anything to the contrary, there shall be no obligation to obtain any appraisal on an interim basis or at any time other than the time at which an option is granted or there is a bona fide and permissible exercise of an option or an SAR as granted under the Plan. Each appraisal shall be based on the same or substantially similar methodology used for the appraisal on which the option price for the relevant shares was based.

(c) Payment for Shares. The exercise price for each share purchased pursuant to an option granted under the Plan shall be payable in full upon exercise in United States dollars in cash or by check, bank draft or money order payable to the order of the Company. Except as otherwise provided herein, promptly after the exercise of an option and the payment in full of the exercise price, the optionholder shall be entitled to the issuance of a stock certificate evidencing ownership of the shares so purchased. However, an optionholder shall have none of the rights of a shareholder with respect to any optioned shares until a certificate representing those shares has been issued to the optionholder and the optionholder has become a shareholder of record; no adjustment shall be made for dividends or other rights for which the record date is before the date such stock certificate is issued, except as provided in section 7.

(d) Vesting and Term of Exercise of Options. Each option shall vest and be exercisable in whole or in part in such amounts and during such times as may be specified in the Option Agreement. In no event, however, shall any option be exercisable less than one (1) year or more than ten (10) years from the date the option is granted.

(e) Tax Withholding. The exercise of any option under the Plan is subject to the condition that if at any time the Board or the Committee shall determine, in its discretion, that the satisfaction of withholding tax or other withholding liabilities under any federal or state law is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then, in such event, the exercise of the option shall not be effective unless such withholding shall have been effected or obtained in a manner acceptable to the Board or the Committee.

(f) Securities Matters. Notwithstanding anything to the contrary, the Company may postpone the issuance and/or delivery of shares upon any exercise of an option until completion of such stock exchange listing, or registration, or other qualification of such shares under any federal and/or state law, rule or regulation as the Company may consider appropriate, and may require any person exercising an option to make such representations, including a representation that it is the optionee's intention to acquire shares for investment and not with a view to distribution thereof, and furnish such information as the Company may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. In such event, no shares shall be issued to such holder unless and until the Company is satisfied with the correctness of all such representations.

(g) Stock Appreciation Rights. The Board or the Committee may grant to an optionee a stock appreciation right ("SAR"). An SAR shall, in general, be subject to the same terms and conditions as the related option, except as otherwise specified in the Option Agreement, and shall be exercisable only to the extent that the option is exercisable, provided that an SAR may be exercised only when the fair market value of the shares subject to the option exceeds the exercise price of the option. An SAR shall entitle the participant to surrender to the Company unexercised any portion of the related option to the extent that the same is then exercisable, and to receive from the Company in exchange therefor an amount (payable in cash, less tax withholding and required deductions) equal to the difference between the then fair market value of the shares issuable upon the exercise of the option (or portion thereof) surrendered and the option price payable for such shares upon the exercise of the option or the portion of the option which is surrendered. The fair market value per share of such stock shall be determined as of the date of the Company's receipt of the participant's written notice of intention to exercise an SAR.

(h) Miscellaneous. The amounts received on surrender of options or SARs under the Plan are not to be taken into account under any pension, retirement, deferred profit sharing or any employee benefit program of any kind.

Any Option Agreement authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Board and the Committee shall deem advisable.

The Board or the Committee may, in its discretion, vary among optionees and among options granted to the same optionee any and all of the terms and conditions of options granted under the Plan, including the term during which and the amounts in which and dates at or after which such options may be exercised.

Except as otherwise provided in this Plan or in an Option Agreement, if the employment of a participant terminates for any reason, all outstanding options (and any accompanying SAR) granted to the participant shall immediately be forfeited and be null and void at the commencement of business on the date of such termination.

#### 7. Adjustment in Shares

The number of shares covered by each outstanding option, and the exercise price for each optioned share, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a split in or combination of shares or the payment of a stock dividend on the shares or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation, or if the Company is merged into a wholly-owned subsidiary solely for purposes of changing the Company's state of incorporation, each outstanding option shall pertain to and apply to the securities to which a holder of the number of shares subject to the option would have been entitled. A sale of all or substantially all of the Company's assets, or a dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation, except as provided above or as otherwise provided in the optionee's Option Agreement, shall cause each outstanding option to terminate.

In the event of a change in the shares as presently constituted that is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the shares subject to the Plan and to any options granted pursuant to the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee. Any such adjustment may provide for the elimination of any fractional share that might otherwise become subject to an option.

Except as expressly provided herein, an optionee shall have no rights by reason of any subdivision or combination of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any sale of assets, dissolution, liquidation, merger or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of stock subject to the option.

The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

The adjustments in number and kind of shares and the substitution of shares affecting outstanding options in accordance with the foregoing shall also apply to the number and kind of shares reserved for issuance pursuant to the Plan but not yet covered by options.

#### 8. Transferability of Options and Shares

Options under the Plan may not be transferred except as permitted in the Option Agreement by will or according to the laws of descent and distribution. An option may be exercised only by that optionee or his or her guardian or legal representative. The Company may, if it deems desirable to assure compliance with applicable federal and state securities laws, legend any certificate representing shares issued pursuant to the exercise of an option with an appropriate restrictive legend, and may also issue appropriate stop transfer instructions to its transfer agent with respect to such shares.

#### 9. Modification, Etc. and Termination of Options

Subject to the terms and conditions and within the limitations of the Plan, the Board or the Committee may modify, extend or renew outstanding options granted under the Plan, or accept the surrender of outstanding options and authorize the granting of new options in substitution therefor. Notwithstanding the foregoing, no modification of an option shall, without the consent of the optionholder, alter or impair any rights or obligations under any option theretofore granted under the Plan.

Each Option Agreement shall contain such provisions as the Company may deem advisable (a) for termination of the option in the event of, and/or (b) exercise of the option after, any of the following: the optionee's death, disability, or termination of service as an employee with the Company.

Any Option Agreement may also contain provisions for termination of options and/or acceleration of exercise rights in the event of any merger or consolidation of the Company with, or acquisition of the Company or substantially all of its assets by, any other corporation.

Nothing in the Plan or in any option shall be deemed to confer upon any optionee any right to continue in any position whatsoever with the Company or any affiliate.

#### 10. Amendment and Termination of Plan

The Board may, with respect to any shares at the time not subject to options, suspend or terminate the Plan or revise or amend it in any respect whatsoever, except that, without approval of the shareholders of the Company, no such revision or amendment shall (a) increase the aggregate number of shares that may be issued under the Plan, (b) decrease the price at which options may be granted, (c) modify the eligibility requirements set forth in section 4, (d) materially increase the benefits accruing to optionholders under the Plan, or (e) permit the granting of options under the Plan after the Plan Termination Date. Unless earlier terminated by the Board, the Plan shall terminate on the Plan Termination Date, after which date no options may be granted under the Plan.

\* \* \*

**CERTIFICATION**

The foregoing Plan was duly adopted by the Company's Board of Directors as of May 12, 1993 and was approved by the Company's shareholders on May 13, 1993.

**DONNELLY APPLIED FILMS CORPORATION**

By /s/ Cecil VanAlsborg  
Cecil VanAlsborg, President

**APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**1. NAME AND PURPOSE**

This plan shall be called the Applied Films Corporation 1997 Stock Option Plan (the "Plan"). The Plan is intended to encourage stock ownership by certain key employees of Applied Films Corporation (the "Company") and to provide them with an additional incentive to contribute to the success of the Company.

**2. EFFECTIVE DATE AND TERM OF PLAN**

The effective date of the Plan shall be the date the Plan is approved by the shareholders of the Company. Options may not be granted under the Plan after April 29, 2007; provided, however, that all options outstanding as of that date shall remain or become exercisable pursuant to their terms and the terms of the Plan.

**3. ADMINISTRATION**

The Plan shall be administered by the Board of Directors of the Company or by a committee appointed by the Company's Board of Directors (the "Committee"). The administering body shall be referred to as the "Administrator". The Committee, if appointed, shall consist of not less than one (1) member. The Board of Directors may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board of Directors.

The Administrator may establish such regulations, provisions and procedures, within the terms of the Plan, as in the opinion of its members may be advisable in the administration of the Plan. The Administrator shall keep minutes of its meetings. A majority of the Administrator shall constitute a quorum, and the acts of a majority of a quorum at any meeting, or acts approved in writing by a majority of the members of the Administrator, shall be the valid acts of the Administrator.

The Administrator shall determine the persons to whom options are to be granted and the number of shares subject to each such option. The Administrator shall also determine such other matters with respect to the options as may be specified in the Plan.

The interpretation and construction by the Administrator of any provisions of the Plan or of any option granted under it shall be final and binding upon the Company, the Board of Directors and optionees. No member of the Board of Directors or the Administrator shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

#### **4. ELIGIBILITY**

Subject to the limitations contained in this paragraph, the persons who shall be eligible to receive options shall be such key employees (including employee officers and directors) of the Company, as the Administrator shall select. In making such selections, the Administrator may consider the recommendations of the Company's chief executive officer, the nature of the services rendered by the respective employees, their present and potential contributions to the Company's success and the success of the particular subsidiary or division of the Company by which they are employed and such other factors as the Administrator shall deem relevant. An optionee may hold more than one option, but only on the terms and subject to the restrictions hereafter set forth. Subject to adjustments consistent with the provisions of Paragraph 6(g), no one optionee may be granted options covering more than a total of fifty percent (50%) of the Common Stock originally reserved for issuance under this Plan, as defined in Paragraph 5 hereof, plus such increases as may from time to time be approved by the Company's shareholders.

#### **5. STOCK AVAILABLE FOR OPTIONS**

Subject to adjustments as provided in Paragraph 6(g), the aggregate number of shares reserved for purposes of the Plan shall be Seventeen Thousand Five Hundred (17,500) shares of the Company's Common Stock, no par value per share ("Common Stock"), either authorized but unissued shares or shares held in treasury. If any outstanding option under the Plan for any reason expires or is terminated for any reason before April 29, 2007, the shares allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

#### **6. DATE OF GRANT; TERMS AND CONDITIONS OF OPTIONS**

Stock options granted pursuant to the Plan shall be authorized by the Board of Directors. The date on which an option shall be granted shall be the date of the Board's authorization of the option or such later date as shall be determined by the Board at the time the option is authorized. All stock options granted pursuant to the Plan shall be incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Options granted under this Plan shall be evidenced by agreements in such form as the Administrator shall approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) **Number and Maximum Value of Shares.** Each option shall state the number of shares to which it pertains. The aggregate fair market value (determined as of the time the option is granted) of shares with respect to which the option is exercisable for the first time by any employee during any calendar year shall not exceed \$100,000.

(b) **Option Price.** Each option shall state the option price. The option price will be established by the Administrator and must be equal to or greater than the fair market value of the shares on the date the option is granted; provided, however, if the optionee owns shares representing more than ten percent (10%) of the total voting power of the Company's Common Stock at the time an option is granted, the option price will be determined by the Administrator and must be equal to or greater than one hundred ten percent (110%) of the fair market value of the shares on the date the option is granted. If the shares are listed on an



established stock exchange or exchanges, the fair market value per share shall be the closing sale price on such exchange or exchanges or, if no sale of the shares shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of shares. If the shares are not listed on such a stock exchange or exchanges but are instead reported on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), then the fair market value per share shall be the closing sale price as reported on NASDAQ on the day the option is granted or, if there are no sales reported by the NASDAQ on that date, the next preceding day on which there was a sale reported by NASDAQ. The fair market value of shares for options granted prior to any listing or designation of the Company’s securities on an exchange or on NASDAQ and prior to any initial public offering of the Company’s securities shall be determined in good faith by the Administrator.

