AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 26, 1997

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MERCURY COMPUTER SYSTEMS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MASSACHUSETTS	3670	04-2741391
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

199 RIVERNECK ROAD

CHELMSFORD, MA 01824
(978) 256-1300
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JAMES R. BERTELLI
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MERCURY COMPUTER SYSTEMS, INC.
199 RIVERNECK ROAD
CHELMSFORD, MASSACHUSETTS 01824
(978) 256-1300
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

ANTHONY J. MEDAGLIA, JR., ESQUIRE	TIMOTHY C. MAGUIRE, ESQUIRE
HUTCHINS, WHEELER & DITTMAR	TESTA, HURWITZ & THIBEAULT, LLP
A PROFESSIONAL CORPORATION	125 HIGH STREET
101 FEDERAL STREET	HIGH STREET TOWER
BOSTON, MASSACHUSETTS 02110	BOSTON, MASSACHUSETTS 02110
(617) 951-6600	(617) 248-7000

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

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

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

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

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the earlier registration statement number of the earlier effective registration statement for the same offering. [ ]

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE

Common Stock, $.01 par value per share.....	4,025,000 shares	$14.00	$56,350,000	$17,076

(1) Includes an aggregate of 525,000 shares which the Underwriters have the option to purchase from the Selling Stockholders solely to cover over-allotments, if any. See "Underwriting."

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

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

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

SUBJECT TO COMPLETION -- DATED NOVEMBER 26, 1997

PROSPECTUS

3,500,000 Shares

[LOGO: MERCURY COMPUTER SYSTEMS, INC.-- The Ultimate Performance Machine]

Common Stock

Of the 3,500,000 shares of common stock, par value $.01 per share (the "Common Stock"), offered hereby, 2,000,000 shares are being sold by Mercury Computer Systems, Inc. ("Mercury" or the "Company") and 1,500,000 shares are being sold by certain stockholders of the Company (the "Selling Stockholders"). The Company will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Principal and Selling Stockholders."

Prior to this offering (the "Offering"), there has been no public market for the Common Stock of the Company. It is currently anticipated that the initial public offering price of the Common Stock will be between $12.00 and $14.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company has applied to have the Common Stock included for quotation in The Nasdaq Stock Market's National Market (the "Nasdaq National Market") under the symbol "MRCY."

SEE "RISK FACTORS" ON PAGES 6 TO 14 FOR A DISCUSSION OF CERTAIN MATERIAL FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

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

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Stockholders
Per Share.....	$	$	$	$
Total(3).....	$	$	$	$

(1) The Company and the Selling Stockholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company, estimated to be $750,000.

(3) Certain Selling Stockholders have granted to the several Underwriters 30-day over-allotment options to purchase, in the aggregate, up to 525,000 additional shares of the Common Stock on the same terms and conditions as set forth above. If all such additional shares are purchased by the Underwriters, the total Price to Public will be $, the total Underwriting Discounts and Commissions will be $, the total Proceeds to Company will be $ and the total Proceeds to Selling Stockholders will be $. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to delivery by the Company and the Selling Stockholders and acceptance by the Underwriters, to prior sale and to withdrawal, cancellation or modification of the offer without notice. Delivery of the shares of Common Stock to the Underwriters is expected to be made at the office of Prudential Securities Incorporated, One New York Plaza, New York, New York, on or about January , 1998.

PRUDENTIAL SECURITIES INCORPORATED COWEN & COMPANY

January , 1998

MERCURY designs, manufactures and markets high performance real-time digital signal processing computer systems that transform sensor generated data into information which can be displayed as images for human interpretation or subjected to additional computer analysis. The applications served by Mercury's products typically are computation intensive and require I/O capacity and interprocessor bandwidth which is not available on a general purpose PC or workstation.

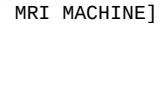
[General description of system architecture]

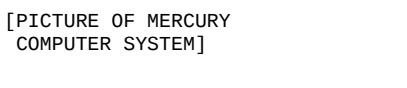
[LOGO: MERCURY COMPUTER SYSTEMS, INC.-- The Ultimate Performance Machine]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING PURCHASES OF THE COMMON STOCK TO STABILIZE ITS MARKET PRICE, PURCHASES OF THE COMMON STOCK TO COVER SOME OR ALL OF A SHORT POSITION IN THE COMMON STOCK MAINTAINED BY THE UNDERWRITERS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

MEDICAL IMAGING

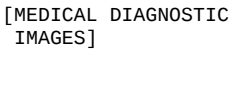
MERCURY'S systems are embedded within several modalities of diagnostic medical imaging devices, including magnetic resonance imaging, computed tomography and positron emission tomography. These machines are used to allow a physician to "see" within the human body instead of performing invasive surgery.





MERCURY'S systems provide the medical imaging industry with a customized solution using an architecture that accommodates upgrades as new technology becomes available. Medical imaging machine suppliers are able to design systems that satisfy a broad range of price/performance requirements and meet the needs of global markets, all with the same Mercury architecture.

MERCURY'S experienced team of system and application engineers works closely with its customers to meet their design requirements. The Company believes that this collaboration leads to faster time-to-market and competitive advantages for Mercury's customers.



DEFENSE ELECTRONICS

[PICTURE OF AIRPLANE]

MERCURY'S systems are embedded into air, sea and land-based platforms for processing radar, sonar and signal intelligence applications. These applications allow a military commander to "see" the battle space through natural barriers such as clouds, darkness, water or foliage, so that the position and strength of the enemy can be determined.

[PICTURE OF MERCURY COMPUTER SYSTEM]

Due to the environmental constraints of these applications, MERCURY'S systems are frequently confined in limited spaces, and they are designed to generate a minimum amount of heat.

[AERIAL PHOTOGRAPH]

MERCURY provides high performance embedded computer systems to the defense electronics market, and works closely with defense contractors to complete a design which matches the specified requirements of a military application.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the financial statements and notes thereto appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes that (i) the Underwriters' over-allotment options will not be exercised, (ii) all outstanding shares of Series A Convertible Preferred Stock, par value $.01 per share, will be converted into Common Stock upon the closing of this Offering and (iii) the Company's Restated Articles of Organization will be amended upon the closing of this Offering to reduce the number of authorized shares of Preferred Stock, par value $.01 per share, from 2,000,000 to 1,000,000 shares and to eliminate all shares of Series A Convertible Preferred Stock. The Company's fiscal year begins on July 1 and ends on June 30 of each year. See "Description of Capital Stock" and "Underwriting."

Mercury designs, manufactures and markets high performance, real-time digital signal processing computer systems that transform sensor generated data into information which can be displayed as images for human interpretation or subjected to additional computer analysis. These multicomputer systems are heterogeneous and scalable, allowing them to accommodate several microprocessor types and to scale from a few to hundreds of microprocessors within a single system. Mercury's system architecture is specifically designed for digital signal processing applications which are typically computation intensive and require I/O capacity and interprocessor bandwidth not available on a general purpose PC or workstation. The two primary markets for Mercury's products are defense electronics and medical diagnostic imaging. Both of these markets have computing needs which benefit from the unique system architecture developed by the Company. Mercury's computer systems are generally used on real world signal data to enable a military commander to "see" the battle space through natural barriers such as clouds, darkness, water or foliage, so that the position and strength of the enemy can be determined, or to enable a physician to "see" within the body instead of performing invasive surgery.

During the past three fiscal years, the majority of the Company's revenues has been generated from sales of its products to the defense electronics market, generally for use in intelligence gathering electronic warfare systems. The Company's activities in this area have focused on the proof of concept, development and deployment of advanced military applications in radar, sonar and airborne surveillance. The Company has established relationships with many of the major prime contractors to the worldwide defense industry, including Lockheed Martin Corporation, Hughes Aircraft Company, Raytheon/E-Systems, Inc., Raytheon/TI Systems, Inc., Northrop Grumman Corporation, MIT/Lincoln Laboratory, GEC Marconi Limited, Ericsson Microwave Systems AB, Israeli Ministry of Defense, MATRA Systemes & Information and Mitsubishi Heavy Industries, Ltd.

Medical diagnostic imaging is the other primary market currently served by the Company. Mercury's computer systems are embedded in magnetic resonance imaging ("MRI"), computed tomography ("CT") and positron emission tomography ("PET") machines. Mercury has supplied computer systems for use in several of General Electric Medical Systems, Inc.'s medical diagnostic imaging systems since 1987, and has established relationships with Siemens Medical Systems, Inc., Toshiba Corp. and Elscint, Inc. The major medical imaging manufacturers are currently developing the next generation of MRI, CT and digital x-ray machines, which are expected to provide better performance at lower cost. Mercury has recently secured design wins on programs with certain of the major medical imaging manufacturers for their next generation MRI, CT and digital x-ray machines. The Company believes that the available market in 1998 for digital signal processing systems and upgrades for the MRI, CT and digital x-ray markets is expected to be an aggregate of approximately $123 million.

Mercury's computer systems are designed to process continuous streams of data from sensors attached to radar, sonar, medical imaging equipment and other devices. The resulting image is transmitted to the battlefield commander, pilot, technician or physician in order to assist in the decision making or diagnostic process. Due to the nature of the applications in which many of Mercury's computer systems are embedded,

they are frequently confined in limited spaces and therefore are designed to generate a minimum amount of heat. The Company employs the RACEway Interconnect, an industry standard system area network developed by Mercury which allows for high interprocessor bandwidth and I/O capacity. The Company uses its proprietary application specific integrated circuits ("ASICs") to integrate microprocessors, memory and related components into the RACEway Interconnect to provide optimum system performance. The Company uses industry standard microprocessors, such as Intel Corporation's i860, Motorola, Inc.'s PowerPC, Texas Instruments Incorporated's C80 and Analog Devices, Inc.'s SHARC, in the same system. The Company believes that the RACEway Interconnect and its proprietary ASICs, working together with a group of mixed microprocessors in the same system, allow the most efficient use of space and power with an optimal price/performance ratio.

Since July 1996, Mercury has targeted the shared storage market for introduction of a new product which draws on the Company's core competencies in systems engineering and the development of real-time software. In fiscal 1997, Mercury introduced SuiteFusion, its first shared storage product designed to meet the needs of the broadcast and post-production industry. SuiteFusion is an open, scalable software application that allows work groups to share commodity, fibre channel attached disk arrays, eliminating the need for an expensive, intermediate file server. Early customers include Turner Broadcasting Systems Inc.'s CNN Interactive, Hughes Aircraft, for use at the U.S. Army National Training Center, and Nickelodeon Theater Co., Inc.'s Blue's Clues. The Company believes that the shared storage market includes a number of distinct applications, such as digital video editing, electronic computer aided design, webcasting, cable advertising insertion and pre-press.

The Company's executive offices are located at 199 Riverneck Road, Chelmsford, Massachusetts 01824, and its telephone number is (978) 256-1300. The Company was incorporated in Massachusetts in 1981.

THE OFFERING

Common Stock Offered by the Company.....	2,000,000 shares
Common Stock Offered by the Selling Stockholders.....	1,500,000 shares
Common Stock to be Outstanding after the Offering.....	9,864,023 shares(1)
Use of Proceeds by the Company.....	For working capital and other general corporate purposes, including construction of additional office space. See "Use of Proceeds."
Proposed Nasdaq National Market Symbol.....	MRCY

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(1) Excludes 1,102,124 shares of Common Stock issuable upon exercise of outstanding stock options under the Company's stock option plans at October 31, 1997, with a weighted average exercise price of $4.85 per share, of which 463,517 shares were exercisable as of such date at a weighted average exercise price of $3.37 per share. See "Management -- Stock Option and Stock Purchase Plans."

RISK FACTORS

Investors should consider the risk factors involved in connection with an investment in the Common Stock and the impact to investors from various events that could adversely affect the Company's business. See "Risk Factors."

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

	FISCAL YEAR ENDED JUNE 30,					THREE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1996	1997
STATEMENT OF OPERATIONS DATA:							
Revenues	$38,632	$41,727	$54,323	$58,300	$64,574	$13,038	$19,039
Cost of revenues	11,972	16,285	21,221	24,688	22,034	4,538	6,661
Gross profit	26,660	25,442	33,102	33,612	42,540	8,500	12,378
Operating expenses:							
Selling, general and administrative	10,785	12,911	15,798	16,927	22,631	4,726	6,645
Research and development	5,619	7,254	8,586	9,776	12,837	2,405	3,381
Total operating expenses	16,404	20,165	24,384	26,703	35,468	7,131	10,026
Income from operations	10,256	5,277	8,718	6,909	7,072	1,369	2,352
Interest income (expense), net	(94)	55	240	548	560	136	231
Other income (expense), net	(44)	(64)	22	(77)	(88)	(23)	83
Income before income taxes	10,118	5,268	8,980	7,380	7,544	1,482	2,666
Provision for income taxes	2,487	1,153	2,636	2,952	2,933	576	1,060
Net income	$ 7,631	$ 4,115	$ 6,344	$ 4,428	$ 4,611	$ 906	$ 1,606
Net income per common share	$ 1.02	$ 0.50	$ 0.77	$ 0.54	$ 0.57	$ 0.11	$ 0.20
Weighted average number of common and common equivalent shares outstanding(1)	7,492	8,295	8,256	8,264	8,157	8,191	8,174

	SEPTEMBER 30, 1997	
	ACTUAL	AS ADJUSTED(2)
BALANCE SHEET DATA:		
Working capital	$28,653	$ 52,083
Total assets	47,905	71,335
Convertible preferred stock	1,200	--
Total stockholders' equity	35,111	58,541

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(1) See Note B of Notes to Consolidated Financial Statements for an explanation of the determination of the weighted average common and common equivalent shares used to compute net income per common share.

(2) Reflects (i) the conversion of all outstanding shares of the Company's Series A Convertible Preferred Stock into 2,556,792 shares of Common Stock upon completion of this Offering and (ii) the sale by the Company of 2,000,000 shares of Common Stock offered hereby at an assumed initial public offering price of $13.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses.

RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk. Prospective investors should carefully consider the following risk factors, in addition to the other information set forth in this Prospectus, in connection with an investment in the shares of Common Stock offered hereby.

When used in this Prospectus, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend" and similar expressions are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. Prospective investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described below, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus.

DEPENDENCE ON DEFENSE ELECTRONICS BUSINESS; UNCERTAINTY ASSOCIATED WITH GOVERNMENT CONTRACTS. Sales of the Company's computer systems to the defense electronics market accounted for approximately 81% of the Company's revenues in fiscal 1997, compared to approximately 72% of the Company's revenues in fiscal 1996. Reductions in government spending on programs that incorporate the Company's products could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the Company's government contracts and subcontracts are subject to special risks, such as: delays in funding; ability of the government agency to unilaterally terminate the prime contract; reduction or modification in the event of changes in government policies or as the result of budgetary constraints or political changes; increased or unexpected costs under fixed price contracts; and other factors that are not under the control of the Company. In addition, consolidation among defense industry contractors has resulted in fewer contractors with increased bargaining power relative to the Company. No assurance can be given that such increased bargaining power will not adversely affect the Company's business, financial condition or results of operations in the future.

The Company's contracts with the U.S. and foreign governments and their prime and subcontractors are subject to termination either upon default by the Company or at the convenience of the government. Termination for convenience provisions generally entitle the Company to recover costs incurred, settlement expenses and profit on work completed prior to termination. In addition to the right of the government to terminate, government contracts are generally conditioned upon the continuing availability of legislative appropriations. Funds are usually appropriated for a given program each fiscal year even though contract performance may take more than one fiscal year. Consequently, at the outset of a major program, the contract is usually partially funded, and additional monies normally are incrementally committed to the contract by the procuring agency from appropriations made for future fiscal years. No assurance can be given that the Company will realize the revenue expected from performing under such contracts. Because the Company contracts to supply goods and services to U.S. and foreign governments it is also subject to other risks, including contract suspensions, protests by disappointed bidders of contract awards which can result in the reopening of the bidding process, changes in governmental policies or regulations or other political factors.

DEPENDENCE ON KEY CUSTOMERS. The Company is dependent on a small number of customers for a large portion of its revenues. In fiscal 1997, Lockheed Martin and Hughes Aircraft accounted for 24% and 12%, respectively, of the Company's revenues, and sales to 20 customers accounted for more than 80% of the Company's fiscal 1997 revenues. In fiscal 1996, Lockheed Martin, GE Medical and Hughes Aircraft accounted for 20%, 16% and 13%, respectively, of the Company's revenues, and sales to 20 customers accounted for more than 80% of the Company's fiscal 1996 revenues. The Company's largest customer in the medical imaging market is GE Medical, which accounted for 71% of the Company's aggregate sales to the medical imaging market in fiscal 1997, compared to 69% of sales to the medical imaging market in fiscal 1996. Customers in the defense electronics market generally purchase the Company's products in connection with government programs that have a limited duration, leading to fluctuating sales to any particular customer in the defense electronics market from year to year. By contrast, many customers in the medical imaging market

historically have purchased the Company's products over a number of years for use in successive generations of medical imaging devices, although there can be no assurance that such past behavior will continue in the future. A significant diminution in the sales to or loss of any of the Company's major customers would have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company's revenues are largely dependent upon the ability of its customers to develop and sell products that incorporate the Company's products. No assurance can be given that the Company's customers will not experience financial or other difficulties that could adversely affect their operations and, in turn, the results of operations of the Company. See "Business -- Markets and Customers."

FLUCTUATIONS IN OPERATING RESULTS. The Company has experienced fluctuations in its results of operations in large part due to the sale by the Company of its computer systems in relatively large dollar amounts to a relatively small number of customers. Operating results also have fluctuated due to competitive pricing programs and volume discounts, the loss of customers, market acceptance of the Company's products, product obsolescence and general economic conditions. In addition, the Company, from time to time, has entered into contracts to engineer a specific solution based on modifications to the Company's standard products (a "development contract"). The Company's gross margins from development contract revenues are typically lower than the Company's gross margins from standard product revenues. The Company intends to continue to enter into development contracts and anticipates that its gross margins associated with development contract revenues will continue to be lower than its gross margins on standard product revenues.

The Company's quarterly results may be subject to fluctuations resulting from the foregoing factors, as well as a number of other factors, including the timing of significant orders, delays in completion of internal product development projects, delays in shipping the Company's computer systems and software programs, delays in acceptance testing by customers, a change in the mix of products sold to the defense electronics and medical imaging markets, production delays due to quality problems with outsourced components, shortages of components, the timing of product line transitions and declines in quarterly revenues from old generations of products following announcement of replacement products containing more advanced technology. Another factor contributing to fluctuations in quarterly results is the fixed nature of the Company's expenditures on personnel, facilities and marketing programs. The Company's expense levels for personnel, facilities and marketing programs are based, in significant part, on the Company's expectations of future revenues on a quarterly basis. If actual quarterly revenues are below management's expectations, results of operations likely will be adversely affected. As a result of the foregoing factors, the Company's operating results, from time to time, may be below the expectations of public market analysts and investors, which could have a material adverse effect on the price of the Company's Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE ON SUPPLIERS. Several components used in the Company's products are currently obtained from sole source suppliers. Mercury is dependent on LSI Logic Corporation for four custom designed ASICs, on Analog Devices for its SHARC processors, on International Business Machines Corporation for ball grid array packaging, on Motorola for its PowerPC processors and on Intel for its i860 processors. If LSI Logic, Analog Devices, IBM, Motorola or Intel were to limit or reduce the sale of such components to the Company, or if these or other suppliers to the Company were to experience financial difficulties or other problems which prevented them from supplying the Company with the necessary components, such events could have a material adverse effect on the Company's business, financial condition and results of operations. These sole source suppliers are subject to quality and performance issues, materials shortages, excess demand, reduction in capacity and other factors that may disrupt the flow of goods to the Company or its customers and thereby adversely affect the Company's business and customer relationships. The Company has no guaranteed supply arrangements with its suppliers and there can be no assurance that its suppliers will continue to meet the Company's requirements. If the Company's supply arrangements are interrupted, there can be no assurance that the Company would be able to find another supplier on a timely or satisfactory basis. Any shortage or interruption in the supply of any of the components used in the Company's products, or the inability of the Company to procure these components from alternate sources on acceptable terms could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that severe shortages of components will not occur in the future. Such shortages could increase the

cost or delay the shipment of the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations. Significant increases in the prices of these components would also materially adversely affect the Company's financial performance since the Company may not be able to adjust product pricing to reflect the increase in component costs. The Company could incur set-up costs and delays in manufacturing should it become necessary to replace any key vendors due to work stoppages, shipping delays, financial difficulties or other factors and, under certain circumstances, these costs and delays could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Manufacturing and Testing."

DEPENDENCE UPON KEY PERSONNEL AND SKILLED EMPLOYEES. The Company is largely dependent upon the skills and efforts of its senior management, particularly James R. Bertelli, its President and Chief Executive Officer, as well as its managerial, sales and technical employees. None of the senior management or other key employees of the Company is subject to any employment contract or noncompetition agreement. The Company maintains key-man life insurance on Mr. Bertelli and certain other senior managers. The loss of services of any of its executives or other key personnel could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's future success will depend to a significant extent on its ability to attract, train, motivate and retain highly skilled technical professionals, particularly project managers, engineers and other senior technical personnel. The Company believes that there is a shortage of, and significant competition for, technical development professionals with the skills and experience necessary to perform the services offered by the Company. The Company's ability to maintain and renew existing engagements and obtain new business depends, in large part, on its ability to hire and retain technical personnel with the skills that keep pace with continuing changes in industry standards, technologies and client preferences. The inability to hire additional qualified personnel could impair the Company's ability to satisfy its growing client base, requiring an increase in the level of responsibility for both existing and new personnel. There can be no assurance that the Company will be successful in retaining current or future employees.

DEPENDENCE ON MEDICAL IMAGING MARKET; POTENTIAL ADVERSE EFFECT OF HEALTH CARE REFORM. Sales of the Company's computer systems to the medical imaging market accounted for approximately 11% of the Company's revenues in fiscal 1997, compared to approximately 23% of revenues in fiscal 1996. These customers are original equipment manufacturers ("OEMs") of medical imaging devices and, as a result, any change in the demand for such devices which renders any of the Company's products unnecessary or obsolete, or any change in the technology in such devices, could have a material adverse effect on the Company's business, financial condition and results of operations. Such OEM customers, the end-users of their products and the health care industry generally are subject to extensive federal, state and local regulation in the U.S. as well as in other countries. Changes in applicable health care laws and regulations or new interpretations of existing laws and regulations could have a material adverse effect on such customers or end-users. Current political, economic and regulatory influences are likely to lead to further changes in the health care industry in the United States. Numerous proposals to reform portions of the nation's health care system have been introduced over the past several years in Congress. Many potential approaches are under consideration or have been adopted, including controls on health care spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending and other changes to the health care delivery system. In addition, many states are considering or have adopted various health care reform proposals and are considering reductions in their state Medicaid budgets. The Company anticipates that Congress and state legislatures will continue to review and assess alternative health care delivery systems and payment methodologies and that public debate of these issues will likely continue in the future. There can be no assurance that future health care or budgetary legislation or other changes in the administration or interpretation of governmental health care programs both in the U.S. and abroad will not have a material adverse effect on the Company's business, financial condition or results of operations.

RISK OF ENTRY INTO NEW MARKETS. The Company's expansion strategy includes developing new products and entering new markets. The Company's ability to compete in new markets will depend upon a number of factors including, without limitation, the Company's ability to create demand for its products in such markets, its ability to manage its growth effectively, the quality of its products, its ability to respond to changes in its

customers' businesses by updating existing products and introducing, in a timely fashion, products which meet the needs of its customers and the ability of the Company to respond rapidly to technological change. The failure of the Company to do any of the foregoing could result in a material adverse effect on its business, financial condition and results of operations. In addition, the Company may face competition in these new markets from various companies which may have substantially greater research and development resources, marketing and financial resources, manufacturing capability and customer support organizations than those of the Company.

The Company has recently expanded into the shared storage market and has invested, and continues to invest, significant resources in the development of products geared towards that market. The Company has initially focused on providing software products tailored for the post-production and broadcast segments of the entertainment industry, introducing in fiscal 1997 SuiteFusion, a middleware application that enables workgroups to share files. The market for providing digital and other products to the entertainment industry includes competitors with greater financial and other resources than the Company. No assurance can be given that the Company will be able to successfully compete in this market, or that it will be able to meet the technical specifications imposed by its customers or potential customers. In addition, the success of the Company's shared storage software product depends, in large part, on the post-production and broadcast industry shifting from traditional linear, tape-based technologies toward newer non-linear, disk-based digital technologies. Linear, tape-based technologies remain pervasive in this industry and there can be no assurance that its participants will adopt non-linear, disk-based digital technologies, or that, if adopted, the Company's products will not be obsolete, uncompetitive or incompatible. The occurrence of any of the foregoing could adversely affect the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS. The Company markets and sells its products in certain international markets, and the Company has established offices in the United Kingdom, the Netherlands, Japan and France. The Company's international revenues, which are comprised of exports to foreign markets and sales by foreign subsidiaries, were approximately 12% of the Company's revenues in fiscal 1997, as compared to approximately 20% in fiscal 1996. If revenues generated by foreign activities are not adequate to offset the expense of establishing and maintaining these foreign offices and activities, the Company's business, financial condition and results of operations could be materially adversely affected. In addition, there are certain risks inherent in transacting business internationally, such as changes in applicable laws and regulatory requirements, export and import restrictions, export controls relating to technology, tariffs and other trade barriers, less favorable intellectual property laws, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, expatriation controls and potential adverse tax consequences, any of which could adversely impact the success of the Company's international activities. In the recent past, the financial markets in Asia have experienced significant turmoil. There can be no assurance that such turmoil in the Asian financial markets will not negatively affect the sales by the Company to that region. A portion of the Company's revenues from sales to foreign entities, including foreign governments, is in the form of foreign currencies. The Company has no hedging or similar foreign currency contracts, and fluctuations in the value of foreign currencies could adversely impact the profitability of the Company's foreign operations. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's future international activities and, consequently, on the Company's business, financial condition or results of operations.