(c) **Medium of Payment.** The option price shall be payable to the Company in United States dollars in cash or by check, bank draft or money order payable to the order of the Company.

(d) **Term and Exercise of Options.** The term of each option granted under the Plan shall be not more than ten (10) years from the date on which the option is granted; provided, however, that in the case of an employee who owns shares representing more than ten percent (10%) of the total voting power of the Company’s Common Stock at the time the option is granted, the term of such option shall be not more than five (5) years from the date of grant. An option may be exercised at any time or from time to time during the term of the option upon written notice to the Company of the optionee’s intention to exercise the option as to any or all full shares covered by the option. Notwithstanding the foregoing, an option shall not be exercisable with respect to less than 100 shares unless the remaining shares covered by an option are fewer than 100 shares. The purchase price of the shares shall be paid in full upon delivery to the optionee of certificates for such shares. Excluding non-employee directors, and except as provided in Paragraph 6(f), an option may be exercised by the optionee only while the optionee is employed by the Company and only during his lifetime. Options granted under the Plan may be exercised in any order, regardless of the date of grant or the existence of any other outstanding stock option of the Company.

(e) **Options not Transferable.** Options may not be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent or distribution to the extent provided in Paragraph 6(f)(ii). During the lifetime of an optionee, the options shall be exercisable only by the optionee. Following the death of an optionee, the options shall be exercisable only to the extent provided in Paragraphs 6(g)(ii).

(f) **Terminating of Employment with Respect to An Employee/Optionee.**

(i) **Termination of Employment for Reasons Other Than Retirement, Disability or Death.** In the event an employee/optionee shall cease to be employed by the Company for any reason other than on account of retirement, disability or death, no option shall be exercisable by the optionee more than thirty (30) days after termination; provided, if an optionee accepts employment with or otherwise aids or

assists any competitor of the Company, all options shall be void upon the date such employment was accepted or such assistance was provided; and provided further that if an optionee's employment is terminated due to malfeasance, no option shall be exercisable by the optionee. Whether an optionee has accepted employment with or otherwise aided or assisted a competitor of the Company shall be the sole determination of the Administrator. Whether an authorized leave of absence or absence because of military or governmental service shall constitute termination of employment for such purposes shall be determined by the Administrator, which determination shall be final and conclusive.

(ii) **Termination of Employment for Death or Disability.** In the event an employee/optionee ceases to be employed by the Company on account of death or physical disability, as determined by the Company, each option held by such optionee shall, to the extent exercisable on the date of death or disability, remain exercisable, in whole or in part, for a period of ninety (90) days following the optionee's termination of employment; subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. Notwithstanding the foregoing, if any disabled optionee during the foregoing exercise period accepts employment with or otherwise aids or assists a competitor of the Company (as determined by the Administrator), all options shall be void on the date such employment was accepted or such assistance was provided.

(iii) **Termination of Employment for Retirement.** In the event an employee/optionee ceases to be employed by the Company on account of retirement (as determined by the Company), each option held by such optionee shall, to the extent exercisable on the date of such retirement, remain exercisable in whole or in part, for a period of ninety (90) days following the optionee's termination of employment; subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. If a retired employee ceases to be retired (as determined by the Company), all rights of the optionee must be exercised within thirty (30) days of the date on which the retired employee ceases to be retired; provided, however, that if any retired employee accepts employment with or otherwise aids or assists a competitor of the Company (as determined by the Administrator) all options shall be void on the date such employment was accepted or such assistance was provided.

In any case, the foregoing is subject to the prior expiration of the term of the option or options and any other limitation on the exercise of such option or options in effect at the date of exercise. No option shall be transferable by the optionee otherwise than by will, or if he or she dies intestate, by the laws of descent and distribution of the state of his or her domicile.

(iv) **Termination of Options.** Any option that is not exercised within whichever of the exercise periods specified in this paragraph 6(f) is applicable shall terminate upon expiration of such exercise period.

(g) **Adjustment in Shares Covered by Option.** The number of shares covered by each outstanding option, and the price per share thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a split in or combination of shares or the payment of a stock dividend on the shares or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation or if the Company is merged into a wholly-owned subsidiary solely for purposes of changing the Company's state of incorporation, each outstanding option shall pertain to and apply to the securities to which a holder of the number of shares of stock subject to the option would have been entitled. A sale of all or substantially all of the Company's assets or a dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation, except as above provided, shall cause each outstanding option to terminate; provided, that each optionee shall, in such event, have the right immediately prior to such sale of assets, dissolution or liquidation, or merger or consolidation in which the Company is not the surviving corporation, to exercise his or her option in whole or in part.

In the event of a change in the shares as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the shares within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to an option.

Except as hereinbefore expressly provided in this Paragraph 6(g) the optionee shall have no rights by reason of any subdivision or combination of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any sale of assets, dissolution, liquidation, merger or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of stock subject to the option.

The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(h) **Rights of a Shareholder.** An optionee shall have no rights as a shareholder with respect to any shares covered by his or her option until the date he or she becomes the holder of record of such shares. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date on which he or she shall have

become the holder of record thereof, except as provided in Paragraph 6(g) hereof. With respect to an employee/optionee, the Plan and any agreement executed hereunder shall not impose upon the Company any obligation to retain the optionee in its employ for any period.

(i) **Modification, Extension and Renewal of Options.** Subject to the terms and conditions and within the limitations of the Plan, the Administrator, subject to approval of the Board of Directors, may modify or renew outstanding options granted under the Plan, or accept the surrender of outstanding options (to the extent not theretofore exercised) and authorize the granting of new options in substitution therefor (to the extent not theretofore exercised). Notwithstanding the foregoing, no modification of an option shall, without the consent of the optionee, alter or impair any rights or obligations under any option theretofore granted under the Plan.

(j) **Postponement of Delivery of Shares and Representations.** The Company may postpone the issuance and/or delivery of shares upon any exercise of an option until completion of such stock exchange listing, or registration, or other qualification of such shares under any state and/or federal law, rule or regulation as the Company may consider appropriate, and may require any person exercising an option to make such representations, including a representation that it is the optionee's intention to acquire shares for investment and not with a view to distribution thereof, and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. In such event no shares shall be issued to such holder unless and until the Company is satisfied with the correctness of any such representations.

(k) **Other Provisions.** The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Administrator and the Board of Directors shall deem advisable.

#### **7. ADJUSTMENTS IN SHARES AVAILABLE FOR OPTIONS**

The adjustments in number and kind of shares and the substitution of shares, affecting outstanding options in accordance with Paragraph 6(g), shall also apply to the number and kind of shares reserved for issuance pursuant to the Plan but not yet covered by options.

#### **8. AMENDMENT OF THE PLAN**

The Board of Directors of the Company, insofar as permitted by law, shall have the right from time to time, with respect to any shares at the time not subject to options, to suspend or discontinue the Plan or revise or amend it in any respect whatsoever except that, without approval of the shareholders of the Company, no such revision or amendment shall: (a) increase the maximum number of shares which may be subject to the Plan; (b) increase the maximum number of shares which may be optioned to any one employee; (c) change the designation of the class of employees eligible to receive options; (d) materially increase the benefits accruing to option holders under the Plan; (e) decrease the price at which options may be granted; (f) remove the administration of the Plan from the Administrator; (g) render any member of the Administrator eligible to receive an option under the Plan while serving thereon; or (h) permit the granting of options under the Plan after April 29, 2007.

**9. APPLICATION OF FUNDS**

The proceeds received by the Company from the sale of shares pursuant to options will be used for general corporate purposes.

**10. NO OBLIGATION TO EXERCISE OPTION**

The granting of an option shall impose no obligation upon the optionee to exercise such option.

**11. TAX WITHHOLDING**

The exercise of any option under the Plan is subject to the condition that if at any time the Administrator shall determine, in its discretion, that the satisfaction of withholding tax or other withholding liabilities under any state or federal law is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then, in such event, the exercise of the option right shall not be effective unless such withholding shall have been effected or obtained in a manner acceptable to the Administrator.

**12. CONSTRUCTION**

This Plan shall be construed under the laws of the State of Colorado, United States of America.

Adopted by the Board of Directors of the Company effective as of April 29, 1997.

/s/ John S. Chapin  
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Secretary  
Applied Films Corporation

Approved by the Shareholders of the Company effective as of April 29, 1997.

/s/ John S. Chapin  
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Secretary  
Applied Films Corporation

**FIRST AMENDMENT TO THE APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**BACKGROUND**

1. Effective April 29, 1997, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation 1997 Stock Option Plan (the "Plan").

2. The Plan provided for the reservation, for purposes of the Plan, of seventeen thousand five hundred (17,500) shares of the Company's common stock, no par value per share (the "April Shares").

3. The Company is considering an initial public offering of its stock and desires to amend the Plan to provide for an increased number of shares to be authorized under the Plan.

4. Donnelly Corporation, a fifty percent (50%) shareholder of the Company, desires to place conditions upon the issuance of options pursuant to the Plan with respect to shares authorized for issuance hereunder other than the April Shares, providing specifically that the exercise of any options issued for the purchase of shares other than April Shares are expressly conditioned on the completion of the public offering referred to above.

**AGREEMENT**

1. The third sentence of the first paragraph of Section 3 of the Plan is deleted in its entirety and shall henceforth read as follows:

The Committee, if appointed, shall consist of not less than two (2) members, all of whom shall be directors of the Company who are not employed by the Company.

2. The provisions of Section 5 are deleted in their entirety and are replaced as follows:

Subject to the adjustments as provided in paragraph 6(g), the aggregate number of shares reserved for purposes of the Plan shall be One Hundred Seventy-two Thousand Five Hundred (172,500) shares of the Company's Common Stock, no par value per share ("Common Stock"). The shares of Common Stock reserved hereunder shall be classified in two (2) blocks. The first block shall be referred to herein as the "April Shares" and shall be composed of the originally reserved One Hundred Twenty-two Thousand Five Hundred (122,500) shares. The remaining Fifty Thousand (50,000) shares of Common Stock reserved hereunder shall be referred to as the "September Shares". If any outstanding option under the Plan for any reason expires or is terminated for any reason before April 29, 2007, the shares allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

3. The provisions of Section 6(k) shall be deleted in their entirety and replaced with the following Section 6(k) and (1):

(k) **September Shares Options.** No option shall be granted hereunder on a date more than fourteen (14) days before the commencement of the initial public offering of the Company's stock which provides for the purchase of September Shares. In the event options are granted during such fourteen (14) day period with respect to the September Shares, such options shall provide that they are exercisable solely on a contemporaneous basis with the commencement of the public offering and solely at an exercise price not less than the original offering price for which shares of Common Stock are being offered in the public offering.

(l) **Other Provisions.** The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Administrator and the Board of Directors shall deem advisable.

4. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on September 10, 1997.

APPLIED FILMS CORPORATION

/s/ John S. Chapin

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JOHN S. CHAPIN, Secretary

Approved by the Shareholders of the Company on September 19, 1997.

APPLIED FILMS CORPORATION

/s/ John S. Chapin

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JOHN S. CHAPIN, Secretary

**SECOND AMENDMENT TO THE APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**BACKGROUND**

1. Effective April 29, 1997, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation 1997 Stock Option Plan (the "Original Plan").
2. Effective September 19, 1997, the Company adopted and approved the First Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "First Amendment", and together with the Original Plan, the "Plan").
3. The Plan provides for the reservation, for purposes of the Plan, of one hundred seventy-two thousand five hundred (172,500) shares of the Company's common stock, no par value per share.
4. The Company desires to amend the Plan to provide for an increased number of shares to be authorized under the Plan.

**AGREEMENT**

1. The provisions of Section 5 are deleted in their entirety and are replaced as follows:

Subject to the adjustments as provided in paragraph 6(g), the aggregate number of shares reserved for purposes of the Plan shall be Two Hundred Seventy-two Thousand Five Hundred (272,500) shares of the Company's Common Stock, no par value per share ("Common Stock"). If any outstanding option under the Plan for any reason expires or is terminated for any reason before April 29, 2007, the shares allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

2. The provisions of Section 6(k) shall be deleted in their entirety and Section 6(1) shall be renumbered as Section 6(k):
3. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.



Approved by the Board of Directors of the Company on September 21, 1999.

APPLIED FILMS CORPORATION

/s/ John S. Chapin

JOHN S. CHAPIN, Secretary

Approved by the Shareholders of the Company on October 26, 1999.

APPLIED FILMS CORPORATION

/s/ John S. Chapin

JOHN S. CHAPIN, Secretary

**THIRD AMENDMENT TO THE APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**BACKGROUND**

1. Effective April 29, 1997, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation 1997 Stock Option Plan (the "Original Plan").
2. Effective September 19, 1997, the Company adopted and approved the First Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "First Amendment").
3. Effective October 26, 1999, the Company adopted and approved the Second Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "Second Amendment", and together with the Original Plan and the First Amendment, the "Plan").
4. The Plan provides for the reservation, for purposes of the Plan, of two hundred seventy-two thousand five hundred (272,500) shares of the Company's common stock, no par value per share.
5. The Company desires to amend the Plan to provide for an increased number of shares to be authorized under the Plan.

**AGREEMENT**

1. The provisions of Section 5 are deleted in their entirety and are replaced as follows:

Subject to the adjustments as provided in paragraph 6(g), the aggregate number of shares reserved for purposes of the Plan shall be One Million Twenty-Two Thousand Five Hundred (1,022,500) shares of the Company's Common Stock, no par value per share ("Common Stock"). If any outstanding option under the Plan for any reason expires or is terminated for any reason before April 29, 2007, the shares allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on September 8, 2000.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

Lawrence D. Firestone, Secretary

Approved by the Shareholders of the Company on October 25, 2000.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

Lawrence D. Firestone, Secretary

**FOURTH AMENDMENT TO THE APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**BACKGROUND**

1. Effective April 29, 1997, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation 1997 Stock Option Plan (the "Original Plan").
2. Effective September 19, 1997, the Company adopted and approved the First Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "First Amendment").
3. Effective October 26, 1999, the Company adopted and approved the Second Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "Second Amendment").
4. Effective October 25, 2000, the Company adopted and approved the Third Amendment to the Applied Films Corporation 1997 Stock Option Plan (the "Third Amendment", and together with the Original Plan, First Amendment and Second Amendment, the "Plan").
5. The Plan provides for the reservation, for purposes of the Plan, of one million twenty-two thousand five hundred (1,022,500) shares of the Company's common stock, no par value per share.
6. The Company desires to amend the Plan to provide for the granting of stock options to key employees of its subsidiaries and to eliminate a repricing option, both of which are in the best interests of the Company.

**AGREEMENT**

1. The provisions of Section 1 are deleted in their entirety and are replaced as follows:

This plan shall be call the Applied Films Corporation 1997 Stock Option Plan (the "Plan"). The Plan is intended to encourage stock ownership by certain key employees of Applied Films Corporation and its Subsidiaries (collectively, "Company") and to provide them with an additional incentive to contribute to the success of the Company. "Subsidiary" means any corporation in which the Company owns directly, or indirectly through subsidiaries, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, limited liability companies, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.

2. The sentence of Section 6(i) is deleted and replaced with the following:

Notwithstanding the foregoing, no modification of an option, within the consent of the optionee, alter or impair any rights or obligations under any option theretofore granted under the Plan, and without the consent of the shareholders of the Company, provide the optionee with a price per share more favorable to the optionee.

3. Section 12 is renumbered as Section 13 and a new Section 12 is inserted as follows:

**12. LAWS OF FOREIGN JURISDICTIONS**

Without amending this Plan, the Administrator may grant or amend options granted under the Plan to key employees who are foreign nationals or employed outside the United States or both, on such terms and conditions different from those specified in this Plan as may, in the judgement of the Administrator, be necessary to comply with foreign law or practice and to further the purposes of this Plan.

Approved by the Board of Directors of the Company on January 24, 2001.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

Lawrence D. Firestone, Secretary

**FIFTH AMENDMENT TO THE APPLIED FILMS CORPORATION  
1997 STOCK OPTION PLAN**

**BACKGROUND**

1. Effective April 29, 1997, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation 1997 Stock Option Plan (the "Original Plan") which plan has been subsequently amended.

2. The Company desires to amend the Plan to provide that options granted under the Plan may include either incentive stock options or nonqualified stock options.

**AGREEMENT**

1. The third sentence of the first paragraph of Section 6 of the plan is deleted and replaced with the following sentence:

All stock options granted pursuant to the Plan shall be designated as either (i) incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) nonqualified stock options.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on April 25, 2001.

APPLIED FILMS CORPORATION

By: /s/ Lawrence D. Firestone

Lawrence D. Firestone, Secretary

**APPLIED FILMS CORPORATION**  
**OUTSIDE DIRECTOR STOCK OPTION PLAN**

1. Name and Purpose. This plan shall be called the Applied Films Corporation Outside Director Stock Option Plan (the "Plan"). The Plan is intended to encourage stock ownership by nonemployee directors of Applied Films Corporation (the "Company"), to provide such directors with an additional incentive to manage the Company effectively and to contribute to its success, and to provide a form of compensation which will attract and retain highly qualified individuals as members of the Board of Directors of the Company.

2. Effective Date and Term of the Plan. The Plan shall become effective upon its approval by the Board of Directors of the Company (the "Effective Date"). Options may not be granted under the Plan after the tenth (10th) anniversary of the Effective Date (the "Term"); provided, however, that all options outstanding as of that date shall remain or become exercisable pursuant to their terms and the terms of the Plan.

3. Administration. The Plan shall be administered by a committee designated by the Board of Directors of the Company (the "Committee") consisting of not less than two (2) directors who shall be appointed from time to time by the Board, each of whom shall qualify as a Nonemployee Director, as defined in Rule 16b-3(b)(3) of the Securities Exchange Act of 1934, as amended.

The Committee may, from time to time, establish such regulations, provisions and procedures, within the terms of the Plan, as in the opinion of its members may be advisable in the administration of the Plan. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum, and the acts of a majority of a quorum at any meeting, 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 pursuant to the Plan shall be final and binding upon the Company, the Board of Directors of the Company and any optionee. No member of the Board of Directors of the Company or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted pursuant thereto.

4. Participation. Subject to the limitations contained in this Section 4, directors of the Company, who are neither contractual nor common law employees of the Company or any of its subsidiaries, shall be granted options to purchase shares of the Company's common stock in accordance with the provisions of Section 6 of the Plan and consistent with the terms and conditions of the Plan. An optionee may hold more than one option, but only on the terms and subject to the restrictions hereafter set forth. Subject to adjustments consistent with the provisions of Subsection 6(h), no one nonemployee director may be granted options covering more than a total of fifteen percent (15%) of the common stock originally reserved for issuance under the Plan, as defined in Section 5, plus such increases therein as may from time to time be approved by the Company's shareholders.

5. Stock Available for Options. Subject to the adjustments as provided in Subsection 6(h), the aggregate number of shares reserved for purposes of the Plan shall be 24,000 authorized and unissued shares or issued shares reacquired by the Company (the "Shares"). Determinations as to the number of Shares that remain available for issuance under the Plan shall be made in accordance with such rules and procedures as the Committee shall determine from time to time, which shall be consistent with the requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and such interpretations thereof. If any outstanding option under the Plan expires or is terminated for any reason before the end of the Term of the Plan, the shares allocable to the unexercised portion of such option shall become available for the grant of other options under the Plan. No shares delivered to the Company in full or partial payment upon exercise of an option pursuant to Subsection 6(d) or in full or partial payment of any withholding tax liability permitted under Section 9 shall become available for the grant of other options under the Plan.

6. Terms and Conditions of Option Agreement. Options granted under this Plan shall be evidenced by agreements in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the following conditions:

(a) Optionee's Agreement. Each optionee shall agree to continue to serve as a director of the Company for the lesser of at least twelve (12) months from the date of the grant of the option or for the remainder of such optionee's term as a director of the Company. Such agreement shall not impose upon the Company, its Board of Directors, or its shareholders any obligation to retain the optionee as a director for any period.

(b) Number of Shares and Term of Options. Each option shall state the number of shares of the Common Stock of the Company to which it pertains. The term of each option shall be for a period of not greater than ten (10) years from the date of grant of the option.

(c) Option Price. The exercise price of each option shall be equal to one hundred percent (100%) of the Fair Market Value of the shares of Common Stock on the date of the grant of the option. If the shares are traded in the over-the-counter market, the Fair Market Value per share shall be the closing price on the national market list as quoted in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on the day the option is granted or if no sale of shares is reflected in NASDAQ on that day, on the next preceding day on which there was a sale of shares reflected in NASDAQ. If the shares are not traded in the over-the-counter market but are listed upon an established stock exchange or exchanges, such Fair Market Value shall be deemed to be the closing price of the shares on such stock exchange or exchanges on the day the option is granted or if no sale of the shares shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of the shares.

(d) Medium of Payment. The option price shall be payable to the Company either (i) in United States dollars in cash or by check, bank draft, or money order payable to the



order of the Company or (ii) through the delivery of shares of the Company's Common Stock with a Fair Market Value on the date of the exercise equal to the option price, provided such shares are utilized as payment to acquire at least 100 shares of Common Stock, or (iii) by a combination of (i) and (ii) above. Fair Market Value will be determined in the manner specified in Subsection 6(c) except as to the date of determination.

(e) Exercise of Options. Except as provided in Subsection 6(h) no option shall be exercisable, either in whole or in part, prior to the first anniversary of the date of grant of the option. Subject to the foregoing, the Committee shall have the authority to determine, at the time of the grant of each Option, the times at which an Option may be exercised and any conditions precedent to the exercise of an Option. An option shall be exercisable upon written notice to the Chief Financial Officer of the Company, as to any or all shares covered by the option, until its termination or expiration in accordance with its terms or the provisions of the Plan. Notwithstanding the foregoing, an option shall not at any time be exercisable with respect to less than 100 shares unless the remaining shares covered by an option are less than 100 shares. The purchase price of the shares purchased pursuant to an option shall be paid in full upon delivery to the optionee of certificates for such shares. Exercise by an optionee's heir or personal representative shall be accompanied by evidence of his or her authority to act, in a form reasonably satisfactory to the Company.