TECHNOLOGICAL CHANGES; RISK OF DESIGN-IN PROCESS. The Company's future success will depend in part on its ability to enhance its current products and to develop new products on a timely and cost-effective basis in order to respond to technological developments and changing customer needs. The defense electronics market, in particular, demands constant technological improvements as a means of gaining military advantage. Military planners historically have funded significantly more design projects than actual deployments of new equipment, and those systems which are deployed tend to contain the components of the subcontractors selected to participate in the design process. The Company has participated in a large number of design projects in the past and likely will seek to participate in these projects in the future. In order to participate in

the design of new defense electronics systems, the Company must be able to demonstrate its ability to deliver superior technological performance on a timely and cost-effective basis. There can be no assurance that the Company will be able to secure an adequate number of defense electronics design wins in the future, that the equipment in which the Company's products are intended to function eventually will be deployed in the field, or that the Company's products will be included in such equipment if it eventually is deployed.

Customers in the medical imaging market also seek technological improvements through product enhancements and new generations of products. The Company believes that medical imaging machines in which the Company's computers are installed have a long product life cycle. Medical equipment OEMs historically have selected certain suppliers whose products have been included in the OEMs' machines for a significant portion of the products' life cycle. There can be no assurance that the Company will be selected to participate in the future design of any medical imaging equipment, or that, if selected, the Company will generate any revenues for such design work. Failure to participate in future designs of medical imaging equipment could have a material adverse effect on the Company's business, financial condition and results of operations.

The design-in process is typically lengthy and expensive, and there can be no assurance that the Company will be able to continue to meet the product specifications of its customers in a timely and adequate manner. In addition, any failure by the Company to anticipate or respond adequately to changes in technology and customer preferences, or any significant delay in product developments or introductions, could have a material adverse effect on the Company's business, financial condition and results of operations. Because of the complexity of its products, the Company has experienced delays from time to time in completing products on a timely basis. If the Company is unable to design, develop or introduce competitive new products on a timely basis, its future operating results would be adversely affected. There can be no assurance that the Company will be successful in developing new products or enhancing its existing products on a timely or cost-effective basis, or that such new products or product enhancements will achieve market acceptance.

COMPETITION. The markets for the Company's products are highly competitive and are characterized by rapidly changing technology, frequent product performance improvements and evolving industry standards. Competition typically occurs at the design stage, where the customer evaluates alternative design approaches, including those from internal development organizations. A design win usually ensures a customer will purchase the product until their next generation system is developed. Occasionally, the Company's computer systems compete with computer systems from workstation vendors, all of whom have substantially greater research and development resources, long term guaranteed supply capacity, marketing and financial resources, manufacturing capability and customer support organizations than those of the Company. The Company believes that its future ability to compete effectively will depend, in part, upon its ability to continue to improve product and process technologies and develop new technologies in order to maintain the performance advantages of products and processes relative to competitors, to adapt products and processes to technological changes, to identify and adopt emerging industry standards and to adapt to customer needs.

The principal bases for selection in sales of digital signal processing systems to the defense electronics industry are performance (measured primarily in terms of processing speed, I/O capacity and interprocessor bandwidth, processing density per cubic foot, power consumption and heat dissipation), systems engineering support, overall quality of products and associated services, use of industry standards, ease of use and price. Competitors in the defense electronics industry include a relatively small number of companies that design, manufacture and market digital signal processor ("DSP") board level products and in-house design teams employed by prime defense contractors. In-house design efforts historically have provided a significant amount of competition to the Company. However, competition from in-house design teams has diminished in significance in recent years due to the increasing use of commercial off-the-shelf ("COTS") products and the trend toward greater use of outsourcing. Despite this recent change, there can be no assurance that in-house developments will not re-emerge as a major competitive force in the future. Prime contractors are much larger than Mercury and have substantially more resources to invest in research and development. Increased use of in-house design teams by defense contractors in the future may have a material adverse effect on the Company's business, financial condition and results of operations.

In the medical imaging industry the principal bases for selection are performance (measured primarily in terms of processing speed, I/O capacity and interprocessor bandwidth and power consumption), price, systems engineering support, overall quality of products and associated services, use of industry standards and ease of use. Competitors in the medical imaging market include in-house design teams, a small number of companies that design, manufacture and market DSP board level products and workstation manufacturers. Workstations have become a competitive factor primarily in the market for low-end MRI and CT machines and, to date, have not been a significant factor in the high-performance market, Mercury's primary focus. There can be no assurance that workstation manufacturers will not attempt to penetrate the high-performance market for medical imaging machines. Workstation manufacturers typically have greater resources than Mercury and their entry into markets historically targeted by Mercury may have a material adverse effect on the Company's business, financial condition and results of operations.

Due to the emerging nature of the markets for the Company's shared storage technology, its competitive factors are not yet clearly defined. The Company currently is focusing its efforts in this area on the broadcast and post-production industry, where the Company believes there is currently only one directly competitive product. As this market develops, the Company anticipates that other companies will begin offering additional competitive products. New competitors may have significantly greater marketing and financial resources, better access to individuals making purchasing decisions, superior products and superior services than those offered by the Company. The Company believes that the primary impediment to future sales of shared storage products to the post-production and broadcast industry is the need to transform entrenched operating modes, such as those associated with linear tape based technologies, to accommodate new modes of operation such as those associated with non-linear, disk-based digital technology. However, there can be no assurance that industry participants will adopt such new technologies or that, if adopted, the Company's products will not be obsolete, uncompetitive or incompatible.

Some of the Company's competitors have greater financial and other resources than the Company, and the Company may be operating at a cost disadvantage compared to manufacturers who have greater direct buying power from component suppliers or who have lower cost structures. There can be no assurance that the Company will be able to compete successfully in the future with any of these sources of competition. In addition, there can be no assurance that competitive pressures will not result in price erosion, reduced margins, loss of market share or other factors, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Competition."

LIMITED PROTECTION OF PROPRIETARY RIGHTS; POTENTIAL INFRINGEMENT OF THIRD PARTY RIGHTS. The Company relies on a combination of patent, copyright, trademark and trade secret laws to establish and protect its rights in its products and proprietary technology. In addition, the Company currently requires its employees and consultants to enter into nondisclosure and assignment of invention agreements to limit use of, access to and distribution of its proprietary information. There can be no assurance that the Company's means of protecting its proprietary rights in the U.S. or abroad will be adequate. The laws of some foreign countries may not protect the Company's proprietary rights as fully or in the same manner as do the laws of the U.S. Also, despite the steps taken by the Company to protect its proprietary rights, it may be possible for unauthorized third parties to copy aspects of the Company's products, reverse engineer, develop similar technology independently or otherwise obtain and use information that the Company regards as proprietary. There can be no assurance that others will not develop technologies similar or superior to the Company's technology or design around the proprietary rights owned by the Company. Although the Company has no reason to believe that its products infringe on the proprietary rights of third parties, there can be no assurance that others will not assert claims of infringement in the future or that, if made, such claims will not be successful. Litigation to determine the validity of any claims, whether or not such litigation is determined in favor of the Company, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel from daily operations. In the event of any adverse ruling in any litigation regarding intellectual property, the Company may be required to pay substantial damages, discontinue the sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses to infringing or substituted technology. The failure to develop, or license on acceptable

terms, a substitute technology could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Intellectual Property."

POTENTIAL ACQUISITIONS. In the normal course of its business, the Company evaluates potential acquisitions of businesses, products and technologies that could complement or expand the Company's business. In the event the Company were to identify an appropriate acquisition candidate, there is no assurance that the Company would be able to successfully negotiate the terms of any such acquisition, finance such acquisition and integrate such acquired business, products or technologies into the Company's existing business and operations. Furthermore, the integration of an acquired business could cause a diversion of management time and resources. In addition, there can be no assurance that any acquisition of new technology will lead to the successful development of new products, or that any such new products, if developed, will achieve market acceptance or prove to be profitable. There can be no assurance that a given acquisition, when consummated, would not materially adversely affect the Company's business, financial condition or results of operations. If the Company proceeds with one or more significant acquisitions in which the consideration consists of cash, a substantial portion of the Company's available cash (including the net proceeds of the Offering) could be used to consummate the acquisitions. If the Company consummates one or more significant acquisitions in which the consideration consists of stock, or is financed with the net proceeds of the issuance of stock, stockholders of the Company could suffer a significant dilution of their interests in the Company. See "Use of Proceeds."

YEAR 2000 COMPLIANCE. The Company uses a significant number of computer software programs and operating systems in its internal operations, including applications used in manufacturing, product development, financial business systems and various administrative functions. To the extent that these software applications contain source code that is unable to appropriately interpret the upcoming calendar year "2000," some level of modification or even possibly replacement of such source code or applications will be necessary. The Company is currently in the process of completing its identification of software applications that are not "Year 2000" compliant. Given the information known at this time about the Company's systems, coupled with the Company's ongoing, normal course-of-business efforts to upgrade or replace business critical systems as necessary, it is currently not anticipated that these "Year 2000" costs will have any material adverse impact on the Company's business, financial condition or results of operations. However, the Company is still in the preliminary stages of analyzing its software applications and, to the extent they are not fully "Year 2000" compliant, there can be no assurance that the costs necessary to update software, or potential systems interruptions, would not have a material adverse effect on the Company's business, financial condition or results of operations.

SIGNIFICANT INFLUENCE BY EXISTING STOCKHOLDERS. Upon completion of the Offering, the current officers, directors and their affiliates and five percent beneficial owners will beneficially own approximately 32.3% of the outstanding shares of the Common Stock of the Company (30.9% if the Underwriters' over-allotment options are exercised in full). Accordingly, such persons, if they act together, likely will have significant influence over the Company through their ability to control the election of directors and all other matters that require action by the Company's stockholders, irrespective of how other stockholders may vote. Such persons will have the ability to exert significant influence over the business, policies and affairs of the Company and could prevent or delay a change in control of the Company, which may be favored by a majority of the remaining stockholders. The ability to prevent or delay a change in control of the Company also may have an adverse effect on the market price of the Common Stock. See "Management -- Executive Officers and Directors," "Principal and Selling Stockholders" and "Description of Capital Stock."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE. Prior to the Offering, there has been no public market for the Common Stock, and there can be no assurance that an active trading market for the Common Stock will develop or, if developed, be sustained upon completion of the Offering. The initial public offering price will be determined by negotiations between the Company and the representatives of the Underwriters based on a number of factors, including prevailing market conditions, market valuations of other companies engaged in activities similar to those of the Company, estimates of the business potential and prospects of the Company, the present state of the Company's business operations, the Company's management and other factors deemed relevant. The trading price of the Common Stock could also be subject

to significant fluctuations in response to variations in quarterly results of operations, announcements of new products by the Company or its competitors, developments or disputes with respect to proprietary rights, general trends in the industry, overall market conditions, changes in earnings estimates by analysts and other factors. In addition, the stock market historically has experienced extreme price and volume fluctuations, which have particularly affected the market price of securities of many high technology companies and which at times have been unrelated or disproportionate to the operating performance of such companies. These market fluctuations may adversely affect the market price of the Common Stock. See "Underwriting."

SHARES ELIGIBLE FOR FUTURE SALE. Upon completion of the Offering, the Company will have a total of 9,864,023 shares of Common Stock outstanding. Of these shares, the 3,500,000 shares of Common Stock offered hereby (4,025,000 shares if the Underwriters' over-allotment options are exercised in full) will be freely tradeable without restriction or registration under the Securities Act by persons other than "affiliates" of the Company, as defined under the Securities Act of 1933, as amended (the "Securities Act"). The remaining shares of Common stock outstanding will be "restricted securities" as defined by Rule 144 promulgated under the Securities Act. Upon completion of the Offering, the Company will have options outstanding to purchase 1,102,124 shares of Common Stock. In addition, options for the purchase of 244,166 shares will remain available for issuance under the Company's Stock Option Plans, assuming no exercise of options after October 31, 1997. See "Management -- Stock Option Plans" and "Shares Eligible for Future Sale."

Under Rule 144 (and subject to the conditions thereof, including volume limitations) all 6,364,023 restricted shares (5,839,023 restricted shares if the Underwriters' over-allotment options are exercised in full) will become eligible for sale after the Offering. The Company, its executive officers and directors, the Selling Stockholders and certain other stockholders have agreed that they will not, without the prior written consent of Prudential Securities Incorporated, on behalf of the Underwriters, directly or indirectly, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of any option to purchase or other sale or disposition) of any shares of Common Stock or any other securities convertible into, or exercisable or exchangeable for, shares of Common Stock or other similar securities of the Company for a period of 180 days from the date of this Prospectus. After such 180-day period, this restriction will expire and shares permitted to be sold under Rule 144 would be eligible for sale. Prudential Securities Incorporated may, in its sole discretion, at any time and without prior notice, release all or any portion of the shares of Common Stock subject to such agreements. No predictions can be made of the effect, if any, that the sale or availability for sale of additional shares of Common Stock will have on the market price of the Common Stock. Nevertheless, sales of substantial amounts of such shares in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities. See "Shares Eligible for Future Sale."

ANTI-TAKEOVER PROVISIONS; POSSIBLE ISSUANCE OF PREFERRED STOCK. Certain provisions of the Company's Restated Articles of Organization (the "Charter") and Amended and Restated Bylaws (the "Bylaws") and certain provisions of Massachusetts law could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that investors might be willing to pay in the future for the Company's Common Stock. These provisions permit the issuance of "blank check" preferred stock by the Board of Directors without stockholder approval, require super-majority approval to amend certain provisions in the Charter and Bylaws and impose various procedural and other requirements that could make it more difficult for Stockholders to effect certain corporate actions. In addition, the Company is subject to Chapters 110D and 110F of the Massachusetts General Laws, which prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of such provisions also could have the effect of delaying or preventing a change of control in the Company. The Board of Directors is divided into three "staggered" classes, with each class serving for a term of three years. Dividing the Board of Directors in this manner increases the difficulty of removing incumbent members and could discourage a proxy contest or the acquisition of a substantial block of the Company's

Common Stock. See "Description of Capital Stock -- Certain Articles of Organization, Bylaws and Statutory Provisions Affecting Stockholders" and "Management."

IMMEDIATE AND SUBSTANTIAL DILUTION. Purchasers of Common Stock in the Offering will experience an immediate and substantial dilution in the net tangible book value of the Common Stock of $7.08 per share based upon an assumed initial public offering price of $13.00, the mid-point of the filing range. To the extent outstanding options to purchase shares of the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

NO PRESENT INTENTION TO PAY DIVIDENDS; RESTRICTION ON PAYMENT OF DIVIDENDS. The Company has never declared or paid cash dividends on its Common Stock and intends to retain any earnings for future growth. The Company therefore does not anticipate that any cash dividends will be declared or paid in the foreseeable future. In addition, the Company's credit facility limits the payment of cash dividends without the consent of the lender to fifty percent of the Company's year-to-date net income during any fiscal year. See "Dividend Policy."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,000,000 shares of Common Stock offered by the Company hereby are estimated to be $23,430,000, assuming an initial public offering price of $13.00 per share, the mid-point of the filing range, and after the deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use a portion of the net proceeds of the Offering to fund construction of an additional 91,000 square feet of office space on vacant, fully permitted land adjacent to its headquarters. The Company used internally generated funds to acquire this parcel in November 1997. The Company anticipates that development of the additional office space will cost approximately $9.0 million, that it will break ground in April 1998 and that it will complete construction in approximately 12 months after construction begins. Once the new office space is completed, the Company plans to transfer the building and the underlying real estate to an unaffiliated third party pursuant to a sale and leaseback transaction. No assurance can be made that the cost of construction will not exceed such estimate, or that the Company will be able to consummate a sale and leaseback transaction with respect to such property. Mercury intends to use the balance of the net proceeds for working capital and general corporate purposes. In addition, the Company may use a portion of the net proceeds of this Offering for acquisitions of complementary businesses, technologies or products, although there are currently no commitments or agreements with respect to any material acquisition. Pending such uses, the Company intends to invest the net proceeds in short term, investment grade, interest-bearing securities. The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Business -- Facilities" and "Principal and Selling Stockholders."

DIVIDEND POLICY

The Company has never declared or paid cash dividends on shares of its Common Stock and does not expect to declare or pay cash dividends on its Common Stock in the foreseeable future. The Company currently intends to retain any earnings for future growth. In addition, the Company's credit facility limits the payment of cash dividends without the consent of its lender to fifty percent of the Company's year-to-date net income in any fiscal year. See "Risk Factors -- No Present Intention to Pay Dividends; Restriction on Payment of Dividends," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," and Note E of Notes to Consolidated Financial Statements.

CAPITALIZATION

The following table sets forth as of September 30, 1997: (i) the actual capitalization of the Company, (ii) the pro forma capitalization of the Company reflecting the conversion of all outstanding shares of Series A Convertible Preferred Stock into 2,556,792 shares of Common Stock and (iii) the pro forma capitalization of the Company as adjusted to give effect to the sale of the 2,000,000 shares of Common Stock offered by the Company hereby at the assumed initial public offering price of $13.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses.

	SEPTEMBER 30, 1997		
	ACTUAL	PRO FORMA	AS ADJUSTED
	(IN THOUSANDS)		
Stockholders' equity:			
Preferred Stock, $.01 par value; 2,000,000 shares authorized actual, 1,000,000 shares authorized pro forma and as adjusted; 1,000,000 shares designated Series A Convertible Preferred Stock actual, no shares designated pro forma and as adjusted; 852,264 shares of Series A Convertible Preferred Stock issued and outstanding actual, no shares issued or outstanding pro forma and as adjusted	$ 1,200	--	--
Common Stock, $.01 par value; 25,000,000 shares authorized; 5,269,181 shares issued and outstanding actual, 7,825,973 shares issued and outstanding pro forma and 9,825,973 shares issued and outstanding as adjusted(1)	53	$ 78	$ 98
Additional paid-in capital	5,846	7,021	30,431
Retained earnings	28,358	28,358	28,358
Cumulative translation adjustment	(21)	(21)	(21)
Subscriptions and related parties notes receivable	(325)	(325)	(325)
Total stockholders' equity	35,111	35,111	58,541
Total capitalization	$35,111	$35,111	$58,541

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(1) Excludes 1,102,124 shares of Common Stock issuable upon exercise of outstanding stock options under the Company's stock option plans at October 31, 1997, with a weighted average exercise price of $4.85 per share, of which 463,517 shares were exercisable as of such date at a weighted average exercise price of $3.37 per share. See "Management -- Stock Option and Stock Purchase Plans."

DILUTION

Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution in the pro forma net tangible book value of the Common Stock from the assumed initial public offering price. The pro forma net tangible book value of the Company as of September 30, 1997 was $34.7 million or $4.44 per share. Pro forma net tangible book value per share is determined by dividing the net tangible book value of the Company (tangible assets less liabilities) by the pro forma number of shares of the Company's Common Stock outstanding as of September 30, 1997. Without taking into account any changes in net tangible book value subsequent to September 30, 1997, other than to give effect to the receipt of the estimated net proceeds of the sale of the 2,000,000 shares of Common Stock offered hereby at an assumed initial public offering price of $13.00 per share, the mid-point of the filing range, after deducting the underwriting discounts and commissions and estimated offering expenses, and the application of the estimated net proceeds therefrom, the pro forma net tangible book value of the Common Stock as of September 30, 1997 would have been $58.2 million, or $5.92 per share. This represents an immediate and substantial dilution in pro forma net tangible book value of $7.08 per share to new investors purchasing shares in the Offering. The following table illustrates the per share dilution as of September 30, 1997:

Assumed initial public offering price		$13.00
Pro forma net tangible book value at September 30, 1997	$4.44	
Increase attributable to new investors	1.48	
Pro forma net tangible book value after the Offering		5.92
Dilution per share to new investors		$ 7.08

The following table sets forth, on an as adjusted basis as of September 30, 1997, after giving effect to the conversion of all outstanding shares of Series A Convertible Preferred Stock into Common Stock, the differences between existing Stockholders and purchasers of Common Stock in the Offering at an assumed initial public offering price of $13.00 per share, the mid-point of the filing range, and before the deduction of underwriting discounts and commissions and estimated offering expenses with respect to the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders(1)	7,825,973	79.6%	$ 6,099,000	19.0%	$ 0.78
New investors(1)	2,000,000	20.4	26,000,000	81.0	13.00
Total	9,825,973	100.0%	$32,099,000	100.0%	

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(1) Does not reflect the sale of 1,500,000 shares of Common Stock by the Selling Stockholders in the Offering and does not include 1,102,124 shares of Common Stock issuable upon the exercise of outstanding stock options as of October 31, 1997. See "Management -- Stock Option and Stock Purchase Plans."

The foregoing tables assume no exercise of the Underwriters' over-allotment options or stock options outstanding at October 31, 1997. At October 31, 1997, there were 1,102,124 shares of Common Stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $4.85 per share. To the extent that outstanding options are exercised in the future, there will be further dilution to new investors. See "Management-Stock Option and Stock Purchase Plans" and Note G of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below as of and for the years ended June 30, 1995, 1996 and 1997 are derived from the consolidated financial statements of the Company included elsewhere in this Prospectus which have been audited by Coopers & Lybrand L.L.P., independent accountants. The selected consolidated financial data as of and for the years ended June 30, 1993 and 1994 are derived from financial statements of the Company, also audited by Coopers & Lybrand L.L.P., not included in this prospectus. The selected consolidated financial data as of and for the three months ended September 30, 1996 and September 30, 1997, are derived from unaudited financial statements that have been prepared on the same basis as the audited financial statements and which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations. The financial data for the three months ended September 30, 1997, are not necessarily indicative of the results for the full year. The historical results are not necessarily indicative of the results of operations to be expected in the future. The following financial data is qualified in its entirety by, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this Prospectus.

	FISCAL YEAR ENDED JUNE 30,					THREE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Revenues	$38,632	$41,727	$54,323	$58,300	$64,574	$13,038	$19,039
Cost of revenues	11,972	16,285	21,221	24,688	22,034	4,538	6,661
Gross profit	26,660	25,442	33,102	33,612	42,540	8,500	12,378
Operating expenses:							
Selling, general and administrative	10,785	12,911	15,798	16,927	22,631	4,726	6,645
Research and development	5,619	7,254	8,586	9,776	12,837	2,405	3,381
Total operating expenses	16,404	20,165	24,384	26,703	35,468	7,131	10,026
Income from operations	10,256	5,277	8,718	6,909	7,072	1,369	2,352
Interest income	105	69	278	561	582	136	233
Interest expense	(199)	(14)	(38)	(13)	(22)	--	(2)
Other income (expense), net	(44)	(64)	22	(77)	(88)	(23)	83
Income before income taxes	10,118	5,268	8,980	7,380	7,544	1,482	2,666
Provision for income taxes	2,487	1,153	2,636	2,952	2,933	576	1,060
Net income	$ 7,631	$ 4,115	$ 6,344	$ 4,428	$ 4,611	$ 906	$ 1,606
Net income per common share	$ 1.02	$ 0.50	$ 0.77	$ 0.54	$ 0.57	$ 0.11	$ 0.20
Weighted average number of common and common equivalent shares outstanding	7,492	8,295	8,256	8,264	8,157	8,191	8,174

	JUNE 30,					SEPTEMBER 30,
	1993	1994	1995	1996	1997	1997
	(IN THOUSANDS)					
BALANCE SHEET DATA:						
Working capital	$11,258	$14,454	$20,156	$23,554	$27,547	$28,653
Total assets	17,185	22,926	33,543	33,264	44,848	47,905
Convertible preferred stock	1,200	1,200	1,200	1,200	1,200	1,200
Total stockholders' equity	12,682	16,690	24,003	28,529	33,322	35,111

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(1) See Note B of Notes to Consolidated Financial Statements for an explanation of the determination of the weighted average common and common equivalent shares used to compute net income per common share.

(2) Gives effect to the conversion of all outstanding shares of the Company's Series A Convertible Preferred Stock into 2,556,792 shares of Common Stock upon completion of this Offering.

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

The following discussion and analysis should be read in conjunction with "Selected Consolidated Financial Data" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus. Except for the historical information contained herein, the discussions in this Prospectus contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and in the section entitled "Risk Factors" as well as those discussed elsewhere in this Prospectus.

OVERVIEW

Mercury designs, manufactures and markets high performance, real-time digital signal processing computer systems that transform sensor generated data into information which can be displayed as images for human interpretation or subjected to additional computer analysis. These multicomputer systems are heterogeneous and scalable, allowing them to accommodate several microprocessor types and to scale from a few to hundreds of microprocessors within a single system.

During the past three fiscal years, the majority of the Company's revenues has been generated from sales of its products to the defense electronics market, generally for use in intelligence gathering electronic warfare systems. The Company's activities in this area have focused on the proof of concept, development and deployment of advanced military applications in radar, sonar and airborne surveillance. Medical diagnostic imaging is the other primary market currently served by the Company. Mercury's computer systems are embedded in MRI, CT and PET machines. The remaining component of revenues is derived from computer systems used in such commercial applications as baggage scanning, seismic analysis and automatic testing equipment, and from sales of Mercury's recently introduced SuiteFusion shared storage product and related products and services.

Mercury uses a direct sales force to sell its computer systems to the defense electronics markets in the U.S., Japan, the United Kingdom and France. Defense electronics sales to other countries are achieved through distributors. The Company also uses a direct sales force to sell its computer systems to the U.S. and international medical imaging markets. The Company uses various distribution channels for sales of shared storage products to the broadcast and post-production industry. The Company sells these products to OEMs, value added re-sellers and end-users. Over the past three fiscal years, the Company has expanded its sales force to support growing revenues and has made significant expenditures to recruit additional technical and professional staff, to invest in information technology and to improve the Company's financial, administrative and management infrastructure.

Revenues include amounts attributable to both products, which include development contracts, and services such as maintenance, training and engineering consulting. Revenues from maintenance, training and engineering consulting services generally have not constituted a material portion of total revenues. The Company generally records product revenues upon shipment to the customer, provided that no significant vendor obligation exists, and accrues for associated warranty costs at the same time. For certain development contracts, revenues are recognized using the percentage-of-completion accounting method. Revenues from maintenance, training and engineering consulting services are recognized ratably over the applicable contract period or as the services are performed.

Cost of revenues includes the cost of materials, component assembly, internal labor and related overhead. Cost of revenues also can include engineering and other technical labor and related overhead incurred in development and engineering consulting contracts.