(f) Options not Transferable. Options may not be sold, pledged, assigned, or transferred in any manner otherwise than by will or the laws of descent or distribution to the extent provided in Subsection 6(g). During the lifetime of an optionee, the options shall be exercisable only by the optionee. Following the death of an optionee, the options shall be exercisable only to the extent provided in Subsection 6(g).

(g) Termination of Service as Director.

(i) Termination of Service for any Reason Other than Death. In the event an optionee shall cease to serve the Company as a director for any reason other than such optionee's death, each option held by such optionee shall remain exercisable, subject to prior expiration according to its terms and other limitations imposed by the Plan, for a period of one (1) year following the optionee's cessation of service as a director of the Company. If the optionee dies after such cessation of service, the optionee's options shall be exercisable in accordance with Subsection 6(g)(ii) hereof.

(ii) Termination of Service for Death. If an optionee ceases to be a director by reason of death, each option held by such optionee shall, to the extent rights to purchase shares under the option have been accrued at the time of death and shall not have been fully exercised, be exercisable, in whole or in part, by the personal representative of the optionee's estate or by any person or persons who have acquired the option directly from the optionee by bequest or inheritance during the shorter of the following periods: (i) the term of the option, or (ii) a period of one (1) year from the death of such optionee. If an optionee dies during the extended exercise period following cessation of service specified in Subsection 6(g)(i) above, such option may be exercised any time within the longer of such extended period or one (1) year after death, subject to the prior expiration of the term of the option.

(h) Adjustment in Shares Covered by Option. The number of shares covered by each outstanding option, and the purchase price per share thereof, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares resulting from a split in or combination of shares or the payment of a stock dividend on the shares or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation or if the Company is merged into a wholly owned subsidiary solely for purposes of changing the Company's state of incorporation, each outstanding option shall pertain to and apply to the securities to which a holder of the number of shares subject to the option would have been entitled. A dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation, except as above provided, shall cause each outstanding option to terminate, provided, that each optionee shall, in that event, have the right immediately prior to such dissolution or liquidation, or merger or consolidation in which the Company is not the surviving corporation, to exercise his or her option in whole or in part.

In the event of a change in the shares as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the shares within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to an option.

Except as hereinbefore expressly provided in this Subsection 6(h), the optionee shall have no rights by reason of any split or combination of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of stock subject to the option.

The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(i) Rights of a Shareholder. An optionee shall have no rights as a shareholder with respect to any shares covered by his or her option until the date on which the optionee becomes the holder of record of such shares. No adjustment shall be made for dividends, distributions, or other rights for which the record date is prior to the date on which he or she shall have become the holder of record thereof, except as provided in Subsection 6(h).

(j) Postponement of Delivery of Shares and Representations. The Company, in its discretion, may postpone the issuance and/or delivery of shares upon any exercise of an option until completion of the registration or other qualification of such shares under any state and/or federal law, rule or regulation as the Company may consider appropriate, and may require any person exercising an option to make such representations, including a representation that it is the optionee's intention to acquire shares for investment and not with a view to distribution thereof, and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules, and regulations. In such event no shares shall be issued to such holder unless and until the Company is satisfied with the accuracy of any such representations.

(k) Other Provisions. The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Committee shall deem advisable.

7. Adjustments in Shares Available for Options. The adjustments in number and kind of shares and the substitution of shares, affecting outstanding options in accordance with Subsection 6(h) hereof, shall also apply to the number and kind of shares reserved for issuance pursuant to the Plan, but not yet covered by options.

8. Amendment of the Plan. The Committee, insofar as permitted by law, shall have the right from time to time, with respect to any shares at the time not subject to options, to suspend or discontinue the Plan or revise or amend it in any respect whatsoever, and except that, without approval of the Board of Directors of the Company, no such revision or amendment shall:

- (a) increase the maximum number of shares which may be subject to the Plan,
- (b) materially increase the benefits accruing to option holders under the Plan,
- (c) decrease the exercise price of options granted under the Plan,
- (d) remove the administration of the Plan from the Committee, or
- (e) permit the granting of options under the Plan after the Term of the Plan.

9. Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock, payment by the optionee of any federal, state, or local taxes required by law to be withheld. Unless otherwise prohibited by the Committee, an optionee may satisfy any such withholding tax obligation by any of the following means or by a combination of such means:

- (a) tendering a cash payment;

(b) authorizing the Company to withhold from the shares otherwise issuable to the optionee a number of shares having a Fair Market Value as of the "Tax Date," less than or equal to the amount of withholding tax obligation; or

(c) delivering to the Company unencumbered shares owned by the optionee having a Fair Market Value, as of the Tax Date, less than or equal to the amount of the withholding tax obligation.

The "Tax Date" shall be the date that the amount of tax to be withheld is determined. Fair Market Value shall be determined in the manner specified in Subsection 6(c), except as to the date of determination. An optionee's election to pay the withholding tax obligation by either of (b) or (c) above shall be irrevocable, may be disapproved by the Committee, and must be made either six months prior to the Tax Date or during the period beginning on the third business day following the date of release of the Company's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following such date.

10. Right of Board of Directors to Terminate Director's Service. Nothing in this Plan or in the grant of any option hereunder shall in any way limit or effect the right of the Board of Directors of the Company to remove any director or otherwise terminate his or her service as a director, pursuant to law, the Articles of Incorporation, or Bylaws of the Company.

11. Application of Funds. The proceeds received by the Company from the sale of stock pursuant to options will be used for general corporate purposes.

12. No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the optionee to exercise such option.

13. Construction. This Plan shall be construed under the laws of the State of Colorado, United States of America.

APPROVED:

/s/ Thomas T. Edman

Thomas T. Edman, President

CERTIFICATION

This Plan was duly adopted by the Board of Directors of the Company the 26th day of October, 1999.

/s/ John S. Chapin

John S. Chapin, Secretary

**EXHIBIT A**

**FIRST AMENDMENT TO THE APPLIED FILMS CORPORATION  
OUTSIDE DIRECTOR STOCK OPTION PLAN**

**BACKGROUND**

1. Effective October 26, 1999, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation Outside Director Stock Option Plan (the "Plan").
2. The Plan provides for the reservation, for purposes of the Plan, of twenty-four thousand (24,000) shares of the Company's common stock, no par value per share.
3. The Company desires to amend the Plan to provide for an increased number of shares to be authorized under the Plan.

**AGREEMENT**

1. The provisions of Section 5 are deleted in their entirety and replaced as follows:

Subject to the adjustments as provided in Subsection 6(h), the aggregate number of shares reserved for purposes of the Plan shall be One Hundred Twenty-Four Thousand (124,000) shares authorized and unissued shares or issued shares reacquired by the Company (the "Shares"). Determinations as to the number of Shares that remain available for issuance under the Plan shall be made in accordance with such rules and procedures as the Committee shall determine from time to time, which shall be consistent with the requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and such interpretations thereof. If any outstanding option under the Plan expires or is terminated for any reason before the end of the Term of the Plan, the shares allocable to the unexercised portion of such option shall become available for the grant of other options under the Plan. No shares delivered to the Company in full or partial payment upon exercise of an option pursuant to Subsection 6(d) or in full or partial payment of any withholding tax liability permitted under Section 9 shall become available for the grant of other options under the Plan.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on July 25, 2001.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

Lawrence D. Firestone, Secretary

**EXHIBIT A**

**SECOND AMENDMENT TO THE  
APPLIED FILMS CORPORATION OUTSIDE DIRECTOR STOCK OPTION PLAN**

**BACKGROUND**

1. Effective October 26, 1999, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation Outside Director Stock Option Plan (the "Plan").
2. The Plan provides that a non-employee director may not be granted options covering more than a total of fifteen percent (15%) of the common stock originally reserved for issuance under the Plan (the "Limitation").
3. The Company desires to amend the Plan to remove the Limitation.

**AGREEMENT**

1. The provisions of Section 4 are deleted in their entirety and replaced as follows:

Participation. Subject to the limitations contained in this Section 4, directors of the Company, who are neither contractual nor common law employees of the Company or any of its subsidiaries, shall be granted options to purchase shares of the Company's common stock in accordance with the provisions of Section 6 of the Plan and consistent with the terms and conditions of the Plan. An optionee may hold more than one option, but only on the terms and subject to the restrictions hereafter set forth.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on August 24, 2001.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

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Lawrence D. Firestone, Secretary

**THIRD AMENDMENT TO THE APPLIED FILMS CORPORATION**  
**OUTSIDE DIRECTOR STOCK OPTION PLAN**

**BACKGROUND**

1. Effective October 26, 1999, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation Outside Director Stock Option Plan (the "Plan").
2. The Company desires to amend the Plan to provide for the cashless exercise of options granted under the Plan.

**AGREEMENT**

1. The provisions of Section 6(d) are deleted in their entirety and replaced as follows:

(d) Medium of Payment. The option price shall be payable to the Company either (i) in United States dollars in cash or by check, bank draft, or money order payable to the order of the Company or (ii) through the delivery of shares of the Company's Common Stock with a Fair Market Value on the date of the exercise equal to the option price, provided such shares are utilized as payment to acquire at least 100 shares of Common Stock or (iii) by a combination of (i) and (ii) above, or (iv) by reduction in the number of shares issuable upon such exercise based on the Fair Market Value of the Company's Common Stock on the last trading day prior to the date of exercise. Fair Market Value will be determined in the manner specified in Subsection 6(c) except as to the date of determination.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on July 5, 2006.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

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Lawrence D. Firestone, Secretary

**APPLIED FILMS CORPORATION NON-EMPLOYEE, NON-DIRECTOR OFFICER & CONSULTANT  
NON-QUALIFIED STOCK OPTION PLAN**

1. Name and Purpose. This plan shall be called the Applied Films Corporation Non-employee, Non-director Officer & Consultant Stock Option Plan (the "Plan"). The Plan is intended to encourage stock ownership by non-employee, non-director officers and consultants ("Consultants") of Applied Films Corporation (the "Company"), to provide such Consultants with an additional incentive to better service the Company effectively, to contribute to its success, and to provide a form of compensation which shall attract and retain highly qualified individuals as Consultants to the Company.

2. Effective Date and Term of the Plan. The Plan shall become effective upon its approval by the Board of Directors of the Company (the "Effective Date"). Options may not be granted under the Plan after the tenth (10th) anniversary of the Effective Date (the "Term"); provided, however, that all options outstanding as of that date shall remain or become exercisable pursuant to their terms and the terms of the Plan.

3. Administration. The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee") consisting of not less than three (3) directors who shall be appointed from time to time by the Board.

The Committee may, from time to time, establish such regulations, provisions and procedures, within the terms of the Plan, as in the opinion of its members may be advisable in the administration of the Plan. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum, and the acts of a majority of a quorum, any meeting 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 pursuant to the Plan shall be final and binding upon the Company, the Board of Directors of the Company and any optionee. No member of the Board of Directors of the Company or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted pursuant thereto.

4. Participation. Subject to the limitations contained in this Section 4, those Consultants to the Company, who are neither contractual nor common law employees or directors of the Company or any of its subsidiaries, whom the Committee shall select from time to time, shall be granted options to purchase shares of the Company's common stock in accordance with the provisions of Section 6 of the Plan and consistent with the terms and conditions of the Plan. In making such selections, the Committee shall consider the nature of the services rendered by the respective Consultant, the Consultant's present and prospective potential contributions for the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. An optionee may hold more than one option, but only on the terms and subject to the restrictions hereafter set forth.

5. Stock Available for Options. Subject to the adjustments as provided in Subsection 6(h), the aggregate number of shares reserved for purposes of the Plan shall be twenty-four thousand (24,000) authorized and unissued shares or issued shares reacquired by the Company (the "Shares"). Determinations as to the number of Shares that remain available for issuance under the Plan shall be made in accordance with



such rules and procedures as the Committee shall determine from time to time. If any outstanding option under the Plan expires or is terminated for any reason before the end of the Term of the Plan, the shares allocable to the unexercised portion of such option shall become available for the grant of other options under the Plan. No shares delivered to the Company in full or partial payment upon exercise of an option pursuant to Subsection 6(d) or in full or partial payment of any withholding tax liability permitted under Section 9 shall become available for the grant of other options under the Plan.

6. Terms and Conditions of Option Agreement. Options granted under this Plan shall be evidenced by agreements in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the following conditions:

(a) Optionee's Agreement. Each optionee shall agree to continue to serve as a Consultant to the Company for at least twelve (12) months from the date of the grant of the option. Such agreement shall not impose upon the Company, its Board of Directors, or its shareholders any obligation to retain the optionee as a Consultant for any period.

(b) Number of Shares and Term of Options. Each option shall state the number of shares of the Common Stock of the Company to which it pertains. The term of each option shall be for a period of not greater than ten (10) years from the date of grant of the option.

(c) Option Price. The exercise price of each option shall be equal to one hundred percent (100%) of the Fair Market Value of the shares of Common Stock on the date of the grant of the option. If the shares are traded in the over-the-counter market, the Fair Market Value per share shall be the closing price on the national market list as quoted in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on the day the option is granted or if no sale of shares is reflected in NASDAQ on that day, on the next preceding day on which there was a sale of shares reflected in NASDAQ. If the shares are not traded in the over-the-counter market but are listed upon an established stock exchange or exchanges, such Fair Market Value shall be deemed to be the closing price of the shares on such stock exchange or exchanges on the day the option is granted or if no sale of the shares shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of the shares.

(d) Medium of Payment. The option price shall be payable to the Company either (i) in United States dollars in cash or by check, bank draft, or money order payable to the order of the Company, (ii) through the delivery of shares of the Company's Common Stock with a Fair Market Value on the date of the exercise equal to the option price, provided such shares are utilized as payment to acquire at least one hundred (100) shares of Common Stock, or (iii) by a combination of (i) and (ii) above. Fair Market Value shall be determined in the manner specified in Subsection 6(c) except as to the date of determination.

(e) Exercise of Options. Except as provided in Subsection 6(h) no option shall be exercisable, either in whole or in part, prior to the first (1st) anniversary of the date of grant of the option. Subject to the foregoing, the Committee shall have the authority to determine, at the time of the grant of each Option, the times at which an Option may be exercised and any conditions precedent to the exercise of an Option. An option shall be exercisable upon written notice to the Chief Financial Officer of the Company, as to any or all shares covered by the option, until its termination or expiration in accordance with its terms or the provisions of the Plan. Notwithstanding the foregoing, an option shall not at any time be exercisable with respect to less than one hundred (100) shares unless the remaining shares covered by an option are less than one hundred (100) shares. The purchase price of the shares purchased pursuant to an option shall be paid in full upon delivery to the

optionee of certificates for such shares. Exercise by an optionee's heir or personal representative shall be accompanied by evidence of his or her authority to act, in a form reasonably satisfactory to the Company.

(f) Options not Transferable. Options may not be sold, pledged, assigned, or transferred in any manner otherwise than by will or the laws of descent or distribution to the extent provided in Subsection 6(g). During the lifetime of an optionee, the options shall be exercisable only by the optionee. Following the death of an optionee, the options shall be exercisable only to the extent provided in Subsection 6(g).

(g) Termination of Service as Consultant.

(i) Termination of Service for any Reason Other than Death. In the event an optionee shall cease to serve the Company as a Consultant for any reason other than such optionee's death, each option held by such optionee shall remain exercisable, subject to prior expiration according to its terms and other limitations imposed by the Plan, for a period of one (1) year following the optionee's cessation of service as a Consultant of the Company. If the optionee dies after such cessation of service, the optionee's options shall be exercisable in accordance with Subsection 6(g)(ii) hereof.

(ii) Termination of Service for Death. If an optionee ceases to be a Consultant by reason of death, each option held by such optionee shall to the extent rights to purchase shares under the option have been accrued at the time of death and shall not have been fully exercised, be exercisable, in whole or in part, by the personal representative of the optionee's estate or by any person or persons who have acquired the option directly from the optionee by bequest or inheritance during the shorter of the following periods: (i) the term of the option, or (ii) a period of one (1) year from the death of such optionee. If an optionee dies during the extended exercise period following cessation of service specified in Subsection 6(g)(i) above, such option may be exercised any time within the longer of such extended period or one (1) year after death, subject to the prior expiration of the term of the Option.

(h) Adjustment in Shares Covered by Option. The number of shares covered by each outstanding option, and the purchase price per share thereof, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares resulting from a split in or combination of shares or the payment of a stock dividend on the shares or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation or if the Company is merged into a wholly owned subsidiary solely for purposes of changing the Company's state of incorporation, each outstanding option shall pertain to and apply to the securities to which a holder of the number of shares subject to the option would have been entitled. A dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation, except as above provided, shall cause each outstanding option to terminate, provided, that each optionee shall, in that event, have the right immediately prior to such dissolution or liquidation, or merger or consolidation in which the Company is not the surviving corporation, to exercise his or her option in whole or in part.

In the event of a change in the shares as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the shares within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to an option.

Except as hereinbefore expressly provided in this Subsection 6(h), the optionee shall have no rights by reason of any split or combination of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of stock subject to the option.

The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(i) Rights of a Shareholder. An optionee shall have no rights as a shareholder with respect to any shares covered by his or her option until the date on which the optionee becomes the holder of record of such shares. No adjustment shall be made for dividends, distributions, or other rights for which the record date is prior to the date on which he or she shall have become the holder of record thereof, except as provided in Subsection 6(h).

(j) Postponement of Delivery of Shares and Representations. The Company, in its discretion, may postpone the issuance and/or delivery of shares upon any exercise of an option until completion of the registration or other qualification of such shares under any state and/or federal law, rule or regulation as the Company may consider appropriate, and may require any person exercising an option to make such representations, including a representation that it is the optionee's intention to acquire shares for investment and not with a view to distribution thereof, and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules, and regulations. In such event no shares shall be issued to such holder unless and until the Company is satisfied with the accuracy of any such representations.

(k) Other Provisions. The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Committee shall deem advisable.

7. Adjustments in Shares Available for Options. The adjustments in number and kind of shares and the substitution of shares, affecting outstanding options in accordance with Subsection 6(h) hereof, shall also apply to the number and kind of shares reserved for issuance pursuant to the Plan, but not yet covered by options.

8. Amendment of the Plan. The Committee, insofar as permitted by law, shall have the right from time to time, with respect to any shares at the time not subject to options, to suspend or discontinue the Plan or revise or amend it in any respect whatsoever, and except that, without approval of the Board of Directors of the Company, no such revision or amendment shall:

(a) increase the maximum number of shares which may be subject to the Plan;

- (b) materially increase the benefits accruing to option holders under the Plan;
- (c) decrease the exercise price of options granted under the Plan;
- (d) remove the administration of the Plan from the Committee; or
- (e) permit the granting of option under the Plan after the Term of the Plan.

9. Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock, payment by the optionee of any federal, state, or local taxes required by law to be withheld, if any. Unless otherwise prohibited by the Committee, an optionee may satisfy any such withholding tax obligation by any of the following means or by a combination of such means:

- (a) tendering a cash payment;
- (b) authorizing the Company to withhold from the shares otherwise issuable to the optionee a number of shares having a Fair Market Value as of the "Tax Date," less than or equal to the amount of withholding tax obligation; or
- (c) delivering to the Company unencumbered shares owned by the optionee having a Fair Market Value, as of the Tax Date, less than or equal to the amount of the withholding tax obligation.

The "Tax Date" shall be the date that the amount of tax to be withheld is determined. Fair Market Value shall be determined in the manner specified in Subsection 6(c), except as to the date of determination. An optionee's election to pay the withholding tax obligation by either of (b) or (c) above shall be irrevocable, may be disapproved by the Committee, and must be made either six months prior to the Tax Date or during the period beginning on the third business day following the date of release of the Company's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following such date.

10. Right of Board of Directors to Terminate Consultant's Service. Nothing in this Plan or in the grant of any option hereunder shall in any way limit or effect the right of the Board of Directors of the Company to terminate a Consultant's service as a Consultant, pursuant to law, the Articles of Incorporation, or Bylaws of the Company.

11. Application of Funds. The proceeds received by the Company from the sale of stock pursuant to options shall be used for general corporate purposes.

12. No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the optionee to exercise such option.

13. Construction. This Plan shall be construed under the laws of the State of Colorado, United States of America.

APPROVED:

/s/ Thomas T. Edman  
Thomas T. Edman, President

CERTIFICATION

This Plan was duly adopted by the Board of Directors of the Company the 24th day of October, 2001.

/s/ Lawrence D. Firestone  
Lawrence D. Firestone, Secretary

**FIRST AMENDMENT TO THE APPLIED FILMS CORPORATION NON-EMPLOYEE, NON-DIRECTOR OFFICER & CONSULTANT NON-QUALIFIED STOCK OPTION PLAN**

**BACKGROUND**

1. Effective October 24, 2001, Applied Films Corporation (the "Company") adopted and approved the Applied Films Corporation Non-Employee, Non-Director Officer & Consultant Non-Qualified Stock Option Plan (the "Plan").
2. The Company desires to amend the Plan to provide for the cashless exercise of options granted under the Plan.

**AGREEMENT**

1. The provisions of Section 6(d) are deleted in their entirety and replaced as follows:

(d) Medium of Payment. The option price shall be payable to the Company either (i) in United States dollars in cash or by check, bank draft, or money order payable to the order of the Company or (ii) through the delivery of shares of the Company's Common Stock with a Fair Market Value on the date of the exercise equal to the option price, provided such shares are utilized as payment to acquire at least 100 shares of Common Stock or (iii) by a combination of (i) and (ii) above, or (iv) by reduction in the number of shares issuable upon such exercise based on the Fair Market Value of the Company's Common Stock on the last trading day prior to the date of exercise. Fair Market Value will be determined in the manner specified in Subsection 6(c) except as to the date of determination.

2. Except as otherwise set forth herein, the terms of the Plan are hereby ratified and shall continue in full force and effect.

Approved by the Board of Directors of the Company on July 5, 2006.