Gross profit as a percentage of revenues ("gross margin") varies from period to period depending upon numerous variables including the mix of revenues from hardware, software, development and engineering consulting contracts; the mix of revenues among the markets served by the Company; the cost of raw materials; the cost of outsourced services and labor costs; operational efficiencies; actual production volume

compared to planned volume; and the mix of applications for which the Company's computer systems are sold. Historically, the Company's gross margins on service revenues have been lower than on product revenues.

Mercury has made significant investments in research and development in an effort to maintain its technology leadership in digital signal processing and to create new software products for the shared storage market. Mercury invested $8.6 million, $9.8 million and $12.8 million in fiscal years 1995, 1996 and 1997, respectively, in development activities associated with the Company's key technology competencies as well as in activities that are targeted at developing new technologies and products.

In 1995, the Internal Revenue Service ("IRS") initiated an audit of the Company's tax return for the year ended June 30, 1994. While to date the IRS has not delivered to the Company a notice of proposed adjustments with respect to the year under audit, the IRS has informally proposed adjustments relating to certain research and development tax credits taken by the Company during the year under audit. There can be no assurance that the amount of adjustments, if any, will not be material in amount, that the IRS will not propose additional adjustments relating to other items, or that the IRS will not propose adjustments relating to other taxable years.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain financial data as a percentage of total revenues.

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	39.1	42.3	34.1	34.8	35.0
Gross profit	60.9	57.7	65.9	65.2	65.0
Operating expenses:					
Selling, general and administrative	29.1	29.0	35.0	36.3	34.8
Research and development	15.8	16.8	19.9	18.4	17.8
Total operating expenses	44.9	45.8	54.9	54.7	52.6
Income from operations	16.0	11.9	11.0	10.5	12.4
Other income (expense), net	0.5	0.8	0.7	0.9	1.6
Income before income taxes	16.5	12.7	11.7	11.4	14.0
Provision for income taxes	4.8	5.1	4.6	4.5	5.6
Net income	11.7%	7.6%	7.1%	6.9%	8.4%

Three Months Ended September 30, 1997 Compared to Three Months Ended September 30, 1996

Revenues

Total revenues increased 46% from $13.0 million during the three months ended September 30, 1996 to $19.0 million during the three months ended September 30, 1997. Revenues from defense electronics, medical imaging and other commercial markets increased, as described below.

Defense electronics revenues increased 37% from $11.0 million or 84.9% of total revenues during the three months ended September 30, 1996 to $15.1 million or 79.6% of total revenues during the three months ended September 30, 1997. The increase in revenues was due primarily to increased unit demand for defense electronics products.

Medical imaging revenues increased 58% from $1.4 million or 10.8% of total revenues during the three months ended September 30, 1996 to $2.2 million or 11.7% of total revenues during the three months ended

September 30, 1997. The increase in revenues was due primarily to the doubling of sales to the largest medical imaging customer.

Other revenues increased 190% from $569,000 or 4.4% of total revenues during the three months ended September 30, 1996 to $1.7 million or 8.7% of total revenues during the three months ended September 30, 1997. This increase in other revenues was due primarily to an increase in unit demand from new and existing customers.

Cost of Revenues

Cost of revenues increased 47% from $4.5 million during the three months ended September 30, 1996 to $6.7 million during the three months ended September 30, 1997 but was consistent as a percentage of total revenues at approximately 35.0%. A decline in material costs was offset by increases in manufacturing quality costs and costs related to development contracts.

Selling, General and Administrative

Selling, general and administrative expenses increased 41% from $4.7 million during the three months ended September 30, 1996 to $6.6 million during the three months ended September 30, 1997. Selling, general and administrative expenses as a percentage of total revenues were 36.3% during the three months ended September 30, 1996 and 34.8% during the three months ended September 30, 1997. The increase reflects the hiring of additional sales and administrative personnel, increased commissions and the development of the Company's financial, administrative and management systems to support the Company's growth.

Research and Development

Research and development expenses, excluding capitalized software expenditures, increased 41% from $2.4 million during the three months ended September 30, 1996 to $3.4 million during the three months ended September 30, 1997. Research and development expenses as a percentage of total revenues were 18.4% during the three months ended September 30, 1996 and 17.8% during the three months ended September 30, 1997. The increase in research and development expenses reflects increased investments in the Company's core technological competencies, as well as in new medical and shared storage technologies and products.

Income from Operations

Income from operations increased 72% from $1.4 million during the three months ended September 30, 1996 to $2.4 million during the three months ended September 30, 1997. Included in income from operations during the three months ended September 30, 1997 were $38,000 in revenues and approximately $700,000 in direct expenses related to the shared storage business. These include direct expenses from marketing and engineering activities primarily related to compensation, trade shows and prototype development. There were no revenues or expenses related to the shared storage business during the three months ended September 30, 1996.

Interest Income

The Company earned $136,000 in interest income during the three months ended September 30, 1996 and $233,000 during the three months ended September 30, 1997. The increase was due primarily to the significant increase in average balances of cash and investments.

Provision for Income Taxes

The Company's provision for income taxes was $576,000 during the three months ended September 30, 1996 and $1.1 million during the three months ended September 30, 1997. The Company's effective tax rate increased slightly from 39% during the three months ended September 30, 1996 and 40% during the three months ended September 30, 1997.

Year Ended June 30, 1997 Compared to Year Ended June 30, 1996

Revenues

Total revenues increased 11% from $58.3 million during the year ended June 30, 1996 to $64.6 million during the year ended June 30, 1997. The increase was due primarily to increased unit demand in the defense electronics business and the introduction of shared storage hardware and software during the year ended June 30, 1997.

Defense electronics revenues increased 25% from $41.8 million or 71.7% of total revenues during the year ended June 30, 1996 to $52.2 million or 80.9% of total revenues during the year ended June 30, 1997. The increase was due primarily to increased unit demand for defense electronics products.

Medical imaging revenues decreased 48% from $13.3 million or 22.7% of total revenues during the year ended June 30, 1996 to $6.9 million or 10.7% of total revenues during the year ended June 30, 1997. The decrease in revenues was due primarily to a reduction in product prices, discontinuation of certain products by one customer and the acceleration of purchasing at the end of the year ended June 30, 1996 by two of the Company's medical imaging customers.

Other revenues increased 67% from $3.2 million or 5.6% of total revenues during the year ended June 30, 1996 to $5.4 million or 8.4% of total revenues during the year ended June 30, 1997. The increase in revenues was due primarily to the introduction of shared storage hardware and software during the year ended June 30, 1997.

Cost of Revenues

Cost of revenues declined 11% from $24.7 million during the year ended June 30, 1996 to $22.0 million during the year ended June 30, 1997. Cost of revenues as a percentage of total revenues decreased from 42.3% during the year ended June 30, 1996 to 34.1% during the year ended June 30, 1997. This decrease was due primarily to the inclusion in the year ended June 30, 1996, of a domestic defense electronics development contract which yielded significantly lower gross margins than the gross margins historically achieved by the Company.

Selling, General and Administrative

Selling, general and administrative expenses increased 34% from $16.9 million during the year ended June 30, 1996 to $22.6 million during the year ended June 30, 1997. Selling, general and administrative expenses as a percentage of total revenues were 29.0% during the year ended June 30, 1996 and 35.0% during the year ended June 30, 1997. The increase reflects the hiring of additional sales and administrative personnel, increased commissions and the development of the Company's financial and administrative systems to support the Company's growth.

Research and Development

Research and development expenses, excluding capitalized software expenditures, increased 31% from $9.8 million during the year ended June 30, 1996 to $12.8 million during the year ended June 30, 1997. Research and development expenses as a percentage of total revenues were 16.8% during the year ended June 30, 1996 and 19.9% during the year ended June 30, 1997. The increase reflects greater investment in the Company's core competencies, as well as in new medical and shared storage technologies and products.

Income from Operations

Income from operations increased 2% from $6.9 million during the year ended June 30, 1996 to $7.1 million during the year ended June 30, 1997. Included in income from operations during the year ended June 30, 1997 were $2.1 million in hardware and software revenues and $3.6 million in direct expenses related to the shared storage business. These include direct expenses from marketing and engineering activities, primarily related to compensation, trade shows and prototype development and direct costs related to the sale of the product, including certain hardware costs. There were no revenues or expenses related to the shared storage business during the year ended June 30, 1996.

Interest Income

The Company earned $561,000 in interest income during the year ended June 30, 1996 and $582,000 during the year ended June 30, 1997. This increase in interest income was due to the increase in average balances of cash and investments, partially offset by a decrease in average interest rates.

Provision for Income Taxes

The Company's provision for income taxes was $3.0 million during the year ended June 30, 1996 and $2.9 million during the year ended June 30, 1997. The Company's effective tax rate was 40% during the year ended June 30, 1996 and 39% during the year ended June 30, 1997.

Year Ended June 30, 1996 Compared to Year Ended June 30, 1995

Revenues

Total revenues increased 7% from $54.3 million during the year ended June 30, 1995 to $58.3 million during the year ended June 30, 1996. The increase in revenues was due primarily to the increase in unit demand for both the defense electronics and medical imaging products.

Defense electronics revenues increased 2% from $40.9 million or 75.3% of total revenues during the year ended June 30, 1995 to $41.8 million or 71.7% of total revenues during the year ended June 30, 1996. The relatively modest increase in defense electronics revenues was due primarily to a large international contract fulfilled in 1995.

Medical imaging revenues increased 41% from $9.4 million or 17.3% of total revenues during the year ended June 30, 1995 to $13.3 million or 22.7% of total revenues during the year ended June 30, 1996. The increase was primarily due to the acceleration of purchasing at the end of the year ended June 30, 1996 by two of the Company's medical imaging customers.

Other revenues decreased 20% from $4.0 million or 7.4% of total revenues during the year ended June 30, 1995 to $3.2 million or 5.6% of total revenues during the year ended June 30, 1996. The decrease was primarily due to lower demand associated with the Company's other commercial products and services.

Cost of Revenues

Cost of revenues increased 16% from $21.2 million during the year ended June 30, 1995 to $24.7 million during the year ended June 30, 1996. Cost of revenues as a percentage of total revenues, increased from 39.1% during the year ended June 30, 1995 to 42.3% during the year ended June 30, 1996. The increase was due primarily to the inclusion in the year ended June 30, 1996 of a domestic defense electronics development contract which yielded significantly lower gross margins than the gross margins historically achieved by the Company.

Selling, General and Administrative

Selling, general and administrative expenses increased 7% from $15.8 million during the year ended June 30, 1995 to $16.9 million during the year ended June 30, 1996. Selling, general and administrative expenses as a percentage of total revenues were 29.1% during the year ended June 30, 1995 and 29.0% during the year ended June 30, 1996. The increase was due primarily to the hiring of additional sales and administrative personnel to support the Company's growth.

Research and Development

Research and development expenses, excluding capitalized software expenditures, increased 14% from $8.6 million during the year ended June 30, 1995 to $9.8 million during the year ended June 30, 1996. Research and development expenses as a percentage of total revenues were 15.8% during the year ended June 30, 1995 and 16.8% during the year ended June 30, 1996. The increase was due primarily to the hiring of additional software and hardware engineers to develop and enhance the features and functionality of the Company's products.

Income from Operations

Income from operations decreased 21% from $8.7 million during the year ended June 30, 1995 to $6.9 million during the year ended June 30, 1996.

Interest Income

The Company earned $278,000 in interest income during the year ended June 30, 1995 and $561,000 during the year ended June 30, 1996. The increase was primarily due to the significant increase in average balances of cash and investments.

Provision for Income Taxes

The Company's provision for income taxes was $2.6 million during the year ended June 30, 1995 and $3.0 million during the year ended June 30, 1996. The Company's effective tax rate was 29% during the year ended June 30, 1995 and 40% during the year ended June 30, 1996. The significantly lower tax rate during the year ended June 30, 1995 was due primarily to the utilization of tax credits during that year.

QUARTERLY RESULTS OF OPERATIONS

The following table presents selected consolidated financial information for each of the Company's last nine fiscal quarters. However, in the opinion of the Company's management, this information reflects all adjustments, consisting only of normal recurring adjustments, necessary to fairly present this information when read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Prospectus.

	QUARTERS ENDED								
	SEPT. 30, 1995	DEC. 31, 1995	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)								
Revenues	$13,501	$14,521	$15,175	$15,103	$13,038	$15,106	$17,154	$19,276	$19,039
Cost of revenues	5,723	7,117	5,991	5,857	4,538	5,128	5,356	7,012	6,661
Gross profit	7,778	7,404	9,184	9,246	8,500	9,978	11,798	12,264	12,378
Operating expenses:									
Selling, general and administrative	3,776	4,249	4,191	4,711	4,726	5,577	5,737	6,591	6,645
Research and development	2,143	2,352	2,473	2,808	2,405	3,420	3,759	3,253	3,381
Total operating expenses	5,919	6,601	6,664	7,519	7,131	8,997	9,496	9,844	10,026
Income from operations	1,859	803	2,520	1,727	1,369	981	2,302	2,420	2,352
Other income (expense), net	137	145	68	121	113	144	23	192	314
Income before income taxes	1,996	948	2,588	1,848	1,482	1,125	2,325	2,612	2,666
Provision for income taxes	798	379	1,035	740	576	437	904	1,016	1,060
Net income	$ 1,198	$ 569	$ 1,553	$ 1,108	$ 906	$ 688	$ 1,421	$ 1,596	$ 1,606
Net income per common share	$ 0.15	$ 0.07	$ 0.19	$ 0.13	$ 0.11	$ 0.08	$ 0.17	$ 0.20	$ 0.20
Weighted average number of common and common equivalent shares outstanding	8,257	8,261	8,263	8,266	8,191	8,140	8,148	8,162	8,174

The following table sets forth selected consolidated financial information as a percentage of total revenues for each of the Company's last nine fiscal quarters.

	QUARTERS ENDED								
	SEPT. 30, 1995	DEC. 31, 1995	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	42.4	49.0	39.5	38.8	34.8	33.9	31.2	36.4	35.0
Gross profit	57.6	51.0	60.5	61.2	65.2	66.1	68.8	63.6	65.0
Operating expenses:									
Selling, general and administrative	28.0	29.3	27.6	31.2	36.3	37.0	33.5	34.1	34.8
Research and development	15.8	16.2	16.3	18.6	18.4	22.6	21.9	16.9	17.8
Total operating expenses	43.8	45.5	43.9	49.8	54.7	59.6	55.4	51.0	52.6
Income from operations	13.8	5.5	16.6	11.4	10.5	6.5	13.4	12.6	12.4
Other income (expense), net	1.0	1.0	0.4	0.8	0.9	0.9	0.2	1.0	1.6
Income before income taxes	14.8	6.5	17.0	12.2	11.4	7.4	13.6	13.6	14.0
Provision for income taxes	5.9	2.6	6.8	4.9	4.5	2.8	5.3	5.3	5.6
Net income	8.9%	3.9%	10.2%	7.3%	6.9%	4.6%	8.3%	8.3%	8.4%

The Company has experienced fluctuations in its results of operations in large part due to the sale by the Company of its computer systems in relatively large dollar amounts to a relatively small number of customers. Operating results also have fluctuated due to competitive pricing programs and volume discounts, the loss of customers, market acceptance of the Company's products,

product obsolescence and general economic conditions. In addition, the Company, from time to time, has entered into development contracts. The Company's gross margins from development contract revenues are typically lower than the Company's gross margins from standard product revenues. The Company intends to continue to enter into development

contracts and anticipates that its gross margins associated with development contract revenues will continue to be lower than its gross margins on standard product revenues.

The Company's quarterly results may be subject to fluctuations resulting from the foregoing factors, as well as a number of other factors, including the timing of significant orders, delays in completion of internal product development projects, delays in shipping the Company's computer systems and software programs, delays in acceptance testing by customers, a change in the mix of products sold to the defense electronics and medical imaging markets, production delays due to quality problems with outsourced components, shortages of components, the timing of product line transitions and declines in quarterly revenues from old generations of products following announcement of replacement products containing more advanced technology. Another factor contributing to fluctuations in quarterly results is the fixed nature of the Company's expenditures on personnel, facilities and marketing programs. The Company's expense levels for personnel, facilities and marketing programs are based, in significant part, on the Company's expectations of future revenues on a quarterly basis. If actual quarterly revenues are below management's expectations, results of operations likely will be adversely affected. As a result of the foregoing factors, the Company's operating results, from time to time, may be below the expectations of public market analysts and investors, which could have a material adverse effect on the price of the Company's Common Stock.

LIQUIDITY AND CAPITAL RESOURCES

During the past five fiscal years, the Company has funded its operations to date primarily from cash generated from operations. As of September 30, 1997, the Company had cash and cash equivalents of approximately $16.0 million and working capital of $28.7 million. During the three months ended September 30, 1996, the Company generated approximately $843,000 in cash from operations compared to $2.0 million generated during the three months ended September 30, 1997. During the year ended June 30, 1996, the Company generated approximately $4.3 million in cash from operations compared to $9.2 million generated during the year ended June 30, 1997. The increases in cash generated from operations were due to improved operating results, higher percentage of non-cash expenses within total expenses and better management of the Company's inventory and receivables. The Company's days sales outstanding was 71 days and 58 days at June 30, 1997 and September 30, 1997, respectively.

The Company used approximately $1.4 million in investing activities for computers, furniture and equipment during the three months ended September 30, 1997, compared to $567,000 during the three months ended September 30, 1996. During the year ended June 30, 1997, the Company invested approximately $4.0 million, which consisted primarily of $3.5 million for the investment in computers, furniture and equipment and $550,000 for capitalized software, compared to $3.3 million during the year ended June 30, 1996, which consisted of $2.9 million for computers, furniture and equipment and $371,000 for capitalized software. No software development costs were capitalized during the three months ended September 30, 1997.

The Company intends to use a portion of the net proceeds of the Offering to fund construction of additional 91,000 square feet of office space on vacant, fully permitted land adjacent to its headquarters. The Company used internally generated funds to acquire this parcel in November, 1997. The Company anticipates that development of the additional office space will cost approximately $9.0 million, that it will break ground in April 1998 and that it will complete construction in approximately 12 months after construction begins. Once the new office space is completed, the Company plans to transfer this parcel to an unaffiliated third party pursuant to a sale leaseback transaction. No assurances can be made that the cost of construction will not exceed such estimate, or that the Company will be able to consummate a sale and leaseback transaction with respect to such property. The Company does not expect to realize a profit or loss from sale of the finished building.

The Company has a line of credit agreement with a commercial bank on which the Company can borrow up to $6.0 million at an interest rate equal to the prime rate or, at the election of the Company, two and one quarter percentage points above the London InterBank Offered Rate. As of September 30, 1997, there was no outstanding borrowing on this line of credit.

Mercury believes that the net proceeds of the Offering, together with available cash, cash generated from operations and the Company's line of credit, will be sufficient to meet the Company's working capital and capital expenditure requirements for the foreseeable future. If the Company acquires one or more businesses

or products, the Company's capital requirements could increase substantially. In the event of such an acquisition or in the event that any unanticipated circumstances arise which significantly increase the Company's capital requirements, there can be no assurance that necessary additional capital will be available on terms acceptable to the Company, if at all.

RECENT ACCOUNTING PRONOUNCEMENTS

See Notes B and G to the Company's Consolidated Financial Statements for a description of the impact on the Company of recent accounting pronouncements.

BUSINESS

OVERVIEW

Mercury designs, manufactures and markets high performance, real-time digital signal processing computer systems that transform sensor generated data into information which can be displayed as images for human interpretation or subjected to additional computer analysis. These multicomputer systems are heterogeneous and scalable, allowing them to accommodate several different microprocessor types and to scale from a few to hundreds of microprocessors within a single system. Mercury's system architecture is specifically designed for digital signal processing applications which are typically computation intensive and require I/O capacity and interprocessor bandwidth not available on a general purpose PC or workstation. The two primary markets for Mercury's products are defense electronics and medical diagnostic imaging. Both of these markets have computing needs which benefit from the unique system architecture developed by the Company. Mercury's computer systems are generally used on real world signal data to enable a military commander to "see" the battle space through natural barriers such as clouds, darkness, water or foliage, so that the position and strength of the enemy can be determined, or to enable a physician to "see" within the body instead of performing invasive surgery.

During the past three fiscal years, the majority of the Company's revenues have been generated from sales of its products to the defense electronics market, generally for use in intelligence gathering electronic warfare systems. The Company's activities in this area have focused on the proof of concept, development and deployment of advanced military applications in radar, sonar and airborne surveillance. The Company has established relationships with many of the major prime contractors to the worldwide defense industry, including Lockheed Martin, Hughes Aircraft, Raytheon/E-Systems, Raytheon/TI Systems, Northrop Grumman, MIT/Lincoln Laboratory, GEC Marconi, Ericsson, Israeli Ministry of Defense, MATRA and Mitsubishi.

Medical diagnostic imaging is the other primary market currently served by the Company. Mercury's computer systems are embedded in MRI, CT and PET machines. Mercury has supplied computer systems for use in several of GE Medical's medical diagnostic imaging systems since 1987, and has established relationships with Siemens Medical, Toshiba and Elscint. The major medical imaging manufacturers are currently developing the next generation of MRI, CT and digital x-ray machines, which are expected to provide better performance at lower cost. Mercury has recently secured design wins on programs with certain of the major medical imaging manufacturers for their next generation MRI, CT and digital x-ray machines.

Mercury's computer systems are designed to process continuous streams of data from sensors attached to radar, sonar, medical imaging equipment and other devices. The resulting image is transmitted to the battlefield commander, pilot, technician or physician in order to assist in the decision making or diagnostic process. Due to the nature of the applications in which many of Mercury's computer systems are embedded, they are frequently confined in limited spaces and therefore are designed to generate a minimum amount of heat. The Company employs the RACEway Interconnect, an industry standard system area network developed by Mercury, which allows for high interprocessor bandwidth and I/O capacity. The Company uses its proprietary ASICs to integrate microprocessors, memory and related components into the RACEway Interconnect to provide optimum system performance. The Company uses industry standard processors, such as Intel's i860, Motorola's PowerPC, Texas Instruments' C80 and Analog Devices' SHARC, in the same system. The Company believes that the RACEway Interconnect and its proprietary ASICs, working together with a group of mixed microprocessors in the same system, allow the most efficient use of space and power with an optimal price/performance ratio.

Since July 1996, Mercury has targeted the emerging shared storage market for introduction of a new product which draws on the Company's core competencies in systems engineering and the development of real-time software. In fiscal 1997, Mercury introduced SuiteFusion, its first shared storage product designed to meet the needs of the broadcast and post-production industry. SuiteFusion is an open, scalable software application that allows work groups to share commodity, fibre channel attached disk arrays, eliminating the need for an expensive, intermediate file server. Early customers include Turner Broadcasting's CNN

Interactive, Hughes Aircraft, for use at the U.S. Army National Training Center, and Nickelodeon's Blue's Clues. The Company believes that the shared storage market includes a number of distinct applications, such as digital video editing, electronic computer aided design, webcasting, cable advertising insertion and pre-press.

INDUSTRY BACKGROUND

Defense Electronics

Digital signal processing computer systems are embedded into air, sea and land-based platforms for processing radar, sonar and signal intelligence applications. These applications allow a military commander to "see" the battle space through natural barriers such as clouds, darkness, water or foliage, so that the position and strength of the enemy can be determined. The Electronic Industry Association (the "EIA") in its October 1997 annual forecast of the defense electronics market predicted an increase in military electronics purchases over the next ten years, while predicting a decline in total defense spending over the same period. The EIA also predicted that, beginning in 1998, United States military spending on electronics and information systems will increase by $7.4 billion from $51.5 billion to $58.9 billion over the next ten years. The Company believes that an important factor underlying this anticipated growth is a continuing desire by military commanders for increased battle space information, which can be obtained through radar, sonar, signal intelligence and image intelligence systems. Military commanders also need more powerful computers with similar attributes in order to conduct battle simulations and mission planning tasks utilizing today's complex weapons systems.

Another important trend in the defense electronics marketplace is the movement away from so-called "stove pipe" systems designed by prime contractors with special purpose hardware specifically for a single application, largely without regard to cost. The market is moving toward the use of systems which incorporate selected COTS hardware and software components in order to save money and development time. Recent Department of Defense ("DoD") leaders and federal regulations have mandated widespread use of COTS components in defense electronics applications. All of Mercury's computer systems are eligible for use in defense electronics applications as COTS components.

Medical Imaging

The principal modalities of medical diagnostic imaging systems include MRI, CT, digital x-ray, PET, SPECT (single photon emission computed tomography) and ultrasound devices. The Company believes that the available market in 1998 for digital signal processing computer systems in aggregate for the MRI, CT and digital x-ray markets is expected to be an aggregate of approximately $123 million. Although demand for medical imaging equipment has been sluggish in recent years due primarily to cost containment pressures and consolidation in the health care industry, the Company believes that demand for medical diagnostic imaging equipment will increase modestly over the next three years. The Company believes that this increase will be primarily due to the introduction of next generation devices, together with the anticipated future development by the major medical imaging manufacturers of new markets for their diagnostic equipment in countries located in Asia, South America and Eastern Europe. The Company believes medical imaging equipment manufacturers will continue to replace in-house designed digital signal processing systems with commercially available systems designed by the Company and others.

This industry's demand is driven in part by the need to provide physicians with rapid, sharp and clear images of areas of a patient's body suspected to be diseased or injured, while using the least intrusive means. These images provide a significant diagnostic tool for the physician, who can more readily understand the patient's malady and prescribe appropriate corrective action. In order to provide such images, medical imaging machines must be capable of processing a continuous stream of data on a real-time basis. A parallel concern in

the health care industry is the need to reduce costs. Hospitals, in particular, continue to be under significant pressure to contain costs and, at the same time, maintain quality of care. Such pressures are forcing hospitals to be as technologically efficient as possible. Toward this end, hospitals seek to reduce the required period of time a patient must spend in its medical imaging machines, which has the added benefit of increasing the total number of patients who can be diagnosed with this expensive equipment during a given period of time. One way to reduce patient time in medical imaging machines and improve image quality is to utilize more powerful signal processing computers, such as those supplied by Mercury.