APPLIED FILMS CORPORATION

/s/ Lawrence D. Firestone

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Lawrence D. Firestone, Secretary

**APPLIED FILMS CORPORATION  
LONG-TERM INCENTIVE PLAN**

**ARTICLE 1**

**ESTABLISHMENT AND PURPOSE OF THE PLAN**

1.1 Establishment of the Plan. Applied Films Corporation, a Colorado corporation (the “Company”), hereby establishes an incentive compensation plan to be known as the “Applied Films Corporation Long-Term Incentive Plan” (the “Plan”), as set forth in this document. The Plan permits the granting of stock options, stock appreciation rights, restricted stock, performance shares, and other stock-based awards to key employees of the Company and its Subsidiaries, as well as Directors, Nonemployee Officers and Consultants. Upon approval by the Board of Directors of the Company, subject to ratification by the affirmative vote of holders of a majority of shares of the Company’s Common Stock present and entitled to vote at the 2003 Annual Meeting of Shareholders, the Plan shall be effective as of October 22, 2003 (the “Effective Date”).

1.2 Purpose of the Plan. The purpose of the Plan is to promote the long-term success of the Company for the benefit of the Company’s shareholders, through stock-based compensation, by aligning the personal interests of Plan Participants with those of its shareholders. The Plan is designed to allow Plan Participants to participate in the Company’s future, as well as to enable the Company to attract, retain and award such individuals.

1.3 Term of Plan. No Awards shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date (“Termination Date”), provided that Awards granted prior to the Termination Date may extend beyond that date.

**ARTICLE 2**

**DEFINITIONS**

For purposes of this Plan, the following terms shall have the meanings set forth below:

2.1 “Administrator” shall mean the Board or any of the Committees designated to administer the Plan in accordance with Section 3.1 of the Plan.

2.2 “Award” shall mean any award under this Plan of any Options, Stock Appreciation Rights, Restricted Stock, Performance Shares or Other Stock-Based Award.

2.3 “Award Agreement” shall mean an agreement evidencing the grant of an Award under this Plan. Awards under the Plan shall be evidenced by Award Agreements that set forth the details, conditions and limitations for each Award, as established by the Administrator and shall be subject to the terms and conditions of the Plan.

2.4 “Award Date” shall mean the date that an Award is made, as specified in an Award Agreement.

2.5 “Board” shall mean the Board of Directors of the Company.

2.6 “Code” shall mean the Internal Revenue Code of 1986, as amended.

2.7 “Committee” shall mean one of the Committees, as specified in Article 3, appointed by the Board to administer the Plan.

2.8 “Common Stock” shall mean the Common Stock, no par value per share, of the Company.

2.9 “Consultant” shall mean any person or entity engaged by the Company or a Subsidiary to render services to the Company or that Subsidiary.

2.10 “Director” shall mean a member of the Board or a member of the Board of Directors of a Subsidiary.

2.11 “Disability” shall mean permanent and total disability as determined under the rules and guidelines established by the Administrator for purposes of the Plan.

2.12 “Employee” shall mean any person employed by the Company or a Subsidiary, Neither service as a Director nor the payment of a Director’s fee by the Company shall be sufficient to constitute employment by the Company.

2.13 “Exchange Act” shall mean the Securities Exchange Act of 1934.

2.14 “Fair Market Value” shall be the closing sale price of the Company’s Common Stock for such date on the NASDAQ. If no sale of shares of Common Stock is reflected on NASDAQ on a date, “Fair Market Value” shall be determined according to the closing sale price on the next preceding day on which there was a sale of shares of Common Stock reflected on NASDAQ.

2.15 “Immediate Family Member” shall mean the spouse, and/or any child or grandchild of a Participant.

2.16 “Incentive Stock Option” or “ISO” shall mean an option to purchase shares of Common Stock granted under Article 6, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

2.17 “Insider” shall mean an employee who is an officer (as defined in Rule 16a-1(f) of the Exchange Act) or Director, or holder of more than 10% of its outstanding shares of the Company’s Common Stock.

2.18 “NASDAQ” shall mean the National Association of Security Dealers Automated Quotation System or any successor then in use.

2.19 “Nonemployee Director” shall mean a person who satisfies (1) the definition of “Nonemployee Director” within the meaning set forth in Rule 16b-3(b)(3), as promulgated by the SEC under the Exchange Act, or any successor definition adopted by the SEC, or (2) the definition of “outside director” within the meaning of Section 162(m) of the Code.



2.20 "Nonemployee Officer" shall mean a person who is not an employee, but who has been elected as an officer of the Company or of the Board.

2.21 "Nonqualified Stock Option" or "NQSO" shall mean an option to purchase shares of Common Stock, granted under Article 6, which is not an Incentive Stock Option.

2.22 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.23 "Option Price" shall mean the price at which a share of Common Stock may be purchased by a Participant pursuant to an Option, as determined by the Administrator.

2.24 "Other Stock-Based Award" shall mean an Award under Article 10 of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock.

2.25 "Participant" shall mean an Employee, a Director, a Consultant, or a Nonemployee Officer who holds an outstanding Award granted under the Plan.

2.26 "Performance Shares" shall mean an Award granted under Article 9 of this Plan evidencing the right to receive Common Stock or cash of an equivalent value at the end of a specified performance period.

2.27 "Permitted Transferee" means (i) an Immediate Family Member, (ii) a trust or trusts for the exclusive benefit of the Participant and/or one or more Immediate Family Members, or (iii) a partnership or limited liability company whose only partners or members are the Participant and/or one or more Immediate Family Members.

2.28 "Plan Shares" shall mean the shares of Common Stock which may be issued under this Plan, which may be either unauthorized and unissued Common Stock or issued Common Stock reacquired by the Company.

2.29 "Restricted Stock" shall mean an Award granted to a Participant under Article 8 of this Plan.

2.30 "Retirement" shall mean the termination of a Participant's employment with the Company or a Subsidiary after the Participant attains the age of 60. With respect to a Director, Retirement shall mean the termination of a Director's service as a Director of the Company or a Subsidiary after serving as a Director of the Company and/or any Subsidiary for a period of at least five (5) consecutive years prior to the date of termination of such service.

2.31 "SEC" shall mean the Securities and Exchange Commission of the United States of America.

2.32 “Stock Appreciation Right” or “SAR” shall mean an Award granted to a Participant under Article 7 of this Plan.

2.33 “Subsidiary” shall mean any corporation in which the Company owns directly, or indirectly through subsidiaries, at least 50% of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least 50% of the combined equity thereof.

2.34 “Termination of Service” shall mean the termination of an Employee’s employment with the Company or a Subsidiary. An Employee employed by a Subsidiary shall also be deemed to incur a Termination of Service if the Subsidiary ceases to be a Subsidiary and the Participant does not immediately thereafter become an employee of the Company or another Subsidiary. With respect to a Participant that is not an Employee, Termination of Service shall mean the termination of the person’s service as a Director, as a Consultant, or as a Nonemployee Officer.

### **ARTICLE 3 ADMINISTRATION**

3.1 The Administrator. The Plan may be administered by different Committees with respect to different groups of Plan Participants. To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more Non-Employee Directors. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3. Other than as provided above, the Plan shall be administered by (a) the Board, or (b) a Committee, which Committee shall be constituted to satisfy the foregoing conditions.

3.2 Administrator Authority. Subject to the Company’s Articles of Incorporation, Bylaws and the provisions of this Plan, the Administrator shall have full authority to grant Awards to key Employees, as well as Directors, Consultants and Nonemployee Officers. Awards may be granted singly, in combination, or in tandem. The authority of the Administrator shall include the following:

- (a) To select the key Employees, Directors, Nonemployee Officers or Consultants to whom Awards may be granted under the Plan;
- (b) To determine whether and to what extent Options, Stock Appreciation Rights, Restricted Stock, Performance Shares and Other Stock-Based Awards, or any combination thereof are to be granted under the Plan;
- (c) To determine the number of shares of Common Stock to be covered by each Award;
- (d) To determine the terms and conditions of any Award Agreement, including, but not limited to, the Option Price, any vesting restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Administrator shall determine in its sole discretion;

- (e) To determine whether, to what extent and under what circumstances grants of Awards are to operate on a tandem basis and/or in conjunction with or apart from other cash compensation arrangement made by the Company and/or a subsidiary other than under the terms of this Plan;
- (f) To determine under what circumstances an Award may be settled in cash, Common Stock, or a combination thereof; and
- (g) To determine to what extent and under what circumstances shares of Common Stock and other amounts payable with respect to an Award shall be deferred.

The Administrator shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (including any Award Agreement) and to otherwise supervise the administration of the Plan. A majority of any Committee or the Board shall constitute a quorum, and the acts of a majority of a quorum at any meeting, or acts reduced to or approved in writing by a majority of the members of any Committee or the Board, shall be the valid acts of any Committee or the Board. The interpretation and construction by any Committee or the Board of any provisions of the Plan or any Award granted under the Plan shall be final and binding upon the Company, the Board and Participants, including their respective heirs, executors and assigns. No member of the Board or any Committee shall be liable for any action or determination made in good faith with respect to the Plan or an Award granted hereunder.

3.3 No Authority to Reprice. Notwithstanding the authority described in Section 3.2, without the prior approval of the Company's shareholders, neither the Committee nor the Board shall have the authority to lower the option exercise price of previously granted Awards, whether by means of the amendment of previously granted Awards or the replacement or regrant, through cancellation, of previously granted Awards.

#### **ARTICLE 4 COMMON STOCK SUBJECT TO THE PLAN**

Subject to adjustment as provided in Section 13.1, the maximum aggregate number of shares of Common Stock which may be issued under this Plan, which may be either unauthorized and unissued Common Stock or issued Common Stock reacquired by the Company shall be 1,200,000.

Determinations as to the number of Plan Shares that remain available for issuance under the Plan shall be made in accordance with such rules and procedures as the Administrator shall determine from time to time. If an Award expires unexercised or is forfeited, cancelled, terminated or settled in cash in lieu of Common Stock, the shares of Common Stock that were theretofore subject (or potentially subject) to such Award may again be made subject to an Award Agreement.

In addition, shares from the following sources shall be added to the number of Plan Shares available for issuance under the Plan:

- (1) Any shares of the Company's Common Stock surrendered in payment of the exercise price of Options or to pay the tax withholding obligations incurred upon the exercise of Options;
- (2) Options withheld to pay the exercise price or tax withholding obligations incurred upon the exercise of Options; and
- (3) The number of shares repurchased by the Company in the open market or otherwise having an aggregate purchase price no greater than the cash proceeds received by the Company from the sale of shares of the Company's stock under the Plan.

#### **ARTICLE 5 ELIGIBILITY**

The persons who shall be eligible to receive Awards under the Plan shall be selected by the Administrator from time to time. In making such selections, the Administrator shall consider the nature of the services rendered by such persons, their present and potential contribution to the Company's success and the success of the particular Subsidiary of the Company by which they are employed or to whom they provide services, and such other factors as the Administrator in its discretion shall deem relevant. Participants may hold more than one Award, but only on the terms and subject to the restrictions set forth in the Plan and their respective Award Agreements. No Participant may receive Awards under the Plan covering more than 25% of Plan Shares.

#### **ARTICLE 6 STOCK OPTIONS**

6.1 Options. Options may be granted alone or in addition to other Awards granted under this Plan. Each Option granted under this Plan shall be either an Incentive Stock Option (ISO) or a Nonqualified Stock Option (NQSO).

6.2 Grants. The Administrator shall have the authority to grant to any Participant one or more Incentive Stock Options, Nonqualified Stock Options, or both types of Options. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof which does not qualify shall constitute a separate Nonqualified Stock Option.

6.3 Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422. An Incentive Stock Option shall not be granted to an individual who, on the date of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company. The aggregate Fair Market Value, determined

on the Award Date of the shares of Common Stock with respect to which one or more Incentive Stock Options (or other incentive stock options within the meaning of Section 422 of the Code, under all other option plans of the Company) granted on or after January 1, 1987, that are exercisable for the first time by a Participant during any calendar year shall not exceed the \$100,000 limitation imposed by Section 422(d) of the Code.

6.4 Terms of Options. Options granted under the Plan shall be evidenced by Award Agreements in such form as the Administrator shall, from time to time approve, which Agreement shall comply with and be subject to the following terms and conditions:

(a) Option Price. The Option Price per share of Common Stock purchasable under an Option shall be determined by the Administrator at the time of grant but shall be not less than 100% of the Fair Market Value of the Common Stock at the Award Date. Once granted, the Option Price may not be modified to provide the Participant with a more favorable price per share unless such modification is approved by the shareholders of the Company.

(b) Option Term. The term of each Option shall be fixed by the Administrator, provided that no Option shall be exercisable more than ten (10) years after the date the Option is granted.

(c) Exercisability. Except as provided in Section 13.2, no Option shall be exercisable either in whole or in part prior to the first anniversary of the Award Date. Thereafter, an Option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator and set forth in the Award Agreement. If the Administrator provides that any Option is exercisable only in installments, the Administrator may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Administrator may determine.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under subsection (c) above, Options may be exercised in whole or in part at any time during the term of the Option, by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price in such form as the Administrator may accept, provided that no officer or director of the Company shall be permitted to make payment by promissory note or other obligation payable in the future. Notwithstanding the foregoing, an Option shall not be exercisable with respect to less than 100 shares of Common Stock unless the remaining shares covered by an Option are fewer than 100 shares. If and to the extent determined by the Administrator in its sole discretion at or after grant, payment in full or in part may also be made in the form of Common Stock owned by the Participant (and for which the Participant has good title free and clear of any liens and encumbrances and with respect to any shares of Common Stock acquired upon the exercise of an Option, has been held by the Optionee for a period of at least six (6) consecutive months), or by reduction in the number of shares issuable upon such exercise based, in each case, on the Fair Market Value of the Common Stock on the last trading date preceding payment as determined by the

Administrator. No shares of stock shall be issued until payment has been made. A Participant shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the person exercising such option has given written notice of exercise, has paid for such shares as provided herein, and, if requested, has given the representation described in Section 13.1 of the Plan.

(e) Transferability of Options. No Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than through an agent as approved by the Administrator or by will or by the laws of descent and distribution, provided, however, the Administrator may, in its discretion, authorize all or a portion of a Nonqualified Stock Option to be granted to an optionee to be on terms which permit transfer by such optionee to a Permitted Transferee, provided that (i) there may be no consideration for any such transfer (other than the receipt of or interest in a family partnership or limited liability company), (ii) the Award Agreement pursuant to which such Options are granted must be approved by the Administrator, and must expressly provide for transferability in a manner consistent with this Section 6.4(e), and (iii) subsequent transfers of transferred Options shall be prohibited except those in accordance with Section 6.4(h). Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The events of termination of service of Sections 6.4(f), (g) and (h) hereof, and the tax withholding obligations of Section 14.3 shall continue to be applied with respect to the original optionee, following which the Options shall be exercisable by the Permitted Transferee only to the extent, and for the periods specified in Sections 6(f), (g), and (h). The Company shall not be obligated to notify Permitted Transferee(s) of the expiration or termination of any Option. Further, all Options shall be exercisable during the Participant's lifetime only by such Participant and, in the case of a Nonqualified Stock Option, by a Permitted Transferee. The designation of a person entitled to exercise an Option after a person's death will not be deemed a transfer.

(f) Termination of Service for Reasons other than Retirement, Disability, or Death. Upon Termination of Service for any reason other than Retirement or on account of Disability or death, each Option held by the Participant shall, to the extent rights to purchase shares under such Option have accrued at the date of such Termination of Service and shall not have been fully exercised, be exercisable, in whole or in part, at any time for a period of no more than three (3) months following Termination of Service in the case of ISOs or no more than six (6) months following Termination of Service in the case of NQSOs, subject, however, to prior expiration of the term of such Options and any other limitations on the exercise of such Options in effect at the date of exercise. Whether an authorized leave of absence or absence because of military or governmental service shall constitute Termination of Service for such purposes shall be determined by the Administrator, which determination shall be final and conclusive.

(g) Termination of Service for Retirement or Disability. Upon Termination of Service by reason of Retirement or Disability, each Option held by such Participant shall, to the extent rights to purchase shares under the Option have accrued at the date of such Retirement or Disability and shall not have been fully exercised, remain exercisable in whole

or in part, at any time during the twelve (12) month period following Termination of Service, subject, however, in any case, to the prior expiration of the term of the Option and any other limitation on the exercise of such Option in effect at the date of exercise.

(h) Termination of Service for Death. Upon Termination of Service due to death, each Option held by such Participant or Permitted Transferee shall, to the extent rights to purchase shares under the Options have accrued at the date of death and shall not have been fully exercised, be exercisable, in whole or in part, by the personal representative of the estate of the Participant or Permitted Transferee or by any person or persons who shall have acquired the Option directly from the Participant or Permitted Transferee by bequest or inheritance at any time during the twelve (12) month period following death, subject, however, in any case, to the prior expiration of the term of the Option and any other limitation on the exercise of such Option in effect at the date of exercise.

(i) Termination of Options. Any Option that is not exercised within whichever of the exercise periods specified in Sections 6.4(f), (g) or (h) is applicable shall terminate upon expiration of such exercise period.

(j) Purchase and Settlement Provisions. The Administrator may at any time offer to purchase an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Participant at the time that such offer is made. In addition, if an Award Agreement so provides at the Award Date or is thereafter amended to so provide, the Administrator may require that all or part of the shares of Common Stock to be issued with respect to the exercise of an Option, in an amount not greater than the Fair Market Value of the shares that is in excess of the aggregate Option Price, take the form of Performance Shares, which shall be valued on the date of exercise on the basis of the Fair Market Value of such Performance Shares determined without regard to the deferral limitations and/or forfeiture restrictions involved.

## **ARTICLE 7 STOCK APPRECIATION RIGHTS**

7.1 Grant of SARs. The Administrator may approve the grant of Stock Appreciation Rights (SARs) that are related to Options only. A SAR may be granted only at the time of grant of the related Option. A SAR will entitle the holder of the related Option, upon exercise of the SAR, to surrender such Option, or any portion thereof to the extent unexercised, with respect to the number of shares as to which such SAR is exercised, and to receive payment of an amount computed pursuant to Section 7.2. Such Option will, to the extent surrendered, then cease to be exercisable. Subject to Section 6.4, a SAR granted hereunder will be exercisable at such time or times, and only to the extent that a related Option is exercisable, and will not be transferable except to the extent that such related Option may be transferable.

7.2 Payment of SAR Amount. Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the Option Price, by (ii) the number of shares of Common Stock with respect to which the SAR is exercised. At the discretion of the Administrator, the payment upon SAR exercise may be in cash, in shares of Common Stock of equivalent value, or in some combination thereof.

7.3 Nontransferability. Except as provided in Section 7.1 above, no SAR may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, and also except as provided for in Section 7.1 above, all SARs shall be exercisable, during the Participant's lifetime, only by such Participant.

## **ARTICLE 8 RESTRICTED STOCK**

8.1 Awards of Restricted Stock. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the Participant, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards. The Administrator may condition the grant of Restricted Stock upon the achievement of specific business objectives, measurements of individual, business unit, Company or Subsidiary performances, or such other factors as the Administrator may determine. The provisions of Restricted Stock awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

8.2 Awards and Certificates. A Participant selected to receive a Restricted Stock Award shall not have any rights with respect to such Award, unless and until such Participant has executed an Award Agreement evidencing the Award and has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) Acceptance. Awards of Restricted Stock must be accepted within a period of thirty (30) days (or such shorter period as the Administrator may specify at grant) after the Award Date, by executing an Award Agreement and by paying whatever price (if any) the Administrator has designated for such shares of Restricted Stock.

(b) Legend. Each Participant receiving a Restricted Stock Award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Applied Films Corporation Long-Term Incentive Plan and related Award Agreement entered into between the registered owner and the Company, dated \_\_\_\_\_. Copies of such Plan and Agreement are on file in the offices of the Company, 9586 I-25 Frontage Road, Suite 200, Longmont, Colorado 80504."



(c) Custody. The Administrator may require that the stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Stock, the Participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Award.

8.3 Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Plan shall be subject to the following restrictions and conditions:

(a) Restriction Period. Subject to the provisions of this Plan and the Award Agreement, during a period set by the Administrator commencing with the Award Date (the "Restriction Period"), the Participant shall not be permitted to sell, transfer, pledge, or assign shares of Restricted Stock awarded under this Plan. Subject to these limits, the Administrator, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance and/or such other factors or criteria as the Administrator may determine.

(b) Rights as Shareholder. Except as provided in this subsection (b) and subsection (a) above, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company including the right to vote and to receive any dividends. The Administrator, in its sole discretion, as determined at the time of Award, may permit or require the payment of dividends to be deferred. If any dividends or other distributions are paid in shares of Common Stock, such shares shall be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

(c) Termination of Service. Subject to the applicable provisions of the Award Agreement and this Article 8, upon Termination of Service for any reason during the Restriction Period, all Restricted Stock still subject to restriction will vest or be forfeited in accordance with the terms and conditions established by the Administrator as specified in the Award Agreement.

(d) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant.

(e) Waiver of Limitation. In the event of the Participant's Retirement, Disability or death, or in cases of special circumstances, the Administrator may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article 8.

**ARTICLE 9**  
**PERFORMANCE SHARES**

9.1 Award of Performance Shares. Performance Shares may be awarded either alone or in addition to other Awards granted under this Plan. The Administrator shall determine the eligible persons to whom and the time or times at which Performance Shares shall be awarded, the number of Performance Shares to be awarded to any person, the duration of the period (the "Performance Period") during which, and the conditions under which, receipt of the Performance Shares will be deferred, and the other terms and conditions of the Award in addition to those set forth in Section 9.2, as specified in the Award Agreement. The Administrator may condition the grant of Performance Shares upon the achievement of specific business objectives, measurements of individual, business unit, Company or Subsidiary performance, or such other factors or criteria as the Administrator shall determine. The provisions of the award of Performance Shares need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

9.2 Terms and Conditions. Performance Shares awarded pursuant to this Article 9 shall be subject to the following terms and conditions:

(a) Nontransferability. Subject to the provisions of this Plan and the related Award Agreement, Performance Shares may not be sold, assigned, transferred, pledged or otherwise encumbered during the Performance Period. At the expiration of the Performance Period, share certificates or cash of an equivalent value (as the Administrator may determine in its sole discretion) shall be delivered to the Participant, or his legal representative, in a number equal to the shares covered by the Award Agreement.

(b) Dividends. Unless otherwise determined by the Administrator at the time of Award, amounts equal to any cash dividends declared during the Performance Period with respect to the number of shares of Common Stock covered by a Performance Share Award will not be paid to the Participant.