STRATEGY

Mercury's objective is to be the leader in each of its markets by developing and delivering architecturally superior systems, developing and maintaining close working relationships with its customers, adopting and deploying total quality management and extending key technology competencies to new markets where Mercury can provide solutions based on its core competencies.

Develop and Deliver Architecturally Superior Systems. Mercury intends to continue to develop architecturally superior systems comprised of both hardware and software commercially available off-the-shelf components, which minimize recurring and non-recurring costs, as well as proprietary components, which enable production of standards-based, highly scalable systems. The Company's growth and leadership in its primary markets has been due in part to investments in a sustainable architecture that can rapidly evolve to take advantage of the latest developments in semiconductor technology. Rapid evolution is accomplished by defining a set of building blocks that can evolve separately. In this way the architecture can be refreshed by upgrading one hardware and/or software building block (such as a new microprocessor) with only minimal effect, if any, to the other building blocks.

Develop and Maintain Close Working Relationships with Customers. By developing close working relationships with its customers, the Company intends to continue to identify and pursue new product opportunities. To fulfill these opportunities, the Company frequently develops variations of its standard products pursuant to contracts with particular customers in order to satisfy the customers' needs on a cost effective basis.

Adopt and Deploy Total Quality Management. The Company is deploying Total Quality Management ("TQM") as an overarching managerial approach to improve and enhance business processes within the Company. An integral part of TQM is increasing the Company's ability to discover and understand customers' unique needs in the context of their environments and to set benchmarked performance targets for each customer. By implementing TQM, the Company expects to be able to enhance its development process and deliver better value by responding to customer specific needs. When fully deployed, the Company believes that TQM will significantly enhance its business processes and competitiveness.

Extend Key Technology Competencies to New Markets. The Company is constantly seeking new markets where solutions can be provided based on its core competencies. The Company's entry into the shared storage market evolved from Mercury's work in real time operating systems, and its systems engineering skill set in solving bandwidth limitations for applications requiring extremely high data throughput. The Company initially targeted its new software product, SuiteFusion, to meet the shared storage needs of the broadcast and post-production industry. Mercury is currently evaluating other opportunities in the shared storage market, such as electronic computer aided design, webcasting, cable advertising insertion and pre-press.

MARKETS AND CUSTOMERS

Defense Electronics

Mercury provides high performance embedded computer systems as standard products to the defense electronics market by using commercial and selected rugged components and by working closely with defense contractors to complete a design which matches the specified requirements of military applications. The Company engages in frequent, detailed communication with the end-users of Mercury's systems, military executives and program managers in government and defense contractors regarding the technical capabilities

of Mercury's advanced signal processing computers and the successful incorporation of its computers in numerous military programs.

The chart set forth below lists certain of Mercury's customers in the defense electronics industry, including government contractors and government research laboratories and the type of applications for which Mercury believes its customers are using its products.

SELECTED DEFENSE CUSTOMERS AND APPLICATIONS

CUSTOMER	LOCATION	APPLICATION
U.S. BASED PRIME CONTRACTORS AND GOVERNMENT LABS		
HUGHES		
- Hughes Danbury Optical.....	CA & MA	Electro-Optics, Infrared
- Missile Systems Co.....	AZ	Radar, Simulation
- Sensor & Communication Systems.....	CA	Radar, Electro-Optics, Infrared
LOCKHEED MARTIN		
- Advanced Development Co.....	CA	Mission Planning
- Electronic & Missile Co.....	FL	Infrared, Electro-Optics, Radar
- Federal Systems, Manassas.....	VA	Sonar
- Government Electronic Systems...	NJ	Radar
- Missiles & Space.....	CA	Image Intelligence
- Ocean Radar & Sonar.....	NY	Radar, Sonar
- Sanders.....	NH	Electronic Warfare, Signal Intelligence
- Tactical Defense Systems.....	AZ	Radar
NORTHROP GRUMMAN		
- ESID.....	NY	Radar
- ESSD.....	MD	Radar
- Melbourne.....	FL	Radar
- Norden Systems.....	NY & CT	Radar, Sonar
RAYTHEON		
- Electronic Systems.....	MA & RI	Radar, Sonar, Infrared
- E-Systems.....	TX	Signal Intelligence, Ground Stations
- TI Systems.....	TX	Radar, Electro-Optics
GOVERNMENT LABS		
- Air Force Defense Lab.....	NY	Radar
- Army Research Lab.....	MD	Ground Penetrating Radar
- MIT/Lincoln Labs.....	MA	Radar
- National Severe Storms Labs.....	OK	Weather Radar
- Naval Research Labs.....	DC	Radar, Sonar
- Naval Undersea Warfare Command.....	RI & WA	Sonar
- Sandia Labs.....	NM	Radar
INTERNATIONAL AGENCIES AND PRIME CONTRACTORS		
Chun San Institute.....	Taiwan	Radar
Department of National Defense....	Canada	Radar, Sonar
Elbit.....	Israel	Radar, Sonar
Ericsson.....	Sweden	Radar
FOA.....	Sweden	Foliage Penetrating Radar
GEC Marconi.....	U.K.	Radar
Israeli Ministry of Defense.....	Israel	SAR
MATRA.....	France	Radar, Sonar
Mitsubishi Heavy Industries.....	Japan	Radar, Simulation
Nihon Avionics.....	Japan	Radar
Thomson Sintra.....	France	Sonar
TNO -- Physics and Electronics Laboratory.....	Netherlands	Acoustic Signal Processing

Mercury's computer systems have been or are being integrated into various programs in the defense electronics market. For example, Mercury is under contract to supply, or has supplied, computer systems to the following contractors:

- Northrop Grumman for use in the tactical endurance synthetic aperture radar ("SAR") systems aboard the Predator, a medium-altitude unmanned aerial vehicle ("UAV") which has been deployed in Bosnia.

- Northrop Grumman for the SAR systems on board the Dark Star high altitude UAV, which is currently under development.

- Hughes Aircraft for the SAR systems on the Global Hawk high altitude endurance UAV, which is currently under development.

- Raytheon/E-Systems for the delivery of computer systems (including development systems) for use in an electronic signal intelligence application on board the RC-135 aircraft as part of an upgrade program.

- Raytheon/TI Systems for the delivery of computer systems (including development systems) for use in the SAR on board the P3 Orion anti-submarine surveillance aircraft as part of an upgrade program.

- Lockheed Martin, the U.S. Army Research Laboratory and FOA for proof of concept in foliage and/or ground penetrating radars.

- Lockheed Martin and Atlantic Aerospace Electronics Corporation for the combat sonar system used in the Los Angeles Class submarine, which is currently under development.

- Northrop Grumman/ESSD and MIT/Lincoln Laboratory for use in developing algorithms for space time adaptive processing, a type of advanced radar system. The prototype computer system for this application uses approximately 1,000 microprocessors, and Mercury believes it is the most powerful commercial real-time embedded computer ever built, with peak performance in excess of 100 gigaflops.

- Ericsson for the use of Mercury's standard commercial processors in radar systems on board surveillance aircraft and to build MILSPEC versions for the radar system on the SAAB Gripen fighter aircraft.

Mercury employs industry specialist managers to monitor the defense programs of each major branch of the United States armed services and additional managers based in Europe and Japan to keep abreast of developments in their respective regions. This approach provides relevant information to Mercury regarding major military procurements worldwide. Mercury maintains sales and technical support groups to service defense industry participants in seven branch offices in the United States, and through Mercury's subsidiary offices or distributors in 12 other countries. At Mercury's headquarters in Chelmsford, Massachusetts, a group of systems engineers specializing in radar, sonar and surveillance problems provides support on an as-needed basis to the remote offices to assist in securing inclusion in targeted military programs.

Medical Imaging

Mercury strives to provide a superior combination of high performance and competitively priced embedded computer systems to the medical imaging market. The Company focuses on establishing strong relationships with its customers, the medical equipment manufacturers. By maintaining frequent, in-depth communications with its customers and working closely with their engineering groups, the Company is able to understand their needs and provide appropriate solutions. In addition, the Company intends to continue its efforts to install its computer systems in place of alternative designs created by the in-house design teams employed by the medical imaging equipment manufacturers.

The Company currently is working closely with major medical equipment companies to design the next generation of MRI, CT and digital x-ray systems, which the Company believes will lead to faster time-to-market and competitive advantages for the medical equipment companies that use Mercury's computer

systems for inclusion in their imaging machines. Mercury's industrial PC class hardware system provides the medical imaging industry with increased performance densities at lower costs and an architecture that accommodates performance upgrades as new technology becomes available. Integrating the high-bandwidth RACEway Interconnect system area network within the PCI environment results in highly scalable systems. This allows medical equipment suppliers to design systems that can satisfy a broad range of price/performance requirements and meet the needs of global markets, all with the same Mercury architecture.

Mercury's medical OEM customers consist of the leading manufacturers of diagnostic imaging equipment. They include GE Medical, headquartered in Wisconsin, GE Medical Systems Europe in France, GE Yokugawa Medical Systems in Japan, Toshiba in Japan, Siemens Medical in Germany and Elscint in Israel. These companies have adopted Mercury's PCI or VME computer systems as part of their developments in either MRI, CT, PET or digital x-ray systems and, in the case of some companies, multiple types of systems. The Company has supplied GE Medical with computer systems for use in three successive generations of MRI machines from 1987 through the present, as well as for use in other GE Medical equipment, such as PET. In addition, GE Medical and Siemens Medical, the two leading global suppliers of medical imaging equipment, have recently awarded contracts to Mercury to design the signal processing system for the next generations of certain of their medical diagnostic equipment.

The Company is building a system based on Analog Devices' SHARC DSP processor to fulfill a design win in CT. The Company also is building a system based on the Texas Instruments' C80 signal processing chip to fulfill a design win in digital x-ray. The Company believes that the principal reason for its medical imaging design wins is Mercury's experienced team of systems and applications engineers who work closely with the medical equipment designers and with the Company's product development engineers. This joint design effort frequently precedes the first production orders by approximately two to three years. However, once selected, the production contracts typically continue for the life of the medical imaging system. In addition, the equipment manufacturers typically offer computer system upgrades to their customers, potentially resulting in additional sales of Mercury products.

Shared Storage

The Company believes that the shared storage market includes a number of distinct applications, such as digital video editing, electronic computer aided design, webcasting, cable advertising insertion and pre-press. In fiscal 1997, Mercury introduced SuiteFusion, its first shared storage software product designed to meet the digital video editing needs of the broadcast and post-production industry. Companies in the broadcast and post-production industry have begun to use non-linear, disk-based technology, and are becoming aware of the significant productivity gains that can be achieved by networking multiple editing stations together in a real-time, high-bandwidth, shared storage workgroup. However, these applications produce extremely large volumes of digital data that must be transmitted, stored, and manipulated in order to produce a high-quality finished product. Mercury's SuiteFusion is designed to choreograph the interactions between workstations and disks to keep files intact in such a high-performance, shared-storage environment.

Early customers of SuiteFusion include Turner Broadcasting's CNN Interactive in Atlanta, Georgia, Hughes Aircraft, for use at the U.S. Army National Training Center in Fort Irwin, California, and Nickelodeon's Blue's Clues television show in New York, New York. CNN is using Mercury's software to improve efficiency in editing and producing features for Internet broadcasts; the U.S. Army uses SuiteFusion to help capture, edit and play back live simultaneous training exercises; and Nickelodeon's creative design artists are able to share animation and graphics files.

In addition, Mercury has signed OEM distribution agreements with several industry leaders, including Avid Technology, Inc., the worldwide leader in non-linear editing systems, PathLight in the serial storage architecture networking environment, and MountainGate Productions, LLC in the fiber channel storage market. The Company also has approximately 10 non-exclusive distributor agreements with video-editing resellers in the United States and Canada.

KEY TECHNOLOGY COMPETENCIES

Many of Mercury's customers share a common requirement: the need to process high-volume, real-time data streams. Whether from an antenna in a defense application, a medical scanner or a video camera, the computer must have the ability to process incoming data as quickly as it is received. Data rates can range from a few to several hundreds of megabytes per second (or several billion bits per second). The ability to process this continuous flow of high-bandwidth data is a fundamental difference between the majority of computing systems in the world (such as personal computers, workstations and servers) and the computers built by Mercury.

Mercury has developed a set of core technical strengths specifically targeted to, and defined by, the application areas of signal, image and media processing. These technical strengths are pivotal to Mercury's success in the real-time market segments of the defense electronics and medical imaging industries and have resulted in the following developments and capabilities:

Heterogeneous Switched-Fabric Interconnects. Mercury connects different microprocessor types (RISC, DSP and specialized computing devices) and I/O devices in a bus-less, high-bandwidth manner based on multi-stage switches in its system area network. Among the engineering developments which distinguish Mercury's systems are the RACEway Interconnect built using the six-port RACEway crossbar chip which supports high bandwidth point-to-point data transfers and fibre channel chassis-to-chassis extensions for RACEway in large system configurations.

Heterogeneous Processor Integration. Mercury has developed several ASICs which integrate standard microprocessors and special purpose mathematics and graphics processors into a single heterogenous environment. Mercury develops systems consisting of different microprocessor types with a single-system software model. Mercury's processor independent software offers a consistent set of software tools and interfaces, which can drive a heterogeneous mix of microprocessor types, such as Motorola's PowerPC processor, Analog Devices' SHARC DSP processor and Texas Instruments' C80 processor.

Performance Density. The Company has been using high performance packaging technology such as multi-chip modules and ball grid arrays in its systems since the early 1990's. The Company's thermal analysis expertise allows it to design products that optimize the dissipation of heat from the system in order to meet the environmental constraints imposed by many of its customers' applications. The Company's modular hardware and software building blocks allow it to design systems that best meet the application's specific data profiles. All together, these attributes combine to deliver the maximum performance in processing, reliability and bandwidth in the smallest possible space.

Scalable Software. Mercury's software has been designed to scale to more than one thousand processors in real-time environments while maintaining a high-bandwidth capability. Regardless of the number of processors, the Company's software provides the same programming environment for a software developer working with Mercury's computer systems, allowing faster time-to-market and lower life cycle maintenance costs for its customers.

Optimized Algorithm Development. Mercury specializes in algorithm development for single and multi-processor implementations. The Company believes that using the mathematical algorithms in Mercury's scientific algorithm library significantly increases the performance of customers' applications, reduces development time and minimizes life cycle support costs.

System Engineering Expertise. Mercury has established a core competency in providing total system solutions to its customers. The Company has the knowledge and technical staff to act as an extension of the customer's engineering organization in order to fashion solutions to some of the world's most demanding real-time, signal processing applications. Mercury has partnered with its customers to understand and resolve the challenging problems encountered in applications as diverse as radar, sonar and signal intelligence for the military, and diagnostic imaging for MRI, CT, PET and digital x-ray in the medical imaging market. The Company also provides an integration and development service to meet the demands of its customers with advanced applications which cannot be satisfied with standard products. This service combines the variety of

standard products with custom hardware and software to meet the specific configuration demands of an application.

Leverage and Create Standards. Mercury uses existing standards where applicable and has been successful in developing new standards. For example, Mercury adheres to VME and PCI standard bus interfaces and form factors. The RACEway Interconnect system area network that Mercury developed was adopted as an ANSI/VITA standard in 1995, and since then has been adopted by several companies offering products and services for embedded real-time applications.

PRODUCTS

HARDWARE PRODUCTS

Mercury offers three classes of systems for the Company's target markets. Each class of products is scalable to meet the full range of requirements in signal processing applications.

High Performance Class. For the highest-performance applications, Mercury offers a family of high performance systems for the most compute intensive and I/O capacity and interprocessor bandwidth demanding applications in the defense electronics market. These applications include space time adaptive processing, ground-penetrating and foliage-penetrating radar and synthetic aperture radar. These high-performance systems, known as MultiPort, can scale to over a thousand processors and today include compute modules based on the SHARC and PowerPC processors.

VME Class. The VME bus has been the traditional standard for many embedded applications. Mercury's VME systems each have a RACEway Interconnect port. Systems contain modules based on the SHARC, PowerPC and i860 processors and can scale to several hundred processors. The VME-based systems and components are primarily used in the defense market where backward and forward compatibility is required for the long system life cycles of military equipment. This class of RACE Series systems meets the computing speed, bandwidth and scaleability requirements of many of today's medium performance radar, sonar and signal intelligence applications. Advanced and future radar systems are more likely to use the high performance class systems.

Industrial PC Class. Based on the PCI bus standard, these systems use the RACEway Interconnect to provide the extended bandwidth required for real-time applications. Currently Mercury provides compute modules based on the SHARC and TI C80 processors. These systems scale to hundreds of processors and are primarily directed to the medical imaging market, which is moving from VME to PCI based designs.

SOFTWARE PRODUCTS

Mercury has developed a comprehensive line of signal processing software products for the defense and medical imaging markets. Certain of Mercury's software products are included in a heterogeneous development software package that enables customers to develop application software that will run on Mercury hardware. The development software package includes the MC/OS operating system, scientific algorithm libraries, debugging tools and compilers. License fees range from $10,000 to $50,000 based on the number of seats chosen by the user for its application, ranging from a single user license to a project license.

Set forth below are certain signal processing software products offered by the Company.

MC/OS Version 4. The MC/OS runtime operating environment allows maximum use of the RACE heterogeneous multi-computer architecture in a single-system model incorporating a consistent set of system and application programming interfaces, and a common development environment. MC/OS is supported on the high performance, VME and industrial PC classes of Mercury hardware systems. MC/OS is included in Mercury's development software package.

Scientific Algorithm Library (SAL). Mercury's scientific algorithm library consists of more than 400 assembly language routines developed by Mercury's programmers and optimized for execution on Mercury's RACE architecture, permitting extensive code reusability. The library encompasses a comprehensive selection

of functions including vector processing and data conversion commonly performed by digital signal processing applications. SAL is included in Mercury's development software package.

Parallel Application System (PAS). PAS is a set of high performance libraries which form a complete programming environment for developing parallel applications in a distributed memory multicomputer system. The libraries speed the development of advanced applications using many processors in parallel. PAS is included in Mercury's development software package.

SuperVision. SuperVision is a state-of-the-art debugging tool for observation and control of embedded, real-time multicomputing systems. SuperVision speeds application development by selectively monitoring individual and large groups of processors, while simultaneously performing detailed process-level debugging. SuperVision is sold separately.

PeakWare for RACE. PeakWare for RACE is a visual component programming tool, jointly developed with MATRA, that allows the developer to use diagrams to express the interconnection of software components. Jointly mapping the application and the RACE system configuration accelerates the overall development process. From the graphical input, PeakWare for RACE generates the C code for interprocessor communication and builds executable and ready-to-deploy application code. PeakWare for RACE is sold separately.

Mercury also has developed software products for specific shared storage applications in the broadcast and post-production industry. Set forth below is the first such software product commercially introduced by the Company.

SuiteFusion. SuiteFusion is an open, scalable software application that allows various desktop computer systems to simultaneously access large shared files. Written in JAVA, this highly portable code is supported on both Macintosh and Windows-based PC desktops. While SuiteFusion is directed initially to the creative and design departments within the broadcast and post-production industry, the Company believes it has potential applicability in several shared storage markets.

ENGINEERING, RESEARCH AND DEVELOPMENT

The Company's engineering, research and development efforts are focused on developing new products as well as enhancing existing products. Mercury's research and development goal is to fully exploit and maintain the Company's technological lead in the high performance, real-time, signal processing industry. In addition to the central engineering organization which focuses on Mercury's two principal markets, the Company has an engineering team developing SuiteFusion and its derivatives for the shared storage market and another engineering team developing systems for the digital television requirements of the future.

Mercury is involved with researchers from other companies and government organizations to develop new signaling technologies using fiber optics. This has the potential for providing more bandwidth per line than conventional techniques and is directed at the 21(st) century challenges of the next generation of advanced signal processing systems. Similar cooperative developments are underway to develop open software solutions for code portability. This research is focused on developing generic applications which can be targeted to Mercury's products through the use of industry standard tools with Mercury-specific libraries. Some of these research areas benefit from cost sharing through DARPA grants in those areas where the DoD will obtain benefit from the development.

As of September 30, 1997, the Company had 32% of all its employees, or 104 people, primarily engaged in engineering, research and development, including hardware and software architects, design engineers and engineers with expertise in developing medical, defense and shared storage software systems. During fiscal years 1995, 1996 and 1997, the Company's total research and development costs were approximately $8.6 million, $9.8 million, and $12.8 million, respectively.

CUSTOMER SUPPORT AND INTEGRATION

As of September 30, 1997, Mercury's Customer Services Group included 37 people engaged in a full range of support functions, including training, technical program management, integration and design services,

host porting services and the traditional maintenance and support services. The Company has invested in the range of tools, analyzers, simulators, instruments and workstations to provide a rapid response to both development and customer support requirements. Within the Customer Services Group, the solutions systems department has developed many custom interfaces, reviewed customers' designs, developed special hardware and software components and provided program management on behalf of defense and medical customers. The capabilities of this group enable the Company to respond to the demanding individuality of many programs and have resulted in Mercury being selected for both development, high volume production and deployed programs.

MANUFACTURING AND TESTING

Mercury's strengths include the design, development and testing of products which meet the exacting technology and quality expectations of the Company's defense electronics and medical imaging customers. Board assembly is outsourced to a number of electronic contract manufacturers. The supplier typically inserts most of the components into a printed circuit board, solders the connections, conducts preliminary testing and returns the boards to Mercury. The Company conducts final assembly, burn-in and system level testing.

Mercury utilizes Optimal Supply Chain Management to provide highly flexible manufacturing solutions which can be tailored to the specific needs of the Company's customers, while maintaining the highest level of quality and control of product assembly. This standard is maintained through demanding Quality Assurance and Reliability Programs, such as Statistical Process Control, which are integrated throughout the manufacturing process.

The Company's outsourcing strategy provides maximum flexibility to respond to customer requirements and schedule adjustments, with minimal asset investment by Mercury. This outsourcing strategy also provides multiple sources of supply, both to support the breadth and complexity of Mercury's product lines, as well as to ensure continuity of supply. By outsourcing assembly to electronic contract manufacturers, Mercury is able to focus its manufacturing efforts on designing more reliable products, designing more efficient methods of building its products, systems integration, testing and supply chain management.

Mercury's manufacturing approach is based on a highly integrated process that takes a product from concept through production. All products are required to meet specified standards of performance, quality, reliability and safety. The Company manufactures both commercial and ruggedized versions of its computer systems. Extensive testing is a fundamental part of the Company's process. Computer Integrated Manufacturing, Concurrent Engineering, Material Requirements Planning and Just-In-Time techniques are also integrated into manufacturing operations as part of an on-time delivery philosophy. Mercury has been ISO 9001 certified since 1995.

Several components used in the Company's products are currently obtained from sole source suppliers. Mercury is dependent on LSI Logic for four custom designed ASICs, on Analog Devices for its SHARC processors, on IBM for ball grid array packaging, on Motorola for its PowerPC processors and on Intel for its i860 processors. If LSI Logic, Analog Devices, IBM, Motorola or Intel were to limit or reduce the sale of such components to the Company, or if these or other suppliers to the Company were to experience financial difficulties or other problems which prevented them from supplying the Company with the necessary components, such events could have a material adverse effect on the Company's business, financial condition and results of operations. These sole source suppliers are subject to quality and performance issues, materials shortages, excess demand, reduction in capacity and other factors that may disrupt the flow of goods to the Company or its customers and thereby adversely affect the Company's business and customer relationships. The Company has no guaranteed supply arrangements with its suppliers and there can be no assurance that its suppliers will continue to meet the Company's requirements. If the Company's supply arrangements are interrupted, there can be no assurance that the Company would be able to find another supplier on a timely or satisfactory basis. Any shortage or interruption in the supply of any of the components used in the Company's products, or the inability of the Company to procure these components from alternate sources on acceptable terms could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that severe shortages of components will not occur in the future. Such

shortages could increase the cost or delay the shipment of the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations. Significant increases in the prices of these components would also materially adversely affect the Company's financial performance since the Company may not be able to adjust product pricing to reflect the increase in component costs. The Company could incur set-up costs and delays in manufacturing should it become necessary to replace any key vendors due to work stoppages, shipping delays, financial difficulties or other factors and, under certain circumstances, these costs and delays could have a material adverse effect on the Company's business, financial condition and results of operations.

COMPETITION

The markets for the Company's products are highly competitive and are characterized by rapidly changing technology, frequent product performance improvements and evolving industry standards. Competition typically occurs at the design stage, where the customer evaluates alternative design approaches, including those from internal development organizations. A design win usually ensures a customer will purchase the product until their next generation system is developed. Occasionally, the Company's computer systems compete with computer systems from workstation vendors, all of whom have substantially greater research and development resources, long term guaranteed supply capacity, marketing and financial resources, manufacturing capability and customer support organizations than those of the Company. The Company believes that its future ability to compete effectively will depend, in part, upon its ability to continue to improve product and process technologies and develop new technologies in order to maintain the performance advantages of products and processes relative to competitors, to adapt products and processes to technological changes, to identify and adopt emerging industry standards and to adapt to customer needs.

The principal bases for selection in sales of digital signal processing systems to the defense electronics industry are performance (measured primarily in terms of processing speed, I/O capacity and interprocessor bandwidth, processing density per cubic foot, power consumption and heat dissipation), systems engineering support, overall quality of products and associated services, use of industry standards, ease of use and price. Competitors in the defense electronics industry include a relatively small number of companies that design, manufacture and market DSP board level products and in-house design teams employed by prime defense contractors. In-house design efforts historically have provided a significant amount of competition to the Company. However, competition from in-house design teams has diminished in significance in recent years due to the increasing use of COTS products and the trend toward greater use of outsourcing. Despite this recent change, there can be no assurance that in-house developments will not re-emerge as a major competitive force in the future. Prime contractors are much larger than Mercury and have substantially more resources to invest in research and development. Increased use of in-house design teams by defense contractors in the future may have a material adverse effect on the Company's business, financial condition and results of operations.

In the medical imaging industry the principal bases for selection are performance (measured primarily in terms of processing speed, I/O capacity and interprocessor bandwidth and power consumption), price, systems engineering support, overall quality of products and associated services, use of industry standards and ease of use. Competitors in the medical imaging market include in-house design teams, a small number of companies that design, manufacture and market DSP board level products and workstation manufacturers. Workstations have become a competitive factor primarily in the market for low-end MRI and CT machines and, to date, have not been a significant factor in the high-performance market, Mercury's primary focus. There can be no assurance that workstation manufacturers will not attempt to penetrate the high-performance market for medical imaging machines. Workstation manufacturers typically have greater resources than Mercury and their entry into markets historically targeted by Mercury may have a material adverse effect on the Company's business, financial condition and results of operations.

Due to the emerging nature of the markets for the Company's shared storage technology, its competitive factors are not yet clearly defined. The Company currently is focusing its efforts in this area on the broadcast and post-production industry, where the Company believes there is currently only one directly competitive product. As this market develops, the Company anticipates that other companies will begin offering additional

competitive products. New competitors may have significantly greater marketing and financial resources, better access to individuals making purchasing decisions, superior products and services than those offered by the Company. The Company believes that the primary impediment to future sales of shared storage products to the post-production and broadcast industry is the need to transform entrenched operating modes, such as those associated with linear tape based technologies, to accommodate new modes of operation such as those associated with non-linear, disk-based digital technology. However, there can be no assurance that industry participants will adopt such new technologies or that, if adopted, the Company's products will not be obsolete, uncompetitive or incompatible.

Some of the Company's competitors have greater financial and other resources than the Company, and the Company may be operating at a cost disadvantage compared to manufacturers who have greater direct buying power from component suppliers or who have lower cost structures. There can be no assurance that the Company will be able to compete successfully in the future with any of these sources of competition. In addition, there can be no assurance that competitive pressures will not result in price erosion, reduced margins, loss of market share or other factors, that could have a material adverse effect on the Company's business, financial condition and results of operations.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

The Company relies on a combination of patent, copyright, trademark and trade secret laws to establish and protect its rights in its products and proprietary technology. In addition, the Company currently requires its employees and consultants to enter into nondisclosure and assignment of invention agreements to limit use of, access to and distribution of, proprietary information. There can be no assurance that the Company's means of protecting its proprietary rights in the U.S. or abroad will be adequate. The laws of some foreign countries may not protect the Company's proprietary rights as fully or in the same manner as do the laws of the U.S. Also, despite the steps taken by the Company to protect its proprietary rights, it may be possible for unauthorized third parties to copy or reverse engineer aspects of the Company's products, develop similar technology independently or otherwise obtain and use information that the Company regards as proprietary. There can be no assurance that others will not develop technologies similar or superior to the Company's technology or design around the proprietary rights owned by the Company. Although the Company is not aware that its products infringe on the proprietary rights of third parties, there can be no assurance that others will not assert claims of infringement in the future or that, if made, such claims will not be successful. Litigation to determine the validity of any claims, whether or not such litigation is determined in favor of the Company, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel from daily operations. In the event of any adverse ruling in any litigation regarding intellectual property, the Company may be required to pay substantial damages, discontinue the sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses to use infringing or substituted technology. The failure to develop, or license on acceptable terms, a substitute technology could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company holds two issued United States patents covering aspects of the RACE architecture and the SuperVision debugging tool. In addition, the Company has two pending United States patent applications covering additional aspects of the RACE architecture and the Company's Parallel Application System. The Company may file additional patent applications seeking protection for other proprietary aspects of its technology in the future. Patent positions frequently are uncertain and involve complex and evolving legal and factual questions. The coverage sought in a patent application either can be denied or significantly reduced before or after the patent is issued. Consequently, there can be no assurance that any patents from pending patent applications or from any future patent application will be issued, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if subsequently challenged or that others will not claim rights in or ownership of the patents and other proprietary rights held by the Company. Since patent applications are secret until patents are issued in the United States or corresponding applications are published in international countries, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the

Company cannot be certain that it was the first to make the inventions covered by each of its pending patent applications or that it was the first to file patent applications for such inventions. In addition, there can be no assurance that competitors, many of which have substantial resources and have made substantial investments in competing technologies, will not seek to apply for and obtain patents that will prevent, limit or interfere with the Company's ability to make, use or sell its products either in the United States or in international markets.

BACKLOG

As of September 30, 1997, the Company had a backlog of orders aggregating approximately $25.7 million. The Company includes in its backlog customer orders for products and services for which it has accepted signed purchase orders with assigned delivery dates within twelve months. Orders included in backlog may be canceled or rescheduled by customers without penalty. A variety of conditions, both specific to the individual customer and generally affecting the customer's industry, may cause customers to cancel, reduce or delay orders that were previously made or anticipated. The Company cannot assure the timely replacement of canceled, delayed or reduced orders. Significant or numerous cancellations, reductions or delays in orders by a customer or group of customers could materially adversely affect the Company's business, financial condition and results of operations. Backlog should not be relied upon as indicative of the Company's revenues for any future period.

EMPLOYEES

At September 30, 1997, the Company employed a total of 323 persons, including 104 in research and development, 120 in sales, marketing and customer support, 51 in manufacturing and 48 in finance and administration. Eight of the Company's employees are located in Europe, four in Japan and the remainder in the U.S. None of the Company's employees are represented by a labor organization and the Company believes that its relations with employees are good. Competition for qualified personnel in the engineering fields is intense and the Company is aware that much of its future success will depend on its continued ability to attract and retain qualified personnel. The Company seeks to attract new employees by offering competitive compensation packages, including salary, bonus, stock options and employee benefits. There can be no assurance, however, that the Company will be successful in retaining its key employees or that it will be able to attract skilled personnel for the development of its business.

FACILITIES

The Company's headquarters consist of approximately 96,000 square feet of office space under lease in Chelmsford, Massachusetts. The Company intends to use a portion of the net proceeds of the Offering to fund construction of additional 91,000 square feet of office space on vacant, fully permitted land adjacent to its headquarters. The Company used internally generated funds to acquire this parcel in November 1997. The Company anticipates that development of the additional office space will cost approximately $9.0 million, that it will break ground in April 1998 and that it will complete construction in approximately 12 months after construction begins. Once the new office space is completed, the Company plans to transfer the building and the underlying real estate to an unaffiliated third party pursuant to a sale and leaseback transaction. See "Use of Proceeds."

The Company also maintains offices in Los Angeles and San Jose, California, Dallas, Texas, Chanhassen, Minnesota, Madison, Wisconsin and Vienna, Virginia and has international offices in the United Kingdom, the Netherlands, France and Japan.

LEGAL PROCEEDINGS

To the Company's knowledge, there are no pending legal proceedings which are material to the Company or its business to which it is a party or to which any of its properties is subject.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The directors and executive officers of the Company are as follows:

NAME	AGE	POSITION
James R. Bertelli.....	57	President, Chief Executive Officer, Director and Co-Founder
Donald Barry.....	52	Vice President and Director of Medical Business Group
Vincent A. Mancuso.....	50	Vice President, Government Electronics Group
G. Mead Wyman.....	57	Vice President, Chief Financial Officer and Treasurer
Gordon B. Baty(1)(2).....	58	Director
Albert P. Belle Isle(2).....	53	Director
R. Schorr Berman(1)(2).....	49	Director
Sherman N. Mullin.....	62	Director
Melvin Sallen(1).....	69	Director

(1) Member of Compensation Committee

(2) Member of Audit Committee

MR. BERTELLI co-founded the Company in 1981, and has served as the Company's President, Chief Executive Officer and a Director since that time. Prior to founding the Company, Mr. Bertelli founded a manufacturer's representative organization after a brief period at Analogic Corporation in sales management positions. Prior to that, Mr. Bertelli served as a marketing manager for Digital Equipment Corporation's telephone industry products group. After a tour of duty in the Army Signal Corps, he began his high-tech career with RCA Corporation as a computer systems analyst, and later moved into computer sales with RCA and Univac.

DR. BARRY has been Vice President and Director of Medical Business Group of the Company since 1992. Prior to that he served as General Manager at Picker International, Inc., Chief Operating Officer at ESA, Inc. and Director of International Marketing at American Motors Corp.

MR. MANCUSO joined the Company in December 1996 as Vice President and Director of Government Electronics Group. Before joining Mercury, Mr. Mancuso was Director of Federal Sales at Siemens Pyramid Information Systems, Inc. (formerly known as Pyramid Technology Corporation) from 1995 to 1996. From 1993 to 1995, he was Vice President of consulting at Federal Sources, Inc. From 1991 to 1992, he was Vice President and General Manager at Government Technology Services, Inc., Advanced Systems Division. Mr. Mancuso served nineteen years at Hewlett Packard in various sales and marketing positions.

MR. WYMAN has been Vice President, Treasurer and Chief Financial Officer of the Company since November 1996. Prior to joining Mercury, Mr. Wyman was Chief Financial Officer at Dataware Technologies, Inc. from 1992 to 1996. Previously, he was a general partner at Hambrecht and Quist Venture Partners, and was the first Chief Financial Officer at Lotus Development Corporation. Mr. Wyman has also held senior financial management positions at Prime Computer Inc. and Millipore Corporation.

DR. BATY has been a Director of the Company since 1983. Dr. Baty has been a partner of First Stage Capital, Limited Partnership since 1986. Dr. Baty was the founder and Chief Executive Officer of Icon Corporation, Context Corporation and Wormser Engineering, Inc. Dr. Baty is also a Director of Novitron International, Inc. and numerous private companies.

DR. BELLE ISLE has been a Director of the Company since 1986. Dr. Belle Isle, who is an independent investor in technology based companies, was President of Custom Silicon, Inc., has also served as a Vice President of Wang Laboratories, Inc. and in various technical and business management positions during fifteen years with the General Electric Company.

MR. BERMAN has been a Director of the Company since 1993. Mr. Berman is President and Chief Executive Officer of MDT Advisers, Inc. Mr. Berman is also a director of Arch Communications Group, Inc. and numerous private companies.

MR. MULLIN has been a Director of the Company since 1994. Mr. Mullin served as President of Lockheed Advanced Development Co. from 1990 through 1994. Mr. Mullin currently serves as an ad-hoc adviser to the U.S. Air Force Scientific Advisory Board.

MR. SALLEN has been a Director of the Company since 1990 and since 1991 has served as a consultant to the Company in the area of Japanese Strategies and Sales. Mr. Sallen served as Senior Vice President of Analog Devices, Inc. from 1966 through 1992. Since 1992, Mr. Sallen has served as president of Komon International, Inc., an international consulting company. Mr. Sallen is also a director of Tech On Line, Inc. and Copley Controls Corporation.

Set forth below are certain of the Company's additional key employees:

NAME	AGE	POSITION
Robert C. Frisch.....	43	Vice President, Chief Technical Officer and Co-Founder
John K. Nitzsche.....	62	Vice President, Special Products Development and Co-Founder
Bruce A. Beck.....	47	Vice President and Director of Digital Video Products
David L. Bertelli.....	52	Vice President, Organization Development
Steven M. Chasen.....	42	Vice President, Customer Services
Barry S. Isenstein.....	41	Vice President, Advanced Technologies Group
Mark R. LaForest.....	38	Vice President and Director of Engineering
Gary Olin.....	48	Director of Strategic Marketing
Steven Patterson.....	43	Director of Systems Engineering
Graham Smith.....	57	Director of International Sales

ELECTION AND COMPENSATION OF DIRECTORS

Each director of the Company holds office until his successor has been duly elected and qualified. Officers of the Company are elected by the Board of Directors of the Company at each annual meeting of the Board of Directors and serve at its discretion. The Company's Board of Directors is divided into three classes, with three-year staggered terms. Dr. Belle Isle and Mr. Sallen are Class I directors, Dr. Baty and Mr. Mullin are Class II directors and Messrs. Bertelli and Berman are Class III directors. The terms of the Class I, Class II and Class III directors expire in 1998, 1999 and 2000, respectively.

The Company's non-employee directors currently receive $2,500 annually plus $500 per meeting attended as compensation for service on the Board of Directors, plus reimbursement for reasonable expenses incurred in connection with attendance at Board and committee meetings. Committee members receive $300 for attending a meeting not held on the same day as a meeting of the Board of Directors.

The Company has in effect its 1993 Stock Option Plan for Non-employee Directors, pursuant to which the Company's non-employee directors are eligible to receive options to purchase shares of the Company's Common Stock if and when granted by the Compensation Committee. See "-- Stock Options and Stock Purchase Plans."

COMMITTEES OF THE BOARD

The Board of Directors has a standing Audit Committee and Compensation Committee. The members of the Audit Committee are Dr. Baty, Dr. Belle Isle and Mr. Berman. The Audit Committee reviews the scope of the Company's engagement of its independent public accountant and their reports. The Audit Committee also meets with the financial staff of the Company to review accounting procedures and reports. The Compensation Committee is composed of Dr. Baty and Messrs. Berman and Sallen. The Compensation Committee is authorized to review and make recommendations to the Board of Directors regarding the salaries and bonuses to be paid executive officers and to administer the Stock Option Plans.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

During fiscal 1997, Dr. Baty and Messrs. Berman and Sallen served as the Compensation Committee of the Company's Board of Directors. During fiscal 1997, no interlocking relationship existed between any member of the Company's Compensation Committee and any other member of the Company's Board of Directors. See "Certain Transactions."

EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth the compensation earned by the Company's Chief Executive Officer and each of the Company's three other most highly compensated executive officers (collectively, the "Named Executive Officers") during the year ended June 30, 1997:

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	SECURITIES UNDERLYING OPTIONS/ SARS (#)	ALL OTHER COMPEN-SATION ($)
James R. Bertelli, President and Chief Executive Officer.....	$260,000	$112,300	$6,000(1)	12,290	$ 32,869(2)(3)
G. Mead Wyman, Vice President, Treasurer and Chief Financial Officer(4).....	100,000	56,434	--	80,000	3,529(2)(3)
Donald Barry, Vice President and Director of Medical Business Group.....	111,000	64,020	--	1,500	2,160(2)
Vincent A. Mancuso, Vice President, Government Electronics Group(5)....	55,000	75,000	--	25,000	1,400(2)

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(1) Represents automobile allowance.

(2) Represents matching contributions by the Company into the participant's 401(k) plan.

(3) Represents premiums paid by the Company for split dollar life insurance policies.

(4) Reflects salary earned from November 1996, when the Company hired Mr. Wyman, through June 30, 1997.

(5) Reflects salary earned from February 1997, when the Company hired Mr. Mancuso, through June 30, 1997.

OPTION GRANTS, EXERCISES AND HOLDINGS

Option Grants. The following table sets forth certain information regarding options granted to the Named Executive Officers during the year ended June 30, 1997. The Company issued no SARs during the year ended June 30, 1997.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(1)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTION/SARS GRANTED (#)	PERCENT OF TOTAL OPTION/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE PRICE ($/SHARE)	EXPIRATION DATE	5% ($)	10% ($)
James R. Bertelli(2).....	17,129	4.3%	$4.00	07/30/06	$ 43,089	$109,197
	5,161	1.3	4.00	12/02/06	12,983	32,908
G. Mead Wyman(3).....	80,000	19.8	4.00	01/27/07	201,247	569,997
Donald Barry(4).....	1,500	0.4	4.00	07/30/06	3,774	9,163
	500	0.1	4.00	09/19/06	1,258	3,188
Vincent A. Mancuso(5).....	25,000	6.2	4.00	01/27/07	62,890	159,675

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(1) In accordance with the rules of the Securities and Exchange Commission (the "Commission"), shown are the gains or "option spreads" that would exist for the respective options granted. These gains are based on the assumed rates of annual compound stock price appreciation of 5% and 10% from the date the option was granted over the full option term. These assumed annual compound rates of stock price appreciation are mandated by the rules of the Commission and do not represent the Company's estimate or projection of future Common Stock prices.

(2) Options to purchase 6,144 of these shares were exercisable at June 30, 1997. The remaining options vest as to 2,581 shares on December 2, 1998 and as to 3,565 shares on July 31, 1998, as long as Mr. Bertelli's employment has not been terminated.

(3) Options with respect to 40,000 of these shares vest in equal 20% increments on December 2, 1997, and the four succeeding anniversaries thereof, as long as Mr. Wyman's employment has not been terminated. Options with respect to the remaining 40,000 shares vest based on the achievement of certain performance criteria, and in all events on the seventh anniversary of the option grant date, as long as Mr. Wyman's employment has not been terminated.

(4) Options to purchase 1,030 shares were exercisable at June 30, 1997. The remaining options vest as to 250 shares on September 19, 1998 and as to 720 shares on July 30, 1998, as long as Mr. Barry's employment has not been terminated.

(5) This option vests in equal 20% increments on the first five anniversaries of January 27, 1997, as long as Mr. Mancuso's employment has not been terminated.

Option Exercises and Holdings. The Named Executive Officers did not exercise any options during the year ended June 30, 1997. The following table sets forth certain information regarding exercise of options held at June 30, 1997, by each of the Named Executive Officers.

FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END($)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
James R. Bertelli.....	10,144	12,146	$91,296	$ 109,314
G. Mead Wyman.....	--	80,000	--	720,000
Donald Barry.....	9,750	2,250	87,750	20,250
Vincent A. Mancuso.....	--	25,000	--	225,000

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(1) Value is based on the difference between the option exercise price and the assumed initial public offering price of $13.00 per share, the mid-point of the filing range, multiplied by the number of shares of Common Stock underlying the option. No market existed for the Common Stock prior to this offering.

STOCK OPTION AND STOCK PURCHASE PLANS

Stock Option Plans

The Company has in effect its 1997 Stock Option Plan (the "1997 Plan"), 1993 Stock Option Plan for Non-Employee Directors (the "1993 Plan"), 1991 Stock Option Plan (the "1991 Plan") and 1982 Stock Option Plan (the "1982 Plan," and with the 1997 Plan, the 1993 Plan and the 1991 Plan, the "Stock Option Plans"). The Company's stock option plans are designed to attract, retain and motivate key employees and directors. The Compensation Committee of the Board of Directors (the "Compensation Committee") is responsible for the administration and interpretation of the Stock Option Plans and is authorized to grant options thereunder to all eligible employees and directors of the Company, except that no director who is not also an employee of the Company is eligible to receive incentive stock options (as defined in Section 422 of the Internal Revenue Code) ("Incentive Options") and only directors who are not employees of the Company are eligible to receive options under the 1993 Plan. The Compensation Committee has full power to select, from among the persons eligible for awards under the 1982 Plan, the 1991 Plan and the 1997 Plan, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms of each award, subject to the provisions of the Stock Option Plans. Under the 1993 Plan, each non-employee director of the Company received on or about September 30 in each of 1994, 1995, 1996 and 1997, and will receive on or about September 30, 1998, that number of shares of Common Stock equal to one percent of the net income of the Company for the most recent fiscal year ending prior to the grant divided by the per share fair market value of the Company Stock on the first day of such fiscal year divided by the number of non-employee directors in office at the time of the grant. Options granted under the Stock Option Plans vest and become exercisable in accordance with option agreements evidencing such grants. Incentive Options may be granted only to officers or other employees of the Company, including members of the Board of Directors who are also employees of the Company or its subsidiaries. Options which do not qualify as Incentive Options, "Non-Qualified Options" may be granted or issued to officers or other employees of the Company, directors and to consultants and other key persons who provide services to the Company (regardless of whether they are also employees).

The exercise price of each option granted under the Stock Option Plans is determined by the Compensation Committee but, in the case of Incentive Options, may not be less than 100% of the fair market value of the underlying shares on the date of grant. No Incentive Option may be granted under the Stock Option Plans to any employee of the Company or any subsidiary who owns at the date of grant shares of stock representing in excess of 10% of the combined voting power of all classes of stock of the Company or a parent or a subsidiary unless the exercise price for stock subject to such option is at least 110% of the fair market value of such stock at the time of grant and the option term does not exceed five years.

Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Compensation Committee. Upon exercise of options, the option exercise price must be paid in full (i) in cash or by certified or bank check or other instrument acceptable to the Compensation Committee, (ii) if the applicable option agreement permits, by delivery of shares of Common Stock of the Company owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised or (iii) any combination of (i) and (ii), provided, however that payment of the exercise price by delivery of shares of Common Stock of the Company owned by such optionee may be made only to the extent such payment, in whole or in part, would not result in a charge to earnings for financial accounting purposes.

As of October 31, 1997, options to purchase 349,352 shares of Common Stock were outstanding under the 1997 Plan, of which 19,175 were then exercisable. As of October 31, 1997, options to purchase 32,482 shares of Common Stock were outstanding under the 1993 Plan, all of which were then exercisable. As of October 31, 1997 options to purchase 579,090 shares of Common Stock were outstanding under the 1991 Plan, of which options to purchase 267,910 shares were then exercisable. As of October 31, 1997, options to purchase 142,200 shares of Common Stock were outstanding under the 1982 Plan, all of which were then exercisable.

Options granted under the Company's stock option plans are not transferable by the optionee except by will, by the laws of descent and distribution or pursuant to a qualified domestic relations order. Options are exercisable only while the optionee remains in the employ of the Company or for a short period of time thereafter. Options which are exercisable following termination of employment are exercisable only to the extent that the optionee was entitled to exercise such options on the date of termination of his or her employment.

Under the 1997 Plan, 575,000 shares are reserved for issuance upon exercise of stock options. Under the Company's 1993 Plan, 50,000 shares of Common Stock are currently reserved for exercise upon exercise of stock options. Under the 1991 Plan, 700,000 shares of Common Stock are currently reserved for exercise upon exercise of stock options. Under the Company's 1982 Stock Option Plan, 144,700 shares are reserved for issuance upon exercise of stock options.

Employee Stock Purchase Plan

The Company's 1997 Employee Stock Purchase Plan (the "1997 Purchase Plan") for employees of the Company was adopted by the Board of Directors on November 6, 1997 and will be submitted by the Stockholders of the Company for approval at a Special Meeting of Stockholders to be held on December 18, 1997. The 1997 Purchase Plan authorizes the issuance of a maximum of 250,000 shares of Common Stock pursuant to the exercise of nontransferable options granted to participating employees.

The 1997 Purchase Plan is administered by the Compensation Committee. All employees of the Company whose customary employment is 20 hours or more per week and have been employed by the Company for at least six months are eligible to participate in the 1997 Purchase Plan. Employees who own 5% or more of the Company's stock and directors who are not employees of the Company may not participate in the 1997 Purchase Plan. To participate in the 1997 Purchase Plan an employee must authorize the Company in writing to deduct an amount (not less than 1% nor more than 10% of a participant's base compensation not to exceed $25,000 per year) from his or her pay commencing on January 1 and July 1, of each year (each a "Purchase Period"). On the first day of each Purchase Period, the Company grants to each participating employee an option to purchase up to that number of shares of Common Stock, the fair market value of which on the date of grant is equal to $25,000. The exercise price for the option for each Purchase Period is the lesser of 85% of the fair market value of the Common Stock on the first or last business day of the Purchase Period. The fair market value will be the closing selling price of the Common Stock as quoted on the Nasdaq National Market. If an employee is not a participant on the last day of the Purchase Period, such employee is not entitled to exercise his or her option, and the amount of his or her accumulated payroll deduction will be refunded to the employee. Shares acquired by employees pursuant to the Purchase Plan may not be transferred for three months following the date of acquisition. An employee's rights under the 1997 Purchase

Plan terminate upon his or her voluntary withdrawal from the Plan at any time or upon termination of employment.

Common Stock for the 1997 Purchase Plan will be made available either from authorized but unissued shares of Common Stock or from shares of Common Stock reacquired by the Company, including shares repurchased in the open market.

LIMITATION OF LIABILITY; INDEMNIFICATION OF DIRECTORS AND OFFICERS

As permitted by the Massachusetts General Laws, the Company has included in its Charter a provision to eliminate the personal liability of its directors for monetary damages for breach or alleged breach of their fiduciary duties as directors, subject to certain exceptions. In addition, the Bylaws of the Company provide that the Company is required to indemnify its officers and directors under certain circumstances, including those circumstances in which indemnification would otherwise be discretionary, and the Company is required to advance expenses to its officers and directors as incurred in connection with proceedings against them for which they may be indemnified. At present, the Company is not aware of any pending or threatened litigation or proceeding involving a director, officer, employee or agent of the Company in which indemnification would be required or permitted. The Company believes that its Charter provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

CERTAIN TRANSACTIONS

The Company has loaned James R. Bertelli, President of the Company, an aggregate of $200,000, of which $150,000 accrues interest at an annual rate of 9.75% and $50,000 accrues interest at an annual rate of 10.5%. In addition, the Company has loaned Albert Belle Isle, a Director of the Company, an aggregate of $125,000, of which $100,000 accrues interest at an annual interest rate of 8% and $25,000 accrues interest at 9.25%. The notes evidencing such obligations of Mr. Bertelli and Dr. Belle Isle are payable in full on the earlier of December 31, 1999, or 181 days following the consummation of an initial public offering of the Company's Common Stock.

The Company has granted Memorial Drive Trust, Mr. Bertelli, President and Chief Executive Officer of the Company, and certain other stockholders certain rights with respect to the registration of the Company's securities. See "Description of Capital Stock -- Registration Rights of Certain Holders."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of the Company's Common Stock as of October 31, 1997 and as adjusted to reflect the sale of the Common Stock offered hereby by, for (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each of the Company's directors, (iii) each of the Selling Stockholders, (iv) each Named Executive Officer and (v) all directors and executive officers as a group.