(c) Termination of Employment. Subject to the provisions of the Award Agreement and this Article 9, upon Termination of Service for any reason during the Performance Period for a given Award, the Performance Shares in question will vest or be forfeited in accordance with the terms and conditions established by the Administrator at or after grant.

(d) Accelerated Vesting. Based on service, performance and/or such other factors or criteria as the Administrator may determine and set forth in the Award Agreement, the Administrator may, at or after grant, accelerate the vesting of all or any part of any award of Performance Shares and/or waive the deferral limitations for all or any part of such Award.

**ARTICLE 10**  
**OTHER STOCK-BASED AWARDS**

10.1 Other Awards. Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, Common Stock (“Other Stock-Based Awards”), may be granted either alone or in addition to or in tandem with other Awards under the Plan. Subject to the provisions of this Plan, the Administrator shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other conditions of the Awards. The Administrator may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period. The provisions of Other Stock-Based Awards need not be the same with respect to each Participant and such Awards to individual Participants need not be the same in subsequent years.

10.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article 10 shall be set forth in an Award Agreement and shall be subject to the following terms and conditions:

(a) Nontransferability. Subject to the provisions of this Plan and the Award Agreement, shares of Common Stock subject to Awards made under this Article 10 may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise determined by the Administrator at the time of Award, subject to the provisions of this Plan and the Award Agreement, the recipient of an Award under this Article 10 shall be entitled to receive, currently or on a deferred stock basis, dividends or other distributions with respect to the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article 10 and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Administrator, in its sole discretion.

(d) Waiver of Limitation. In the event of the Participant’s Retirement, Disability or death, or in cases of special circumstances, the Administrator may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article 10.

(e) Price. Common Stock issued or sold under this Article 10 may be issued or sold for no cash consideration or such consideration as the Administrator shall determine and specify in the Award Agreement.

**ARTICLE 11**  
**TERMINATION OR AMENDMENT OF THE PLAN**

The Board may at any time amend, discontinue or terminate this Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any applicable regulatory requirement); provided, however, that, unless otherwise required by law, the rights of a Participant with respect to Awards granted prior to such amendment, discontinuance or termination, may not be impaired without the consent of such Participant and, provided further, without the approval of the Company's shareholders, no amendment may be made which would (i) increase the aggregate number of shares of Common Stock that may be issued under this Plan (except by operation of Article 4 or of Section 13.1 of the Plan); (ii) decrease the option price of any Option to less than 100% of the Fair Market Value on the date of grant for an Option; or (iii) extend the maximum option period under Section 6.4(b) of the Plan. The Administrator may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Section 13.2 of the Plan, no such amendment or other action by the Administrator shall impair the rights of any Participant without the Participant's consent. Awards may not be granted under the Plan after the Termination Date, but Awards granted prior to such date shall remain in effect or become exercisable pursuant to their respective terms and the terms of this Plan.

**ARTICLE 12**  
**UNFUNDED PLAN**

This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

**ARTICLE 13**  
**ADJUSTMENT PROVISIONS**

13.1 Antidilution. Subject to the provisions of this Article 13, if the outstanding shares of Common Stock are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Article 4 of the Plan, (ii) the number and kind of shares or other securities subject to the then outstanding Awards, and (iii) the price for each share or other unit of any other securities subject to the then outstanding Awards.

13.2 Change in Control. In the event of a merger or consolidation of the Company with or into another corporation or any other entity or the exchange of substantially all of the outstanding stock of the Company for shares of another entity in which, after either transaction, the prior shareholders of the Company own less than 50% of the voting shares of the continuing or surviving entity, or in the event of the sale of all or substantially all of the assets of the Company, (either event,

a “Change of Control”), then each outstanding Award shall be assumed or an equivalent option or award substituted by the successor corporation or a parent or subsidiary of the successor corporation, with appropriate adjustments as to the number and kind of shares and prices. In the event that the Administrator determines that the successor corporation or a parent or a subsidiary of the successor corporation has refused to assume or substitute an equivalent option or award for each outstanding Award, then all Awards then outstanding under the Plan will be fully vested and exercisable and all restrictions will immediately cease. If an Award becomes fully vested and exercisable in lieu of assumption or substitution in the event of a Change of Control, the Administrator shall notify all Participants that all outstanding Options shall be fully exercisable for a period of fifteen (15) days from the date of such notice and that any Options that are not exercised within such period shall terminate upon the expiration of such period.

13.3 Adjustments by Administrator. Any adjustments pursuant to this Article 13 will be made by the Administrator, whose determination as to what adjustments will be made and the extent thereof will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments. Only cash payments will be made in lieu of fractional shares.

**ARTICLE 14  
GENERAL PROVISIONS**

14.1 Legend. The Administrator may require each person purchasing shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend which the Administrator deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Administrator may deem advisable under the rules, regulations and other requirements of the SEC, any stock exchange upon which the Common Stock is then listed, any applicable Federal or state securities law, and any applicable corporate law, and the Administrator may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14.2 No Right to Employment. Neither this Plan nor the grant of any Award hereunder shall give any Participant or other employee, director or consultant any right with respect to continuance of employment, or any arrangement for services with the Company or any Subsidiary, nor shall there be a limitation in any way on the right of the Company or any Subsidiary by which an employee is employed to terminate his or her employment or for any director or consultant to terminate his or her relationship with the Company or its subsidiary at any time.

14.3 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any Federal, state or local taxes required by law to be withheld. Unless otherwise prohibited by the Administrator, each Participant may satisfy any such withholding tax obligation by any of the following means or by a combination of such means: (a) tendering a cash payment; (b) authorizing

the Company to withhold from the shares otherwise issuable to the Participant a number of shares having a Fair Market Value as of the "Tax Date," less than or equal to the amount of the withholding tax obligation; or (c) delivering to the Company unencumbered shares owned by the Participant having a Fair Market Value, as of the Tax Date, less than or equal to the amount of the withholding tax obligation. The "Tax Date" shall be the date that the amount of tax to be withheld is determined.

14.4 No Assignment of Benefits. No Award or other benefit payable under this Plan shall, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, attach, sell, transfer, assign, pledge, encumber or charge, any such benefits shall be void, and any such benefit shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall such benefit be subject to attachment or legal process for or against such person.

14.5 Governing Law. This Plan and actions taken in connection herewith shall be governed, construed and enforced in accordance with the laws and in the courts of the state of Colorado.

14.6 Application of Funds. The proceeds received by the Company from the sale of shares of Common Stock pursuant to Awards granted under this Plan will be used for general corporate purposes.

14.7 Rights as a Shareholder. Except as otherwise provided in an Award Agreement, a Participant shall have no rights as a shareholder of the Company until he or she becomes the holder of record of Common Stock.

14.8 Non-US Awards. The Administrator may grant Awards to Participants who are subject to the laws of nations other than the United States, which Awards may have terms and conditions that differ from the terms provided elsewhere in this plan for the purpose of complying with the laws or practices of nations other than the United States.

July 21, 2006

Applied Materials, Inc.  
3050 Bowers Avenue  
P.O. Box 58039  
Santa Clara, California 95052-8039

Re: Form S-8 Registration Statement

Ladies and Gentlemen:

At your request, we are rendering this opinion in connection with the proposed issuance of an aggregate of 3,028,672 shares of common stock, \$0.01 par value (the "Common Stock"), of Applied Materials, Inc., a Delaware corporation (the "Company"), pursuant to stock options and stock awards assumed by the Company (collectively, the "Assumed Awards") under the Applied Films Corporation 1993 Stock Option Plan, as amended, 1997 Stock Option Plan, as amended, Outside Director Stock Option Plan, as amended, Non-Employee, Non-Director Officer & Consultant Non-Qualified Stock Option Plan, as amended, and Long-Term Incentive Plan, as amended (collectively, the "Plans").

We have examined instruments, documents, and records which we deemed relevant and necessary for the basis of our opinion hereinafter expressed. In such examination, we have assumed the following: (a) the authenticity of original documents and the genuineness of all signatures; (b) the conformity to the originals of all documents submitted to us as copies; and (c) the truth, accuracy and completeness of the information, representations and warranties contained in the records, documents, instruments and certificates we have reviewed.

Based on such examination, we are of the opinion that the 3,028,672 shares of Common Stock to be issued by the Company pursuant to the Assumed Awards under the Plans are validly authorized shares of Common Stock and, when issued in accordance with the provisions of the Plans and the agreements covering the Assumed Awards, will be legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to this Registration Statement on Form S-8 (the "Registration Statement") and to the use of our name wherever it appears in the Registration Statement. In giving such consent, we do not consider that we are "experts" within the meaning of such term as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission issued thereunder, with respect to any part of the Registration Statement, including this opinion as an exhibit or otherwise.

Very truly yours,

/s/ Wilson Sonsini Goodrich & Rosati, PC

WILSON SONSINI GOODRICH & ROSATI, Professional  
Corporation

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
Applied Materials, Inc.:

We consent to the incorporation by reference in this registration statement on Form S-8 of Applied Materials, Inc. of our reports dated December 14, 2005, with respect to the consolidated balance sheets of Applied Materials, Inc. and subsidiaries as of October 30, 2005 and October 31, 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and related financial statement schedule, management's assessment of the effectiveness of internal controls over financial reporting as of October 30, 2005 and the effectiveness of internal control over financial reporting as of October 30, 2005, which reports appear in the October 30, 2005 annual report on Form 10-K of Applied Materials, Inc.

/s/ KPMG LLP

Mountain View, California  
July 21, 2006



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 of our report dated November 12, 2003 relating to the financial statements and financial statement schedule, of Applied Material, Inc. which appears in Applied Material, Inc.'s Annual Report on Form 10-K for the year ended October 30, 2005.

/s/ PricewaterhouseCoopers LLP

San Jose, California

July 21, 2006

## POWER OF ATTORNEY OF DIRECTORS

KNOW ALL PERSONS BY THESE PRESENTS:

Each of the undersigned directors of Applied Materials, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints James C. Morgan, Nancy H. Handel and Joseph J. Sweeney and each of them with power to act alone, his or her true and lawful attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to execute a Registration Statement or Registration Statements on Form S-8 or other appropriate form, under the Securities Act of 1933, as amended, relating to such number of shares of Common Stock of the Company as are necessary to satisfy stock options and stock awards that have been granted by Applied Films Corporation ("Applied Films") and are assumed by the Company in connection with the merger of Applied Films with and into Blue Acquisition, Inc., a wholly-owned subsidiary of the Company, and any and all amendments (including post-effective amendments) to such Registration Statement(s), and to file such Registration Statement(s) and any and all amendments thereto, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes, as he or she might or could do in person, thereby ratifying and confirming all that said attorney-in-fact or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, we have hereunto set our hands this 13th day of June, 2006.

/s/ Michael H. Armacost

Michael H. Armacost

/s/ Charles Y.S. Liu

Charles Y.S. Liu

/s/ Robert H. Brust

Robert H. Brust

/s/ James C. Morgan

James C. Morgan

/s/ Deborah A. Coleman

Deborah A. Coleman

/s/ Gerhard H. Parker

Gerhard H. Parker

/s/ Philip V. Gerdine

Philip V. Gerdine

/s/ Willem P. Roelandts

Willem P. Roelandts

/s/ Thomas J. Iannotti

Thomas J. Iannotti

/s/ Michael R. Splinter

Michael R. Splinter