	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)			SHARES BENEFICIALLY OWNED AFTER OFFERING(1)	
NAME AND ADDRESS OF BENEFICIAL OWNER(1)	NUMBER	PERCENT	SHARES TO BE SOLD IN OFFERING	NUMBER	PERCENT
Memorial Drive Trust(2)	2,879,786	36.6%	425,000	2,454,786	24.8%
Massachusetts Mutual Life Insurance Company(3)	1,000,000	12.7	212,500	787,500	8.0
Data General Corporation(4)	655,067	8.3	280,500	277,507	3.8
First Stage Capital Limited Partnership(5)	375,000	4.8	318,750	--	*
James R. Bertelli(6)	437,119	5.5	--	437,119	4.4
Donald Barry(7)	11,030	*	--	11,030	*
Vincent A. Mancuso	--	*	--	--	*
G. Mead Wyman(8)	44,000	*	--	44,000	*
Gordon Baty(9)	490,653	6.2	318,750	171,903	1.7
Albert P. Belle Isle(10)	48,228	*	--	48,228	*
R. Schorr Berman(11)	2,889,514	36.7	425,000	2,464,514	25.0
Sherman N. Mullin(12)	6,649	*	--	6,649	*
Melvin Sallen(13)	23,649	*	--	23,649	*
All directors and executive officers as a group (nine persons)(16)	3,950,842	49.8	743,750	3,207,092	32.2
OTHER SELLING STOCKHOLDERS					
Robert Frisch(14)	176,000	2.2	21,250	154,750	1.6
John Nitzsche	291,000	3.7	85,000	206,000	2.1
Kathryn Bertelli(15)	301,500	3.8	10,200	291,500	3.0
Susan L. Ansin	140,000	1.8	29,750	110,250	1.1
Patrick B. Maraghy, Trustee(17)	360,000	4.6	91,800	268,200	2.7
Other Selling Stockholders each owning less than 1% of the Common Stock before the Offering (24 parties)(18)	392,429	5.0	25,250	345,925	3.5

- ---

* Less than one percent

(1) Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission (the "Commission") and includes general voting power or investment power with respect to securities. Shares of Common Stock subject to options and warrants currently exercisable or exercisable within sixty (60) days of October 31, 1997 are deemed outstanding for computing the percentage of the person holding such options, but are not deemed outstanding for computing the percentage of any other person. Except as otherwise specified below, the persons named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is 199 Riverneck Road, Chelmsford, MA 01824.

(2) The address of this beneficial owner is c/o MDT Advisers, Inc., 125 Cambridge Park Drive, Cambridge, MA. Shares are held of record by MD Co. Includes 2,036,910 shares issuable upon conversion of Series A Convertible Preferred Stock of the Company.

(3) Includes 500,000 shares held of record by MassMutual Corporate Investors. The address of these beneficial owners is 1295 State Street, Springfield, MA 01111.

(4) The address of this beneficial owner is 4400 Computer Drive, Westborough, MA 01580. Includes 306,816 shares issuable upon conversion of Series A Convertible Preferred Stock of the Company.

(5) The address of this beneficial owner is c/o First Stage Capital Limited Partnership, 101 Main Street, Cambridge, MA 02142.

(6) Includes options to purchase 17,319 shares exercisable within sixty days of October 31, 1997.

(7) Consists of options to purchase 11,030 shares exercisable within sixty days of October 31, 1997.

(8) Includes options to purchase 8,000 shares exercisable within sixty days of October 31, 1997.

(9) Includes 375,000 shares owned by First Stage Capital Limited Partnership, as to which Mr. Baty may be deemed beneficial owner and as to which Mr. Baty disclaims beneficial ownership except to the extent of his direct pecuniary interest. Includes options to purchase 7,228 shares exercisable within sixty days of October 31, 1997. Mr. Baty is a general partner of First Stage Capital Limited Partnership.

(10) Includes options to purchase 7,228 shares exercisable within sixty days of October 31, 1997.

(11) Includes options to purchase 7,228 shares exercisable within sixty days of October 31, 1997. Includes 2,879,786 shares owned by MD Co., as to which Mr. Berman may be deemed beneficial owner and as to which Mr. Berman disclaims beneficial ownership except to the extent of his direct pecuniary interest. Mr. Berman is President of MDT Advisors, Inc., which manages the investments of MD Co.

(12) Includes options to purchase 5,399 shares exercisable within sixty days of October 31, 1997.

(13) Includes options to purchase 5,399 shares exercisable within sixty days of October 31, 1997.

(14) Includes options to purchase 20,000 shares exercisable within sixty days of October 31, 1997.

(15) Includes 270,000 shares held of record by Kathryn Bertelli 1995 Irrevocable Trust, of which Ms. Bertelli serves as a trustee, 1,500 shares held as custodian for Heidi Bertelli and 30,000 shares held of record by Kathryn Bertelli.

(16) Includes options to purchase 68,831 shares exercisable within sixty days of October 31, 1997.

(17) Includes 210,000 shares held as a Trustee of Lawrence J. Ansin 1990 Revocable Trust -- Trust A-2, 75,000 shares held as a Trustee of Gregory David Ansin 1992 Irrevocable Trust and 75,000 shares held as a Trustee of Lisa Ansin 1988 Irrevocable Trust.

(18) Includes options to purchase 22,504 shares exercisable within sixty days of October 31, 1997.

DESCRIPTION OF CAPITAL STOCK

Effective upon the closing of the Offering, the Company's authorized capital stock will consist of 25,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock, par value $.01 per share and will have 9,864,023 shares of Common Stock outstanding, assuming no exercise of options after October 31, 1997. As of October 31, 1997, an aggregate of 5,307,231 shares of Common Stock were held of record by 148 stockholders, and 852,264 shares of Preferred Stock were outstanding and held of record by three stockholders. All shares of Preferred Stock will be converted into Common Stock upon the completion of this offering at the rate of three shares of Common Stock for each share of Preferred Stock. Copies of the Charter and Bylaws have been filed as exhibits to the Registration Statement and are incorporated by reference herein.

COMMON STOCK

All outstanding shares of Common Stock are, and the Common Stock offered hereby will be, fully paid and nonassessable. The holders of Common Stock are entitled to one vote for each share held of record on all matters voted upon by Stockholders and may not cumulate votes. Subject to the rights of holders of any future series of undesignated preferred stock which may be designated, each share of the outstanding Common Stock is entitled to participate equally in any distribution of net assets made to the Stockholders in the liquidation, dissolution or winding up of the Company and is entitled to participate equally in dividends as and when declared by the Board of Directors. There are no redemption, sinking fund, conversion or preemptive rights with respect to the shares of Common Stock. All shares of Common Stock have equal rights and preferences.

PREFERRED STOCK

Upon the completion of this Offering, all of the outstanding Preferred Stock will be converted into Common Stock. After the completion of this Offering, the Board of Directors will have the authority, without further stockholder approval, to issue 1,000,000 shares of preferred stock where defined in one or more series and to fix the relative rights, preferences, privileges, qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series. The issuance of preferred stock, while potentially providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of, and the voting and other rights of the holders of the Common Stock. No shares of preferred stock will be outstanding immediately following the completion of this Offering. The Company has no present plans to issue any shares of Preferred Stock. See "Risk Factors -- Anti-takeover Provisions; Possible Issuance of Preferred Stock."

REGISTRATION RIGHTS OF CERTAIN HOLDERS

The holders of 6,496,642 shares of Common Stock (the "Registrable Securities") or their transferees are entitled to certain rights with respect to the registration of such shares under the Securities Act. These rights are provided under the terms of certain agreements, by and among the Company and the holders of the Registrable Securities. Upon consummation of the Offering and subject to certain limitations in the applicable agreements, holders of 5,004,892 shares of Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities, six months after the effective date of the Offering. If the Company registers any of its Common Stock either for its own account or for the account of other security holders, the holders of 5,004,892 shares of Registerable Securities are entitled to include their shares of Common Stock in the registration, subject to pro rata cutback. All registration expenses must be borne by the Company and all selling expenses relating to Registrable Securities must be borne by the holders of the securities being registered. In addition, certain holders of Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities on Form S-3 if use of such form becomes available to the Company.

Pursuant to a Stock Purchase Agreement, dated as of January 20, 1984, among the Company and certain of its stockholders, (i) Memorial Drive Trust and other investors (together, the "Investors") purchased an aggregate of 852,264 shares of the Company's Series A Convertible Preferred Stock for an aggregate consideration of $1,200,000; and (ii) the Investors received so-called "demand" registration rights, and the Investors, James R. Bertelli, a director and President of the Company, Gordon Baty, a director of the Company, and certain other stockholders of the Company received so-called "piggyback" registration rights.

Pursuant to a Debenture Agreements, dated December 21, 1987, between the Company and each of Massachusetts Mutual Life Insurance Company and MassMutual Corporate Investors (together "Massachusetts Mutual"), Massachusetts Mutual received so-called "demand" and "piggyback" registration rights.

No predictions can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sales, will have on the prevailing market price for the Common Stock. Sales of substantial amounts of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock and could impair the Company's future ability to obtain capital through an offering of equity securities. See "Risk Factors -- Shares Eligible for Future Sale."

CERTAIN ARTICLES OF ORGANIZATION, BYLAWS AND STATUTORY PROVISIONS AFFECTING STOCKHOLDERS

Classified Board and Other Matters. The Board of Directors will be divided into three classes, each of which, after a transitional period, will serve until the third annual meeting of stockholders after their election, with one class being elected each year. Under the Massachusetts General Laws, in the case of a corporation having a classified Board, Stockholders may remove a director only for cause. The Bylaws require that stockholders provide the Clerk of the Company 60 days advance notice prior to the date set forth in the Bylaws for an annual meeting of Stockholders or special meeting in lieu thereof for the purpose of any director nominations or within ten (10) days notice after notice of a special meeting not in lieu of annual meeting. The Bylaws provide that special meetings of stockholders of the Company may be called only by the Board of Directors, the President or 30% in interest of the stockholders. The Bylaws as well as applicable provisions of the Massachusetts General Laws, provide that no action required or permitted to be taken at any annual or special meeting of the stockholders of the Company may be taken without a meeting, unless the unanimous consent of stockholders entitled to vote thereon is obtained. The affirmative vote of the holders of at least 80% of the combined voting power of then outstanding voting stock of the Company will be required to alter, amend or repeal the foregoing provisions; provided, however, that if any proposal to alter any of the foregoing provisions receives the affirmative vote of a majority of the directors, then such proposal shall require only the affirmative vote of the holders of a majority of the outstanding voting stock of the Company. Such supermajority voting provisions diminish the likelihood that a potential acquiror would make an offer for the Common Stock, impede a transaction favorable to the interest of the stockholders or increase the difficulty of removing a number of Board of Directors or management. See "Risk Factors -- Anti-Takeover Provisions; Possible Issuance of Preferred Stock."

Chapters 110D and 110F of Massachusetts General Laws. The Company is subject to the provisions of Chapter 110F of the Massachusetts General Laws, an anti-takeover law. In general, this statute prohibits a publicly held Massachusetts corporation with sufficient ties to Massachusetts from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless either (i) the interested stockholder obtains the approval of the board of directors prior to becoming an interested stockholder, (ii) the interested stockholder acquires 90% of the outstanding voting stock of the corporation (excluding shares held by certain affiliates of the corporation) at the time he becomes an interested stockholder or (iii) the business combination is approved by both the board of directors and two-thirds of the outstanding voting stock of the corporation (excluding shares held by the interested stockholder) at an annual or special meeting of stockholders, not by written consent. An interested stockholder is a person who, together with affiliates and associates, owns 5% or more of the Corporation's outstanding voting stock or who is an affiliate at any time within the prior three years did own 5% or more of the corporation's voting stock. A "business combination" includes mergers, stock and asset sales and other transactions resulting in a financial benefit to the stockholder. The Company may at any time amend its Articles of Organization or Bylaws to elect not to be governed by Chapter 110F, by vote of

the holders of a majority of its voting stock, but such an amendment would not be effective for twelve months and would not apply to a business combination with any person who became an interested stockholder prior to the date of the amendment.

The Company is also subject to the provisions of Chapter 110D of the Massachusetts General Laws, entitled "Regulation of Control Share Acquisitions." This statute provides, in general, that any stockholder who acquires 20% or more of the outstanding voting stock of a corporation subject to this statute may not vote that stock unless the stockholders of the corporation so authorize. In addition, Chapter 110D permits a corporation to provide in its articles of organization or bylaws that the corporation may redeem (for fair value) all the shares thereafter acquired in a control share acquisition if voting rights for those shares were not authorized by the stockholders or if no control share acquisition statement was delivered. The Charter includes a provision which permits the Company to effect such redemptions. See "Risk Factors."

Directors Liability. The Charter provides that no director shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for (i) any breach of the directors's duty of loyalty to the Company or its Stockholders; (ii) acts or omissions which has been adjudicated not to be in good faith or to have involved intentional misconduct; (iii) pursuant to Chapter 156B, Section 61 or Section 62 of the Massachusetts General Laws; or (iv) any transaction from which such director derives improper personal benefit. The effect of this provision is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (iv) above. The limitations summarized above, however, do not affect the ability of the Company or its stockholders to seek non-monetary based remedies, such as an injunction or rescission, against a director for breach of his fiduciary duty nor would such limitations limit liability under the federal securities laws. The Bylaws provide that the Company shall, to the full extent permitted by the Massachusetts General Laws as currently in effect, indemnify and advance expenses to each of its currently acting and former directors, officers, employees and agents arising in connection with their acting in such capacities.

TRANSFER AGENT AND REGISTRAR

Boston EquiServe will serve as the transfer agent and registrar for the Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have outstanding 9,864,023 shares of Common Stock, assuming no exercise of options after October 31, 1997. Of these shares, the 3,500,000 shares offered hereby (4,025,000 shares if the Underwriters' over-allotment options are exercised in full) will be freely tradeable without restriction or further registration under the Securities Act, unless purchased by "affiliates" of the Company as that term is defined in Rule 144 described below. The remaining 6,364,023 shares of Common Stock (5,639,023 shares if the Underwriters' over-allotment options are exercised in full) outstanding upon closing of the Offering are "restricted securities" as that term is defined in Rule 144. Of the remaining 6,364,023 shares (5,639,023 shares if the Underwriters' over-allotment options are exercised in full), shares are subject to lock-up agreements (described below).

Upon completion of the Offering, 1,833,145 shares, including shares subject to the lock-up restrictions described below, will become eligible for immediate sale pursuant to Rule 144(k) and, beginning 90 days after commencement of the Offering, 4,357,528 shares, including shares subject to the lock-up restrictions described below, will become eligible for sale pursuant to Rule 144 or Rule 701 under the Securities Act ("Rule 701"). Upon expiration of the lock-up agreements, an aggregate of shares will become immediately eligible for sale without restriction pursuant to Rule 144(k) or Rule 701 (described below), and approximately additional shares will be eligible for sale subject to the timing, volume, and manner of sale restrictions of Rule 144. The remaining shares held by existing stockholders will become eligible for sale at various times over a period of less than one year. In addition, 463,517 additional shares of Common Stock subject to outstanding vested stock options could also be sold, subject in some cases to compliance with certain volume limitations as described below.

In general, under Rule 144, as recently amended, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least one year (including the holding period of any prior owner except an affiliate from whom such shares were purchased) is entitled to sell in "brokers' transactions" or to market makers, within any three-month period commencing 90 days after the date of this Prospectus, a number of shares that does not exceed the greater of (i) one percent of the number of shares of Common Stock then outstanding (approximately 98,640 shares immediately after the completion of the Offering) or (ii) generally, the average weekly trading volume in the Common Stock during the four calendar weeks preceding the required filing of a Form 144 with respect to such sale. Sales under Rule 144 are subject to the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner other than an affiliate from whom such shares were purchased), is entitled to sell such shares without having to comply with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Under Rule 701, persons who purchase shares upon exercise of options granted prior to the effective date of the Offering are entitled to sell such shares 90 days after the effective date of the Offering in reliance on the resale provisions of Rule 701, which are similar to the resale provisions of Rule 144, except such persons do not have to comply with the holding period requirements of Rule 144 and, in the case of non-affiliates, such persons do not have to comply with the public information, volume limitation or notice provisions of Rule 144.

Pursuant to the lock-up agreements, the Company, its executive officers and directors, the Selling Stockholders and certain other stockholders have agreed that they will not, without the prior written consent of Prudential Securities Incorporated, on behalf of the Underwriters, directly or indirectly, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of any option to purchase or other sale or disposition) of any shares of Common Stock or any securities convertible into, or exercisable or exchangeable for, any shares of Common Stock, or other similar securities of the Company for a period of 180 days from the date of this Prospectus, except that such agreements do not prevent the Company from granting additional options under the Stock Option Plans or from issuing shares pursuant to the 1997 Purchase Plan. After such 180 day period, this restriction will expire and shares permitted to be sold under Rule 144 will be eligible for sale. Prudential Securities Incorporated may, in its sole discretion, at any time and without prior notice, release all or any portion of the shares of Common Stock subject to such lock-up agreements.

The holders of an aggregate of 6,496,642 shares of Common Stock or their transferees are entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock -- Registration Rights of Certain Holders."

Prior to the Offering, there has not been any public market for the Common Stock. Future sales of substantial amounts of Common Stock in the public market could adversely affect the prevailing market prices and impair the Company's ability to raise capital through the sale of equity securities.

UNDERWRITING

The Underwriters named below (the "Underwriters"), for whom Prudential Securities Incorporated and Cowen & Company are acting as representatives (the "Representatives"), have severally agreed, subject to the terms and conditions contained in the Underwriting Agreement, to purchase from the Company and the Selling Stockholders the number of shares of Common Stock set forth opposite their respective names:

UNDERWRITER	NUMBER OF SHARES
Prudential Securities Incorporated	
Cowen & Company	
Total	3,500,000

The Company and the Selling Stockholders are obligated to sell, and the Underwriters are obligated to purchase, all of the shares of Common Stock offered hereby if any are purchased.

The Underwriters, through their Representatives, have advised the Company and the Selling Stockholders that they propose to offer the shares of Common Stock initially at the public offering price set forth on the cover page of this Prospectus; that the Underwriters may reallow to selected dealers a concession of $ per share; and that such dealers may reallow a concession of $ per share to certain other dealers. After the initial public offering, the offering price and the concessions may be changed by the Representatives.

Certain Selling Stockholders have granted to the Underwriters over-allotment options, exercisable for 30 days from the date of this Prospectus, to purchase, in the aggregate, up to 525,000 additional shares of Common Stock at the initial public offering price, less underwriting discounts and commissions, as set forth on the cover page of this Prospectus. The Underwriters may exercise such options solely for the purpose of covering over-allotments incurred in the sale of the shares of Common Stock offered hereby. To the extent such options to purchase are exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set forth next to such Underwriter's name in the preceding table bears to 3,500,000.

The Company and the Selling Stockholders have agreed to indemnify the several Underwriters and contribute to any losses arising out of certain liabilities, including liabilities under the Securities Act.

The Representatives have informed the Company and the Selling Stockholders that the Underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The Company, its executive officers and directors and certain Stockholders, including the Selling Stockholders, have agreed that they will not, for a period of 180 days subsequent to the date of this Prospectus, directly or indirectly, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of any option to purchase or other sale or disposition) of any shares of Common Stock or securities substantially similar thereto, or any securities convertible into or exercisable or exchangeable for, any shares of Common Stock or

securities substantially similar thereto of the Company without the prior written consent of Prudential Securities Incorporated, on behalf of the Underwriters, except that such agreements do not prevent the Company from granting additional options under the Stock Option Plan. Further, certain holders of outstanding vested stock options are subject to 180 day lock-up agreements with the Company and/or Prudential Securities Incorporated. Prudential Securities Incorporated may in its sole discretion at any time and without notice, release all or any portion of the securities subject to such lock-up agreements.

Prior to the Offering, there has been no public market for the Common Stock of the Company. Consequently, the initial public offering price will be determined through negotiations between the Company and the Representatives. Among the factors to be considered in making such determination will be the prevailing market conditions, the Company's financial and operating history and condition, its prospects and the prospects for its industry in general, the management of the Company and the market prices of securities for companies in businesses similar to that of the Company.

In connection with the Offering, certain Underwriters and selling group members (if any) and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M, pursuant to which such persons may bid for or purchase Common Stock for the purpose of stabilizing its market price. The Underwriters also may create a short position for the account of the Underwriters by selling more Common Stock in connection with the Offering than they are committed to purchase from the Company and the Selling Stockholders, and in such case may purchase Common Stock in the open market following the closing of the Offering to cover all or a portion of such short position. The Underwriters may also cover all or a portion of such short position, up to 525,000 shares of Common Stock, by exercising the Underwriters' over-allotment option referred to above. In addition, Prudential Securities Incorporated, on behalf of the Underwriters, may impose "penalty bids" under contractual arrangements with the Underwriters whereby it may reclaim from an Underwriter (or dealer participating in the Offering) for the account of the other Underwriters, the selling concession with respect to Common Stock that is distributed in the Offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Common Stock at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if they are undertaken, they may be discontinued at any time.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and the Selling Stockholders by Hutchins, Wheeler & Dittmar, A Professional Corporation, Boston, Massachusetts. Anthony J. Medaglia, Jr., a Stockholder of Hutchins, Wheeler & Dittmar and the Clerk of the Company, owns 17,250 shares directly, 8,000 shares indirectly as Trustee and options to purchase 5,000 shares of Common Stock, of which options to purchase 2,500 shares are currently exercisable. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Testa, Hurwitz & Thibeault, LLP, Boston, Massachusetts.

EXPERTS

The consolidated balance sheets of Mercury Computer Systems, Inc. as of June 30, 1996 and 1997 and the consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 1997, included in this Prospectus, have been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, on the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commissions (the "Commission"), Washington, D.C. 20549 a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and such Common Stock, reference is hereby made to such Registration Statement and to the exhibits and schedules filed therewith. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement may be inspected by anyone without charge at the Commission's principal office in Washington, D.C., and copies of all or any part of the Registration Statement may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W. Washington, D.C. 20549, upon payment of certain fees prescribed by the Commission. The Commission maintains a World Wide Website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the website is http://www.sec.gov.

Upon completion of the Offering, the Company will be subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, will file reports, proxy statements and other information with the Commission.

The Company intends to furnish its Stockholders with annual reports containing financial statements audited by the Company's independent public accountants and quarterly reports for the first three fiscal quarters of each fiscal year containing unaudited interim financial information.

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MERCURY COMPUTER SYSTEMS, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Mercury Computer Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Mercury Computer Systems, Inc. as of June 30, 1996 and 1997, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mercury Computer Systems, Inc. as of June 30, 1996 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
August 28, 1997

MERCURY COMPUTER SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30,		SEPTEMBER 30,
	1996	1997	1997
			(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 9,704	$15,193	$16,035
Trade accounts receivable, net of allowance for doubtful accounts of $80, $119 and $119 at June 30, 1996 and 1997, and September 30, 1997, respectively	10,236	12,816	12,370
Trade notes receivable	312	--	--
Contracts in progress	--	1,096	1,997
Inventory	7,188	8,314	8,905
Deferred income taxes, net	328	926	1,152
Prepaid expenses and other current assets	521	728	988
Total current assets	28,289	39,073	41,447
Property and equipment, net	4,394	4,984	5,650
Capitalized software development costs, net	371	483	363
Deferred income taxes, net	40	39	145
Other assets	170	269	300
Total assets	$33,264	$44,848	$47,905
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,710	$ 2,801	$ 2,316
Accrued expenses	760	1,903	2,679
Accrued compensation	1,639	2,316	2,351
Billings in excess of revenues and customer advances	393	2,877	3,366
Income taxes payable	233	1,629	2,082
Total current liabilities	4,735	11,526	12,794
Commitments and contingencies (Note F)			
Stockholders' equity:			
Preferred Stock, $.01 par value; 2,000,000 shares authorized:			
1,000,000 shares designated as Series A Convertible Preferred Stock, 852,264 shares issued and outstanding (liquidation preference of $1,200,000)	1,200	1,200	1,200
Common Stock, $.01 par value; 25,000,000 shares authorized, 5,083,231, 5,202,231 and 5,269,181 shares issued and outstanding at June 30, 1996 and 1997, and September 30, 1997, respectively	51	52	53
Additional paid-in capital	5,434	5,703	5,846
Retained earnings	22,141	26,752	28,358
Cumulative translation adjustment	3	(60)	(21)
Subscriptions and related parties notes receivable	(300)	(325)	(325)
Total stockholders' equity	28,529	33,322	35,111
Total liabilities and stockholders' equity	$33,264	$44,848	$47,905

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

MERCURY COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
				(UNAUDITED)	
Revenues	$54,323	$58,300	$64,574	$13,038	$19,039
Cost of revenues	21,221	24,688	22,034	4,538	6,661
Gross profit	33,102	33,612	42,540	8,500	12,378
Operating expenses:					
Selling, general and administrative	15,798	16,927	22,631	4,726	6,645
Research and development	8,586	9,776	12,837	2,405	3,381
Total operating expenses	24,384	26,703	35,468	7,131	10,026
Income from operations	8,718	6,909	7,072	1,369	2,352
Interest income	278	561	582	136	233
Interest expense	(38)	(13)	(22)	--	(2)
Other income (expense), net	22	(77)	(88)	(23)	83
Income before income tax provision	8,980	7,380	7,544	1,482	2,666
Income tax provision	2,636	2,952	2,933	576	1,060
Net income	$ 6,344	$ 4,428	$ 4,611	$ 906	$ 1,606
Net income per common share	$0.77	$0.54	$0.57	$0.11	$0.20
Weighted average number of common and common equivalent shares outstanding	8,256	8,264	8,157	8,191	8,174

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

MERCURY COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 1995, 1996 AND 1997 AND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1997 (UNAUDITED)
(IN THOUSANDS)

	SERIES A CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	SUBSCRIPTIONS AND RELATED PARTIES NOTES RECEIVABLE	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT					
Balance, June 30, 1994...	852	$1,200	4,963	$ 50	$4,242	$11,369	$ 17	$(188)	$16,690
Issuance of Notes Receivable to Related Parties.....								(120)	(120)
Exercise of Common Stock options and subscription repayment.....			49	--	40			8	48
Conversion of Series B Convertible Redeemable Preferred Stock.....					1,000				1,000
Net income.....						6,344			6,344
Foreign currency translation.....							41		41
Balance, June 30, 1995...	852	1,200	5,012	50	5,282	17,713	58	(300)	24,003
Exercise of Common Stock options.....			71	1	152				153
Net income.....						4,428			4,428
Foreign currency translation.....							(55)		(55)
Balance, June 30, 1996...	852	1,200	5,083	51	5,434	22,141	3	(300)	28,529
Issuance of Notes Receivable to Related Parties.....								(25)	(25)
Exercise of Common Stock options.....			86	1	137				138
Issuance of Common Stock.....			33	--	132				132
Net income.....						4,611			4,611
Foreign currency translation.....							(63)		(63)
Balance, June 30, 1997...	852	1,200	5,202	52	5,703	26,752	(60)	(325)	33,322
Exercise of Common Stock options and warrants...			67	1	143				144
Net income.....						1,606			1,606
Foreign currency translation.....							39		39
Balance, September 30, 1997 (Unaudited).....	852	$1,200	5,269	$ 53	$5,846	$28,358	$(21)	$(325)	$35,111

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

MERCURY COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
				(UNAUDITED)	
Cash flows from operating activities:					
Net income	$ 6,344	$ 4,428	$ 4,611	$ 906	$ 1,606
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization of property and equipment	1,594	2,020	2,855	518	685
Amortization of capitalized software development costs	--	--	438	136	120
Provision for doubtful accounts	--	--	40	--	--
Deferred income taxes	79	242	(596)	(117)	(332)
Other noncash items	--	88	87	14	27
Changes in assets and liabilities:					
Trade accounts receivable	996	(2,235)	(2,710)	(53)	446
Trade notes receivable	--	(312)	296	(1,163)	--
Contracts in progress	--	--	(1,096)	--	(901)
Inventory	(4,302)	5,231	(1,158)	135	(591)
Prepaid expenses and other current assets	(5)	(103)	(246)	(22)	(260)
Income taxes receivable	959	--	--	--	--
Other assets	(46)	(158)	(101)	(238)	(31)
Accounts payable	(148)	(16)	1,081	(199)	(485)
Accrued expenses and compensation	(46)	503	1,846	312	812
Billings in excess of revenues and customer advances	4,137	(5,090)	2,472	(79)	489
Income taxes payable	525	(291)	1,403	693	453
Net cash provided by operating activities	10,087	4,307	9,222	843	2,038
Cash flows from investing activities:					
Purchases of property and equipment	(2,101)	(2,924)	(3,457)	(567)	(1,358)
Capitalized software development costs	--	(371)	(550)	(324)	--
Notes receivable from related parties	(120)	--	(25)	--	--
Net cash used in investing activities	(2,221)	(3,295)	(4,032)	(891)	(1,358)
Cash flows from financing activities:					
Principal payments under capital lease obligations	(73)	--	--	--	--
Proceeds from issuance of Common Stock	40	153	270	2	144
Subscription repayment	8	--	--	--	--
Net cash provided by (used in) financing activities	(25)	153	270	2	144
Net increase in cash and cash equivalents	7,841	1,165	5,460	(46)	824
Effect of exchange rate changes on cash and cash equivalents	38	(52)	29	(8)	18
Cash and cash equivalents at beginning of period	712	8,591	9,704	9,704	15,193
Cash and cash equivalents at end of period	$ 8,591	$ 9,704	$15,193	$ 9,650	$16,035
Cash paid during the period for:					
Interest	$ 38	$ 13	$ 22	--	$ 2
Income taxes	2,177	2,901	2,133	--	939
Noncash transactions:					
Series B Convertible Redeemable Preferred Stock converted to additional paid-in capital	$ 1,000	--	--	--	--

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

MERCURY COMPUTER SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)
INFORMATION AS OF SEPTEMBER 30, 1997, AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1997, IS UNAUDITED

A. DESCRIPTION OF BUSINESS:

Mercury Computer Systems, Inc. (the "Company") designs, manufactures and markets high performance real-time digital signal processing computer systems which transform sensor generated data into information which can be displayed as images for human interpretation or subjected to additional computer analysis. These multicomputer systems are heterogeneous and scalable, allowing them to accommodate several different microprocessor types and to scale from a few to hundreds of microprocessors within a single system. The two primary markets for the Company's products are defense electronics and medical diagnostic imaging. Both of these markets have computing needs which benefit from the unique system architecture developed by the Company.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

Interim Financial Information

The consolidated financial statements of the Company as of September 30, 1997 and for the three months ended September 30, 1996 and 1997 are unaudited. All adjustments (consisting only of normal recurring adjustments) have been made which, in the opinion of management, are necessary for a fair presentation. Results of operations for the three months ended September 30, 1997 are not necessarily indicative of the results that may be expected for any future period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Revenue from product sales is generally recorded upon shipment to the customer provided that no significant vendor obligations remain outstanding and collection of the related receivable is deemed probable by management. If insignificant vendor obligations remain after shipment of the product, the Company accrues for the estimated costs of such obligations. Additionally, the Company accrues for warranty costs upon shipment. Service revenue is recognized ratably over applicable contract periods or as the services are performed. Revenue from contracts involving significant product modification or customization is recognized using the percentage-of-completion accounting method on an efforts-expended basis. Changes to total estimated costs and anticipated losses, if any, are recognized in the period in which determined. No revenue was recognized under the percentage of completion method for the fiscal years ended June 30, 1995 and 1996, and the three months ended September 30, 1996. Approximately $2,102,000 and $901,000 of revenue was recognized under the percentage-of-completion method for the fiscal year ended June 30, 1997, and the three months ended September 30, 1997, respectively. There were no retainages at June 30, 1996 and 1997 and September 30, 1997.

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

Contracts in Progress

Contracts in progress include costs and estimated profits under uncompleted contracts accounted for using the percentage-of-completion method, net of amounts billed. Amounts billed at June 30, 1996 and 1997 and September 30, 1997, which were netted against costs and estimated profits, were $0, $1,016,000 and $1,091,000, respectively. Amounts billed at September 30, 1997 are expected to be collected within the next twelve months.

Billings in Excess of Revenues and Customer Advances

Billings in excess of revenues and customer advances include amounts billed on uncompleted contracts accounted for using the percentage-of-completion method net of costs and estimated profits recognized.

Cash and Cash Equivalents

Cash equivalents, consisting of money market funds and U.S. government and U.S. government agency issues with original maturities of 90 days or less, are carried at cost which approximates fair value.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places its cash and cash equivalents with financial institutions which management believes are of high credit quality. At September 30, 1997, the Company had approximately $15,489,000 on deposit or invested with its primary financial and lending institution.

One customer accounted for approximately 19% and 57% of the accounts receivable balances at June 30, 1996 and 1997, respectively. Two other customers accounted for approximately 15% and 12% of the accounts receivable balance at June 30, 1996, respectively. Three customers accounted for approximately 17%, 16% and 10%, respectively, of the accounts receivable balance at September 30, 1997. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Such losses have historically been within management's expectations.

Inventory

Inventory is stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is based on the following estimated useful lives of the assets using the straight-line method:

Computer equipment	3 years
Machinery and equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the lease term or economic life

Expenditures for additions, renewals and betterments of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. As assets are retired or sold, the

related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Capitalized Software Development Costs

The Company capitalizes software development costs incurred after a product's technological feasibility has been established and before it is available for general release to customers. Amortization of capitalized software costs is computed on an individual product basis and is the greater of a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or b) the straight-line method over the estimated economic life of the product. Currently, the Company uses an estimated economic life of 36 months for all capitalized software costs.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's consolidated financial statements. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using currently enacted tax rates for the year in which the differences are expected to reverse. The Company records a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income Per Common Share

Net income per common share is based upon the weighted average number of common and common equivalent shares (using the treasury stock method) outstanding after certain adjustments described below. Common equivalent shares are included in the per share calculations where the effect of their inclusion would be dilutive. Common equivalent shares consist of outstanding stock options, stock warrants, and the Series A convertible preferred stock. Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, all common and common equivalent shares issued at prices less than the mid-point of the estimated initial public offering price range during the twelve-month period prior to the initial filing of the Registration Statement for the initial public offering have been included in the calculation as if they were outstanding for all periods using the treasury stock method and an assumed mid-point of the estimated initial public offering price range of $13.00 per common share. Fully diluted earnings per share is not presented, as the difference between primary and fully diluted earnings per share is immaterial.

Foreign Currency

The accounts of foreign subsidiaries are translated using exchange rates in effect at period-end for assets and liabilities and at average exchange rates during the period for results of operations. The local currency for all foreign subsidiaries is the functional currency. The related translation adjustments are reported as a separate component of stockholders' equity. Gains (losses) resulting from foreign currency transactions are included in other income (expense) and are immaterial for all period presented.

Reclassification

Certain reclassifications have been made to the prior years' financial statements to conform to the current year's presentation.

New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," which is effective for both interim and annual periods ending after December 31, 1997. Earlier adoption is not permitted. The statement requires restatement of all prior period earnings per share data presented after the effective date. SFAS No. 128 specifies the computation, presentation and disclosure requirements for earnings per share and is substantially similar to the standards recently issued by the International Accounting Standards Committee entitled "International Accounting Standards, Earnings Per Share." The Company will adopt SFAS No. 128 in the interim period ending December 31, 1997. The impact of SFAS No. 128 will be immaterial to reported net income per common share.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement requires that changes in comprehensive income be shown in a financial statement that is displayed with the same prominence as other financial statements. The statement will be effective for annual periods beginning after December 15, 1997 and the Company will adopt its provisions in fiscal 1999. Reclassification for earlier periods is required for comparative purposes. The Company is currently evaluating the impact this statement will have on its financial statements; however, because the statement requires only additional disclosure, the Company does not expect the statement to have a material impact on its financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." This statement includes requirements to report selected segment information quarterly and entity-wide disclosures about products and services, major customers, and the material countries in which the entity holds assets and reports revenues. The statement will be effective for annual periods beginning after December 15, 1997 and the Company will adopt its provisions in fiscal 1999. Reclassification for earlier periods is required, unless impracticable, for comparative purposes. The Company is currently evaluating the impact this statement will have on its financial statements; however, because the statement requires only additional disclosure, the Company does not expect the statement to have a material impact on its financial position or results of operations.

In October 1997, the American Institute of Certified Public Accountants ("AICPA") issued the statement of position ("SOP") 97-2 "Software Revenue Recognition," which will supersede SOP 91-1. SOP 97-2 has not changed the basic rules of revenue recognition but does provide more guidance particularly with respect to multiple deliverables and "when and if available" products. SOP 97-2 is effective for transactions entered into for annual periods beginning after December 15, 1997. The Company will adopt SOP 97-2 in fiscal 1999 and has not yet determined its impact.

MERCURY COMPUTER SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)
INFORMATION AS OF SEPTEMBER 30, 1997, AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1997, IS UNAUDITED

C. INVENTORY:

Inventory consists of the following:

	JUNE 30,		SEPTEMBER 30,
	1996	1997	1997
Raw materials	$2,107	$2,925	$ 2,548
Work in process	2,355	3,084	4,477
Finished goods	2,726	2,305	1,880
	$7,188	$8,314	$ 8,905

D. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	JUNE 30,		SEPTEMBER 30,
	1996	1997	1997
Computer equipment	$ 11,651	$11,253	$ 12,437
Machinery and equipment	982	337	268
Furniture and fixtures	1,481	1,697	1,880
Leasehold improvements	934	1,050	1,098
	15,048	14,337	15,683
Less: accumulated depreciation and amortization	(10,654)	(9,353)	(10,033)
	$ 4,394	$ 4,984	$ 5,650

E. FINANCING ARRANGEMENT:

Under a credit agreement with a commercial bank, the Company may borrow up to $6,000,000 at an interest rate equal to the prime rate or, at the election of the Company, two and one-quarter percentage points above the London InterBank Offered Rate, payable monthly. The credit agreement contains certain covenants, including restrictions on incurrence of additional indebtedness and liens on its assets, capital expenditures, disposition of assets, investments and acquisitions, limitations on distributions, and requires the Company to meet certain financial tests pertaining to current and debt ratios and income before tax provision. There were no borrowings outstanding at June 30, 1996 and 1997 and September 30, 1997.

F. COMMITMENTS AND CONTINGENCIES:

Lease Commitments

The Company has an operating lease agreement for its main facility which expires on September 30, 2002, with an option to extend the lease for an additional five-year period.

Additionally, the Company leases branch office space. The leases expire at various dates through 2003 and contain various renewal options. Rental charges are subject to escalation for increases in certain operating costs of the lessor.

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at September 30, 1997:

October 1, 1997 through June 30, 1998	$ 701
Year ending June 30, 1999	904
Year ending June 30, 2000	827
Year ending June 30, 2001	820
Year ending June 30, 2002	804
Thereafter	197
Total future minimum lease payments	$4,253

Rental expense during the fiscal years ended June 30, 1995, 1996 and 1997 and the three months ended September 30, 1996 and 1997 was approximately $674,000, $670,000, $642,000, $140,000 and $203,000, respectively.

Internal Revenue Service Audit

In 1995, the Internal Revenue Service ("IRS") initiated an audit of the Company's tax return for the year ended 1994. While to date, the IRS has not delivered to the Company a notice of proposed adjustments with respect to the year under audit, the IRS has informally proposed adjustments relating to certain research and development tax credits taken by the Company during the year under audit. There can be no assurance that the amount of adjustments, if any, will not be material in amount, that the IRS will not propose additional adjustments relating to other items, or that the IRS will not propose adjustments relating to other taxable years.

G. STOCKHOLDERS' EQUITY:

Preferred Stock

General

The Company is authorized to issue 2,000,000 shares of preferred stock with a par value of $.01 per share. Under the terms of the various agreements related to the sale and/or issuance of the preferred stock, restrictions are placed on the Company pertaining to dividends, mergers, incurrence of indebtedness and reorganizations. These agreements also grant certain preferred stockholders' representation on the Company's Board of Directors ("the Board"), demand registration rights, piggyback registration rights and certain antidilutive rights.

Series A Convertible Preferred Stock

The Series A Convertible Preferred Stock has a liquidation preference of $1.41 per share and has voting rights similar to the common stock. Each of the preferred stockholders has one vote for each share of Common Stock into which the Series A Convertible Preferred Stock is convertible. The Series A Convertible Preferred Stock is convertible, at the option of the holder, into shares of the Company's Common Stock in accordance with a conversion formula which would currently result in a three-for-one exchange with mandatory conversion required in the event of a sale of the Company's Common Stock in a public offering meeting a specified aggregate valuation.

Series B Convertible Redeemable Preferred Stock

On April 26, 1993, the Company redeemed all of the outstanding shares of Series B Convertible Redeemable Preferred Stock for $3.00 per share resulting in a $1,500,000 redemption and a $1,000,000 payment contingent on a qualified public offering on or before April 26, 1995. During the fiscal year ended June 30, 1995, the contingent obligation expired and the remaining obligation was reclassified to additional paid-in capital.

Stock Options

The Company has four stock option plans. The 1982, 1991 and 1993 Stock Option Plans (the "Plans") provide for the granting of options to purchase an aggregate of not more than 1,950,000 shares of the Company's Common Stock to employees and directors. Under these plans, options are granted at not less than the fair value of the stock on the date of grant as determined by the Board. The terms of the options are established by the Board on an individual basis. The options generally vest over five years and have a maximum term of ten years.

The 1997 Stock Option Plan (the "1997 Plan"), which the Board approved in June 1997, provides for the granting of options to purchase an aggregate of not more than 575,000 shares of the Company's Common Stock. Under the 1997 Plan, options are granted at not less than 50% of the fair value of the stock on the date of grant as determined by the Board. The options vest over five years and have a maximum term of ten years. With the implementation of the 1997 Plan, no further stock options were granted under the 1982, 1991 and 1993 Stock Option Plans. No options were granted under the 1997 Plan during the fiscal year ended June 30, 1997. Options granted under the 1997 Plan during the three months ended September 30, 1997 were granted at the fair value of the common stock on the date of grant.

In determining the fair value of the Stock at the date of grant under each plan, the Board considered a broad range of factors including the illiquid nature of an investment in the Company's Common Stock, transactions in the Company's Common Stock with third parties, consultations with financial advisors (as appropriate), the Company's historical financial performance relative to that of comparable companies and its future prospects.

In fiscal year 1997, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires that companies either recognize compensation expense for grants of stock, stock options and other equity instruments based on fair value or provide pro forma disclosure of net income and earnings per share in the notes to the financial statements. The Company adopted the disclosure provisions of SFAS No. 123 in fiscal 1997 and has applied APB Opinion No. 25 and related Interpretations in accounting for all of its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans as compensation cost is measured as the excess, if any, of the fair market value of the Company's stock at the date of grant over the amount an individual must pay to acquire the stock.

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at June 30, 1994	849,367	$ 3.23
Granted	90,251	7.25
Exercised	(49,067)	0.82
Canceled	(96,900)	3.88
Outstanding at June 30, 1995	793,651	3.76
Granted	47,675	6.16
Exercised	(71,250)	2.17
Canceled	(60,700)	5.51
Outstanding at June 30, 1996	709,376	4.02
Granted	526,292	4.00
Exercised	(85,850)	1.61
Canceled	(305,226)	6.15
Outstanding at June 30, 1997	844,592	3.41
Granted	41,101	4.00
Exercised	(56,950)	2.19
Canceled	(600)	5.00
Outstanding at September 30, 1997	828,143	$ 3.52

Information related to the stock options outstanding as of September 30, 1997, is as follows:

				EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$1.50 - $3.50	309,250	3.42	$ 2.48	303,450	$ 2.46
$4.00	475,293	9.06	4.00	127,604	4.00
$5.00 - $7.50	43,600	6.60	7.10	35,850	7.10
Total	828,143	6.83	$ 3.60	466,904	$ 3.24

There were 527,791 and 473,890 options exercisable at June 30, 1996 and 1997, respectively. The weighted average fair value at date of grant for stock options granted during the fiscal years ended June 30, 1996 and 1997 and the three months ended September 30, 1997 was $3.82, $1.64 and $1.64, respectively. The fair value of each option granted during the fiscal years ended June 30, 1996 and 1997 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: an expected life of eight years, a dividend yield of 0%, a risk free interest rate of 6.8% and zero expected volatility.

Had compensation cost for the Company's stock option grants been determined based on the fair value at the grant dates, as calculated in accordance with SFAS No. 123, the Company's net income and net income per common share for the fiscal years ended June 30, 1996 and 1997 and the three months ended

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

September 30, 1997, would approximate the following pro forma amounts as compared to the amounts reported:

	NET INCOME	NET INCOME PER COMMON SHARE
As reported:		
1996	$4,428	$ 0.54
1997	4,611	0.57
Three months ended September 30, 1997	1,606	0.20
Pro Forma:		
1996	$4,330	$ 0.53
1997	4,345	0.53
Three months ended September 30, 1997	1,542	0.19

The effects of applying SFAS No. 123 in this disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995 and additional awards in future years are anticipated.

Repricing Stock Options

On July 30, 1996, the Board approved a plan (the "repricing plan") to reprice employee stock options under the Plans to restore the long-term employee retention and performance incentives of the stock options outstanding. In accordance with the repricing plan, all stock options with exercise prices above $4.00 per share and approved by the individual optionholder were canceled and replaced by the same number of options exercisable at $4.00 per share, the fair value of the Company's common stock as determined by the Board on the date of the repricing. In reaching this determination, the Board considered a broad range of factors including the illiquid nature of an investment in the Company's Common Stock, transactions of the Company's Common Stock with third parties, the Company's historical financial performance relative to that of comparable companies and its future prospects. Fifty percent of those options which were vested prior to the repricing vested immediately under the repricing plan. All remaining previously vested and unvested options will vest in accordance with the current option plan.

Warrants

At June 30, 1996 and 1997, a warrant to purchase 10,000 shares of the Company's Common Stock was outstanding with an exercise price of $2.00 per share and exercisable through June 30, 2000. In September 1997, the warrants were exercised.

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

H. INCOME TAXES:

Income tax expense consisted of the following:

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
Federal:					
Current	$2,295	$2,437	$3,088	$ 606	$1,168
Deferred	214	115	(592)	(116)	(290)
	2,509	2,552	2,496	490	878
State:					
Current	208	101	301	60	162
Deferred	(135)	127	(4)	(1)	(42)
	73	228	297	59	120
Foreign -- current	54	172	140	27	62
	$2,636	$2,952	$2,933	$ 576	$1,060

The following is a reconciliation between the statutory provision for federal income taxes and the effective income tax expense:

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
Income taxes at federal statutory rates	34.0%	34.0%	34.0%	34.0%	34.0%
State income tax, net of federal tax benefit and credits	0.5	2.0	3.9	3.9	3.9
Research and development credits utilized	(5.9)	--	(3.5)	(3.5)	(2.9)
Other	0.8	4.0	4.5	4.5	4.8
	29.4%	40.0%	38.9%	38.9%	39.8%

The components of the net deferred tax asset are as follows:

	JUNE 30,			SEPTEMBER 30,
	1995	1996	1997	1997
Receivables, allowances and inventory reserves	$162	$ 377	$ 614	$ 851
Deferred revenue	188	--	--	--
Accrued vacation	--	--	213	202
Property and equipment	(54)	1	232	290
Research and development credits	260	100	--	--
Capitalized software development costs	--	(148)	(193)	(145)
Other temporary differences	54	38	99	99
Total deferred tax asset, net	$610	$ 368	$ 965	$ 1,297

No valuation allowance was deemed necessary for the deferred tax asset. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

I. MAJOR CUSTOMERS AND INTERNATIONAL DATA:

Customers comprising 10% or more of the Company's revenues for the periods shown below are as follows:

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1996	1997
Customer A	18%	--	--	--	--
Customer B	12%	16%	--	--	11%
Customer C	--	13%	12%	10%	--
Customer D	--	20%	24%	--	11%
Customer E	--	--	--	19%	11%
Customer F	--	--	--	--	16%

Export sales to unaffiliated customers were approximately $20,987,000, $5,521,000, $5,351,000, $1,000,714 and $1,130,280 for the fiscal years ended June 30, 1995, 1996 and 1997 and September 30, 1996 and 1997, respectively.

The Company has operations in the United Kingdom, the Netherlands, Japan and France. For each of the fiscal years ended June 30, 1995, 1996 and 1997 and each of the three months ended September 30, 1996 and 1997, revenues and operating income from foreign operations represented less than 10% of the Company's total revenues and operating income. At June 30, 1996 and 1997 and September 30, 1997, identifiable assets of foreign operations were not material to total assets.

J. EMPLOYEE BENEFIT PLANS:

The Company maintains a qualified 401(a) Plan and a qualified Profit Sharing and 401(k) Plan. The plans cover substantially all full-time employees who have three months of service and have attained the age of 21. Employee contributions to the Profit Sharing and 401(k) Plan may range from 1% to 15% of compensation with a discretionary matching Company contribution. The Company will match up to 2% of compensation. The Company may also make optional contributions to both plans for any plan year at its discretion.

Expense recognized by the Company under the Profit Sharing and 401(k) Plan was approximately $245,000, $232,000, $287,000, $40,000 and $101,000 for the fiscal years ended June 30, 1995, 1996 and 1997 and the three months ended September 30, 1996 and 1997, respectively.

The Company maintains a bonus plan which provides cash awards to employees, at the discretion of the Board of Directors, based upon operating results and employee performance. Bonus expense to employees was approximately $943,000, $1,150,000, $1,245,000, $245,000 and $454,000 for the years ended June 30, 1995, 1996, and 1997, and for the three months ended September 30, 1996 and 1997, respectively.

(TABLES IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE DATA)

K. RELATED PARTY TRANSACTIONS:

Notes receivable from related parties are from members of the Board of Directors and management and are due 181 days subsequent to an initial public offering or December 31, 1999, whichever occurs first. The notes receivable are without recourse and bear interest at two percentage points above the prime rate per annum.

L. VALUATION AND QUALIFYING ACCOUNTS:

The following table sets forth activity in the Company's accounts receivable reserve account:

	BALANCE AT BEGINNING OF PERIOD	CHARGES TO EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
Year ended:				
June 30, 1995.....	$124		17	$107
June 30, 1996.....	$107		27	$ 80
June 30, 1997.....	$ 80	40	1	$119
Three months ended September 30, 1997...	$119	--	--	$119

SHARED STORAGE

[DRAWING OF TELEVISION VCR, SPEAKER AND VIDEO CAMERA]

MERCURY's application software and system integration services are used in shared storage, work group environments within video post-production, broadcasting and webcasting applications.

The software allows work groups to share commodity, network-attached disk arrays, eliminating the need for an expensive, intermediate file server.

MERCURY'S SuiteFusion(TM) is supported on several desktop environments, and supports multiple network technologies including fibrechannel.

[PICTURE OF PACKAGING WITH THE WORDS "SUITEFUSION THE SHARED STORAGE SOLUTION" AND THE MERCURY LOGO]

[PICTURE OF PEOPLE SITTING AT DESKS IN FRONT OF COMPUTERS]

MERCURY'S SuiteFusion(TM) choreographs the interactions between workstations and disks to keep files protected and allow work to proceed efficiently.

[MERCURY COMPUTER SYSTEMS, INC. LOGO]

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NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED BY THIS PROSPECTUS, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY THE SHARES OF COMMON STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 1998, ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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3,500,000 Shares

[LOGO: MERCURY COMPUTER SYSTEMS, INC.-- The Ultimate Performance Machine]

Common Stock

PROSPECTUS

PRUDENTIAL SECURITIES INCORPORATED

COWEN & COMPANY

January , 1998

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The expenses (other than underwriting discount and commissions) payable in connection with the sale of the Common Stock offered hereby (including the Common Stock which may be sold pursuant to the Underwriters' over-allotment option) are as follows, all of which will be paid by the Company:

	AMOUNTS(1)
SEC Registration fee	$ 17,076
NASD filing fee	6,135
Nasdaq National Market fee	42,195
Printing Expenses	(2)
Legal fees and expenses	(2)
Accounting Fees and expenses	(2)
Blue sky fees and expenses (including legal fees and expenses)	(2)
Transfer agent and registrar fees and expenses	(2)
Miscellaneous	(2)
Total	$750,000

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(1) All amounts are estimated, except SEC Registration, NASD and Nasdaq National Market Fees.

(2) To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 67 of Chapter 156B of the Massachusetts Business Corporation Law, which is applicable to the Company, provides as follows:

Indemnification of directors, officers, employees and other agents of a corporation, and persons who serve at its request as directors, officers, employees or other agents of another organization, or who serve at its request in any capacity with respect to any employee benefit plan, may be provided by it to whatever extent shall be specified in or authorized by (i) the articles of organization or (ii) a by-law adopted by the Stockholders or (iii) a vote adopted by the holders of a majority of the shares of stock entitled to vote on the election of directors. Except as the articles of organization or by-laws otherwise require, indemnification of any persons referred to in the preceding sentence who are not directors of the corporation may be provided by it to the extent authorized by the directors. Such indemnification may include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification under this Section which undertaking may be accepted without reference to the financial ability of such person to make repayment. Any such indemnification may be provided although the person to be indemnified is no longer an officer, director, employee or agent of the corporation or of such other organization or no longer serves with respect to any such employee benefit plan.

No indemnification shall be provided for any person with respect to any matter as to which he shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation or to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

The absence of any express provision for indemnification shall not limit any right of indemnification existing independently of this section.

A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or other agent of another organization or with respect to any

employee benefit plan, against any liability incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability.

In addition, pursuant to its Articles of Organization and Bylaws, the Company shall indemnify its directors and officers against expenses (including judgments or amounts paid in settlement) incurred in any action, civil or criminal, to which any such person is a party by reason of any alleged act or failure to act in his capacity as such, except as to a matter as to which such director or officer shall have been finally adjudged not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation.

The Underwriting Agreement provides that the Underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of the Company against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1 hereto.

The Company maintains directors and officers liability insurance for the benefit of its directors and certain of its officers and has entered into indemnification agreements with its directors and certain of its officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, the Company has issued the following securities, none of which has been registered under the Securities Act:

(1) In transactions exempt from registration pursuant to Rule 701 under the Securities Act the Company has issued the following securities:

(a) On October 28, 1997, the Company issued 8,000 shares of Common Stock at a price of $2.00 per share upon the exercise of two stock options.

(b) On October 17, 1997, the Company issued 200 shares of Common Stock at a price of $4.00 per share upon the exercise of a stock option.

(c) On October 16, 1997, the Company issued 3,000 shares of Common Stock at a price of $3.50 per share upon the exercise of two stock options.

(d) On October 9, 1997, the Company issued 800 shares of Common Stock at a price of $5.00 per share upon the exercise of a stock option.

(e) On October 3, 1997, the Company issued 17,000 shares of Common Stock at a price of $2.00 per share upon the exercise of three stock options.

(f) On September 26, 1997, the Company issued 10,000 shares of Common Stock at a price of $2.00 per share upon the exercise of a warrant.

(g) On September 23, 1997, the Company issued 500 shares of Common Stock at a price of $4.00 per share and 1,000 shares of Common Stock at a price of $3.50 per share upon the exercise of three stock options.

(h) On September 22, 1997, the Company issued 1,500 shares of Common Stock at a price of $2.00 per share and 4,000 shares of Common Stock at a price of $3.50 per share upon the exercise of three stock options.

(i) On September 18, 1997, the Company issued 12,500 shares of Common Stock at a price of $1.50 upon the exercise of a stock option.

(j) On September 12, 1997, the Company issued 2,400 shares of Common Stock at a price of $5.00 per share upon the exercise of a stock option.

(k) On September 11, 1997, the Company issued 3,000 shares of Common Stock at a price of $2.00 per share upon the exercise of two stock options.

(l) On September 7, 1997, the Company issued 20,000 shares of Common Stock at a price of $4.00 per share upon the exercise of a stock option.

(m) On September 5, 1997, the Company issued 10,300 shares of Common Stock at a price of $2.00 per share upon the exercise of two stock options.

(n) On September 4, 1997, the Company issued 5,000 shares of Common Stock at a price of $1.50 per share upon the exercise of a stock option.

(o) On August 29, 1997, the Company issued 3,000 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(p) On August 11, 1997, the Company issued 3,000 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(q) On June 3, 1997, the Company issued 5,000 shares of Common Stock at a price of $2.00 per share and 3,000 shares of Common Stock at a price of $3.50 per share upon the exercise of two stock options.

(r) On June 2, 1997, the Company issued 7,500 shares of Common Stock at a price of $1.50 per share upon the exercise of a stock option.

(s) On May 23, 1997, the Company issued 200 shares of Common Stock at a price of $4.00 per share upon the exercise of a stock option.

(t) On May 5, 1997, the Company issued 2,500 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(u) On April 17, 1997, the Company issued 13,000 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(v) On April 14, 1997, the Company issued 18,000 shares of Common Stock at a price of $4.00 per share and 100 shares of Common Stock at a price of $4.00 per share upon the exercise of three stock options.

(w) On February 19, 1997, the Company issued 5,500 shares of Common Stock at a price of $2.00 per share and 50 shares of Common Stock at a price of $3.50 per share upon the exercise of three stock options.

(x) On February 13, 1997, the Company issued 3,000 shares of Common Stock at a price of $1.50 per share upon the exercise of a stock option.

(y) On February 12, 1997, the Company issued 4,000 shares of Common Stock at a price of $3.50 per share and 3,000 shares at a price of $2.00 per share upon the exercise of two stock options.

(z) On February 11, 1997, the Company issued 12,500 shares of Common Stock at a price of $1.50 per share and 5,000 shares of Common Stock of a price of $2.00 per share upon the exercise of three stock options.

(aa) On February 7, 1997, the Company issued 4,000 shares of Common Stock at a price of $3.50 per share upon the exercise of a stock option.

(bb) On December 26, 1996, the Company sold 33,000 shares of Common Stock at a price of $4.00 per share.

(cc) On December 2, 1996, the Company issued 3,000 shares of Common Stock at a price of $2.00 per share upon the exercise of a stock option.

(dd) On October 15, 1996, the Company issued 6,000 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(ee) On October 11, 1996, the Company sold 30,000 shares of Common Stock at a price of $4.00 per share and issued 500 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(ff) On October 10, 1996, the Company issued 5,000 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(gg) On September 9, 1996, the Company issued 1,000 shares of Common Stock at a price of $2.00 per share upon the exercise of a stock option.

(hh) On June 12, 1996, the Company issued 800 shares of Common Stock at a price of $7.50 per share upon the exercise of a stock option.

(ii) On June 1, 1996, the Company issued 1,000 shares of Common Stock at a price of $3.00 per share upon the exercise of a stock option.

(jj) On May 15, 1996, the Company issued 1,000 shares of Common Stock at a price of $3.50 per share upon the exercise of a stock option.

(kk) On April 12, 1996, the Company issued 5,000 shares of Common Stock at a price of $1.00 per share and 200 shares of Common Stock at a price of $2.00 per share upon the exercise of two stock options.

(ll) On March 25, 1996, the Company issued 1,000 shares of Common Stock at a price of $3.50 per share upon the exercise of a stock option.

(mm) On March 1, 1996, the Company issued 2,000 shares of Common Stock at a price of $2.00 per share and 600 shares of Common Stock at a price of $3.50 per share upon the exercise of two stock options.

(nn) On February 6, 1996, the Company issued 12,000 shares of Common Stock at a price of $2.00 per share and 4,400 shares of Common Stock at a price of $3.50 per share upon the exercise of five stock options.

(oo) On January 6, 1996, the Company issued 5,200 shares of Common Stock at a price of $2.00 per share and 400 shares of Common Stock at a price of $3.50 per share upon the exercise of three stock options.

(pp) On December 29, 1995, the Company issued 5,750 shares of Common Stock at a price of $2.00 per share and 2,500 shares of Common Stock at a price of $1.50 per share upon the exercise of three stock options.

(qq) On December 19, 1995, the Company issued 4,000 shares of Common Stock at a price of $1.00 per share and 2,000 shares of Common Stock at a price of $2.00 per share upon the exercise of three stock options.

(rr) On December 12, 1995, the Company issued 2,000 shares of Common Stock at a price of $2.00 per share upon the exercise of a stock option.

(ss) On December 5, 1995, the Company issued 1,500 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(tt) On October 25, 1995, the Company issued 1,500 shares of Common Stock at a price of $2.00 per share upon the exercise of a stock option.

(uu) On October 24, 1995, the Company issued 1,600 shares of Common Stock at a price of $3.50 per share and 5,000 shares of Common Stock at a price of $2.00 per share upon the exercise of two stock options.

(vv) On September 25, 1995, the Company issued 5,000 shares of Common Stock at a price of $2.00 per share and 200 shares of Common Stock at a price of $3.50 per share upon the exercise of four stock options.

(ww) On August 11, 1995, the Company issued 600 shares of Common Stock at a price of $3.50 per share upon the exercise of a stock option.

(xx) On July 21, 1995, the Company issued 5,000 shares of Common Stock at a price of $1.50 per share upon the exercise of a stock option.

(yy) On January 11, 1995, the Company issued 17,967 shares of Common Stock at a price of $.50 per share upon the exercise of a stock option.

(zz) On January 3, 1995, the Company issued 1,200 shares of Common Stock at a price of $.50 per share upon the exercise of a stock option.

(aaa) On December 27, 1994, the Company issued 3,700 shares of Common Stock at a price of $.50 per share upon the exercise of a stock option.

(bbb) On December 20, 1994, the Company issued 4,000 shares of Common Stock at a price of $.50 per share upon the exercise of a stock option.

(ccc) On December 15, 1994, the Company issued 1,500 shares of Common Stock at a price of $1.00 per share upon the exercise of a stock option.

(ddd) On December 2, 1994, the Company issued 100 shares of Common Stock at a price of $2.00 per share upon the exercise of a stock option.

(2) In transactions exempt from registration pursuant to Section 4(2) of the Securities Act, the Company sold an aggregate of 63,000 shares of Common Stock for an aggregate consideration of $252,000.

ITEM 16. EXHIBITS

EXHIBITS:

ITEM #	
1.1	Form of Underwriting Agreement
3.1	Restated Articles of Organization of the Registrant
3.2	Bylaws of the Registrant
4.1*	Form of Stock Certificate
5.1*	Form of Opinion of Hutchins, Wheeler & Dittmar, A Professional Corporation
10.1	1982 Stock Option Plan, as amended
10.2	1991 Stock Option Plan, as amended
10.3	1993 Stock Option Plan for Non-Employee Directors
10.4	1997 Stock Option Plan
10.5	1997 Employee Stock Purchase Plan
10.6	Lease Agreement, dated July 24, 1992, by and between the Company and Equitable Variable Life Insurance Company, as amended and extended
10.7	Purchase and Sale Agreement, dated November 8, 1996 between Corcoran Chelmsford & Associates and Northland Development Corporation
108+	Term Purchase Agreement, dated July 25, 1995 between the Company and Analog Devices, Inc.
10.9+	Risk Reproduction Agreement, dated March 20, 1996, between the Company and LSI Logic Corporation
10.10+	Purchase Offer Agreement for OEM Manufacturer, dated February 16, 1995, between the Company & IBM Microelectronics Division
10.11	$100,000 Promissory Note, dated December 22, 1993 and amended January 27, 1997, issued by Albert P. Belle Isle to the Company
10.12	$25,000 Promissory Note, dated July 15, 1997 and amended January 27, 1997, issued by Albert P. Belle Isle to the Company

EXHIBITS:
ITEM #

10.13	$150,000 Promissory Note, dated March 26, 1994 and amended August 26, 1997, issued by James R. Bertelli to the Company
10.14	$50,000 Promissory Note, dated June 24, 1995 and amended August 26, 1997, issued by James R. Bertelli to the Company
11.1	Statement of Computation at Earnings Per Share
21.1	Subsidiaries of the Registrant
23.1	Consent of Coopers & Lybrand L.L.P.
23.2*	Consent of Hutchins, Wheeler & Dittmar, A Professional Corporation (included in Exhibit 5.1)
24.1	Power of Attorney (included on page II-4)
27.1	Financial Data Schedule

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* To be filed by amendment.
+ Confidential treatment requested.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) 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.

The undersigned registrant hereby undertakes that: (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of his registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to provisions described in Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, 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 Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Chelmsford, Massachusetts, on November 25, 1997.

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ JAMES R. BERTELLI

NAME: JAMES R. BERTELLI
TITLE: PRESIDENT

We, the undersigned officers and directors of Mercury Computer Systems, Inc., hereby severally constitute and appoint James R. Bertelli and G. Mead Wyman, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us and in our names in the capacities indicated below, the Registration Statement on Form S-1 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement, and, in connection with any registration of additional securities pursuant to Rule 462(b) under the Securities Act of 1933, to sign any abbreviated registration statement and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, in each case, with the Securities and Exchange Commission, and generally to do all such things in our names and on our behalf in our capacities with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission.

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

SIGNATURE	TITLE(S)	DATE
/s/ JAMES R. BERTELLI JAMES R. BERTELLI	President, Chief Executive Officer and Director (principal executive officer)	November 25, 1997
/s/ G. MEAD WYMAN G. MEAD WYMAN	Vice President, Chief Financial Officer and Treasurer (principal financial and accounting officer)	November 25, 1997
/s/ GORDON B. BATY GORDON B. BATY	Director	November 24, 1997
/s/ R. SCHORR BERMAN R. SCHORR BERMAN	Director	November 25, 1997
/s/ ALBERT P. BELLE ISLE ALBERT P. BELLE ISLE	Director	November 25, 1997
/s/ SHERMAN N. MULLIN SHERMAN N. MULLIN	Director	November 25, 1997
/s/ MELVIN SALLEN MELVIN SALLEN	Director	November 25, 1997

EXHIBIT 1.1

[FORM OF UNDERWRITING AGREEMENT]

_____ ___, 1998

PRUDENTIAL SECURITIES INCORPORATED
COWEN & COMPANY
As Representatives of the several Underwriters
c/o Prudential Securities Incorporated
One New York Plaza
New York, New York 10292

Dear Sirs:

Mercury Computer Systems, Inc., a Massachusetts corporation (the "Company"), each of the selling stockholders of the Company named in Schedule I hereto (the "Principal Selling Stockholders") and each of the selling stockholders of the Company named in Schedule II hereto (the "Additional Selling Stockholders") (the Principal Selling Stockholders and the Additional Selling Stockholders being referred to herein collectively as the "Selling Stockholders") severally confirm their respective agreements with the several underwriters named in Schedule III hereto (the "Underwriters"), for whom you have been duly authorized to act as representatives (in such capacities, the "Representatives"), as set forth below. If you are the only Underwriters, all references herein to the Representatives shall be deemed to be to the Underwriters.

1. Securities. Subject to the terms and conditions herein contained, the Company proposes to issue and sell, and the Selling Stockholders propose to sell, severally, to the several Underwriters an aggregate of 2,000,000 shares and 1,500,000 shares, respectively (the "Firm Securities") of the Company's Common Stock, par value $.01 per share ("Common Stock"). Each of the Selling Stockholders propose to sell, severally, to the several Underwriters not more than 525,000 additional shares of Common Stock, in the aggregate, if requested by the Representatives as provided in Section 3 of

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1 Plus an option to purchase from the Selling Stockholders up to 525,000 additional shares to cover over-allotments.

this Agreement. Any and all shares of Common Stock to be purchased by the Underwriters pursuant to such options are referred to herein as the "Option Securities", and the Firm Securities and any Option Securities are collectively referred to herein as the "Securities".

2(A). Representations and Warranties of the Company. The Company and each Principal Selling Stockholder, jointly and severally, represent and warrant to, and agree with, each of the several Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-_____) with respect to the Securities, including a prospectus subject to completion, has been filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), and one or more amendments to such registration statement may have been so filed. After the execution of this Agreement, the Company will file with the Commission either (i) if such registration statement, as it may have been amended, has been declared by the Commission to be effective under the Act, either (A) if the Company relies on Rule 434 under the Act, a Term Sheet (as hereinafter defined) relating to the Securities, that shall identify the Preliminary Prospectus (as hereinafter defined) that it supplements containing such information as is required or permitted by Rules 434, 430A and 424(b) under the Act or (B) if the Company does not rely on Rule 434 under the Act, a prospectus in the form most recently included in an amendment to such registration statement (or, if no such amendment shall have been filed, in such registration statement), with such changes or insertions as are required by Rule 430A under the Act or permitted by Rule 424(b) under the Act, and in the case of either clause (i)(A) or (i)(B) of this sentence as have been provided to and approved by the Representatives prior to the execution of this Agreement, or (ii) if such registration statement, as it may have been amended, has not been declared by the Commission to be effective under the Act, an amendment to such registration statement, including a form of prospectus, a copy of which amendment has been furnished to and approved by the Representatives prior to the execution of this Agreement. The Company may also file a related registration statement with the Commission pursuant to Rule 462(b) under the Act for the purpose of registering certain additional Securities, which registration shall be effective upon filing with the Commission. As used in this Agreement, the term "Original Registration Statement" means the registration statement initially filed relating to the Securities, as amended at the time when it was or is declared effective, including all financial schedules and exhibits thereto and including any information omitted therefrom pursuant to Rule 430A under the Act and included in the Prospectus (as hereinafter defined); the term "Rule 462(b) Registration Statement" means any registration statement filed with the Commission pursuant to Rule 462(b) under the Act (including the Registration Statement and any Preliminary Prospectus or Prospectus incorporated therein at the time such Registration Statement becomes effective); the term "Registration Statement" includes both the Original Registration Statement and any Rule 462(b) Registration Statement; the term "Preliminary Prospectus" means each prospectus subject to completion filed with such registration statement or any amendment thereto (including the prospectus subject to completion, if any, included in the Registration Statement or any amendment thereto at the time it was or is declared effective); the term "Prospectus" means:

(A) if the Company relies on Rule 434 under the Act, the Term Sheet relating to the Securities that is first filed pursuant to Rule 424(b)(7) under the Act, together with the

Preliminary Prospectus identified therein that such Term Sheet supplements;

(B) if the Company does not rely on Rule 434 under the Act, the prospectus first filed with the Commission pursuant to Rule 424(b) under the Act; or

(C) if the Company does not rely on Rule 434 under the Act and if no prospectus is required to be filed pursuant to Rule 424(b) under the Act, the prospectus included in the Registration Statement;

and the term "Term Sheet" means any term sheet that satisfies the requirements of Rule 434 under the Act. Any reference herein to the "date" of a Prospectus that includes a Term Sheet shall mean the date of such Term Sheet.

(b) The Commission has not issued any order preventing or suspending use of any Preliminary Prospectus. When any Preliminary Prospectus was filed with the Commission it (i) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of, the Act and the rules and regulations of the Commission thereunder and (ii) did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. When the Registration Statement or any amendment thereto was or is declared effective, it (i) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the requirements of, the Act and the rules and regulations of the Commission thereunder and (ii) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading. When the Prospectus or any Term Sheet that is a part thereof or any amendment or supplement to the Prospectus is filed with the Commission pursuant to Rule 424(b) (or, if the Prospectus or part thereof or such amendment or supplement is not required to be so filed, when the Registration Statement or the amendment thereto containing such amendment or supplement to the Prospectus was or is declared effective) and on the Firm Closing Date and any Option Closing Date (both as hereinafter defined), the Prospectus, as amended or supplemented at any such time, (i) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the requirements of, the Act and the rules and regulations of the Commission thereunder and (ii) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing provisions of this paragraph (b) do not apply to statements or omissions made in any Preliminary Prospectus, the Registration Statement or any amendment thereto or the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein.

(c) If the Company has elected to rely on Rule 462(b) and the Rule 462(b) Registration Statement has not been declared effective (i) the Company has filed a Rule 462(b) Registration Statement in compliance with, and that is effective upon filing pursuant to, Rule 462(b) and has received confirmation of its receipt and (ii) the Company has given irrevocable instructions for

transmission of the applicable filing fee in connection with the filing of the Rule 462(b) Registration Statement, in compliance with Rule 111 promulgated under the Act or the Commission has received payment of such filing fee.

(d) The Company and each of its subsidiaries have been duly organized and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation and are duly qualified to transact business as foreign corporations and are in good standing under the laws of all other jurisdictions where the ownership or leasing of their respective properties or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified does not amount to a material liability or disability to the Company and its subsidiaries, taken as a whole.

(e) The Company and each of its subsidiaries have full power (corporate and other) to own or lease their respective properties and conduct their respective businesses as described in the Registration Statement and the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus; and the Company has full power (corporate and other) to enter into this Agreement and to carry out all the terms and provisions hereof to be carried out by it.

(f) The issued shares of capital stock of each of the Company's subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and, except as otherwise set forth in the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus, are owned beneficially by the Company free and clear of any security interests, liens, encumbrances, equities or claims.

(g) The Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus. All of the issued shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable. The Firm Securities and the Option Securities have been duly authorized and at the Firm Closing Date or the related Option Closing Date (as the case may be), after payment therefor in accordance herewith, will be validly issued, fully paid and nonassessable. No holders of outstanding shares of capital stock of the Company are entitled as such to any preemptive or other rights to subscribe for any of the Securities, and no holder of securities of the Company has any right which has not been fully exercised or waived to require the Company to register the offer or sale of any securities owned by such holder under the Act in the public offering contemplated by this Agreement.

(h) The capital stock of the Company conforms to the description thereof contained in the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus.

(i) Except as disclosed in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), there are no outstanding (A) securities or obligations of the Company or any of its subsidiaries convertible into or exchangeable for any capital stock of the Company or any such subsidiary, (B) warrants, rights or options to subscribe for or purchase from the Company or any such subsidiary any such capital stock or any such convertible or exchangeable securities or obligations, or (C) obligations of the Company or any such subsidiary to issue any

shares of capital stock, any such convertible or exchangeable securities or obligations, or any such warrants, rights or options.

(j) The consolidated financial statements and schedules of the Company and its consolidated subsidiaries included in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) fairly present the financial position of the Company and its consolidated subsidiaries and the results of operations and changes in financial condition as of the dates and periods therein specified. Such financial statements and schedules have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise noted therein). The selected financial data set forth under the caption "Selected Consolidated Financial Data" in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) fairly present, on the basis stated in the Prospectus (or such Preliminary Prospectus), the information included therein.

(k) Coopers & Lybrand L.L.P., who have certified certain financial statements of the Company and its consolidated subsidiaries and delivered their report with respect to the audited consolidated financial statements and schedules included in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), are independent public accountants as required by the Act and the applicable rules and regulations thereunder.

(l) The execution and delivery of this Agreement have been duly authorized by the Company, and this Agreement has been duly executed and delivered by the Company, and is the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

(m) No legal or governmental proceedings are pending to which the Company or any of its subsidiaries is a party or to which the property of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not described therein (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), and no such proceedings have been threatened against the Company or any of its subsidiaries or with respect to any of their respective properties; and no contract or other document is required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that is not described therein (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) or filed as required.

(n) The issuance, offering and sale of the Securities to the Underwriters by the Company pursuant to this Agreement, the compliance by the Company with the other provisions of this Agreement and the consummation of the other transactions herein contemplated do not (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained, such as may be required under state securities or blue sky laws and, if the registration statement filed with respect to the Securities (as amended) is not effective under the Act as of the time of execution hereof, such as may be required (and shall be obtained as provided in this Agreement) under the Act, or (ii) conflict with or result in

a breach or violation of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties are bound, or the charter documents or by-laws of the Company or any of its subsidiaries, or any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator applicable to the Company or any of its subsidiaries.

(o) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus, neither the Company nor any of its subsidiaries has sustained any material loss or interference with their respective businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding and there has not been any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), management, business prospects, net worth, or results of the operations of the Company or any of its subsidiaries, except in each case as described in or contemplated by the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus.

(p) The Company has not, directly or indirectly, (i) taken any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) since the filing of the Registration Statement (A) sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, the Securities or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company (except for the sale of Securities by the Selling Stockholders under this Agreement).

(q) The Company has not distributed and, prior to the later of (i) the Closing Date and (ii) the completion of the distribution of the Securities, will not distribute any offering material in connection with the offering and sale of the Securities other than the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or other materials, if any permitted by the Act.

(r) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), (1) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (2) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock; and (3) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its consolidated subsidiaries, except in each case as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(s) The Company and each of its subsidiaries have good and marketable title in fee

simple to all items of real property and marketable title to all personal property owned by each of them, in each case free and clear of any security interests, liens, encumbrances, equities, claims and other defects, except such as do not materially and adversely affect the value of such property and do not interfere with the use made of such property by the Company or such subsidiary, and any real property and buildings held under lease by the Company or any such subsidiary are held under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made of such property and buildings by the Company or such subsidiary, in each case except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(t) No labor dispute with the employees of the Company or any of its subsidiaries exists or is threatened or imminent that could result in a material adverse change in the condition (financial or otherwise), business prospects, net worth or results of operations of the Company and its subsidiaries, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(u) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent applications, trademarks, service marks, trade names, licenses, copyrights and proprietary or other confidential information currently employed by them in connection with their respective businesses, and neither the Company nor any such subsidiary has received any notice of infringement of or conflict with asserted rights of any third party with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a material adverse change in the condition (financial or otherwise), business prospects, net worth or results of operations of the Company and its subsidiaries, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(v) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged.

(w) No subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(x) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses (except those the nonpossession of which would not have a material adverse effect on the business, operations or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole), and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an

unfavorable decision, ruling or finding, would result in a material adverse change in the condition (financial or otherwise), business prospects, net worth or results of operations of the Company and its subsidiaries, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(y) The Company has filed all foreign, federal, state and local tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a material adverse effect on the Company and its subsidiaries) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(z) Neither the Company nor any of its subsidiaries is in violation of any federal or state law or regulation relating to occupational safety and health or to the storage, handling or transportation of hazardous or toxic materials and the Company and its subsidiaries have received all permits, licenses or other approvals required of them under applicable federal and state occupational safety and health and environmental laws and regulations to conduct their respective businesses, and the Company and each such subsidiary is in compliance with all terms and conditions of any such permit, license or approval, except any such violation of law or regulation, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals which would not, singly or in the aggregate, result in a material adverse change in the condition (financial or otherwise), business prospects, net worth or results of operations of the Company and its subsidiaries, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(aa) Each certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

(bb) Except for the shares of capital stock of each of the subsidiaries owned by the Company and such subsidiaries, neither the Company nor any such subsidiary owns any shares of stock or any other equity securities of any corporation or has any equity interest in any firm, partnership, association or other entity, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(cc) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (1) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(dd) The Company has complied with, and is and will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

(ee) The Company is not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(ff) No default exists, and no event has occurred which, with notice or lapse of time or both, would constitute a default in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties is bound or may be affected in any material adverse respect with regard to property, business or operations of the Company and its subsidiaries.

2(B). Representations and Warranties of the Selling Stockholders. Each Selling Stockholder represents and warrants to, and agrees with, each of the several Underwriters, severally and not jointly, that:

(a) Such Selling Stockholder has full power to enter into this Agreement and to sell, assign, transfer and deliver to the Underwriters the Securities to be sold by such Selling Stockholder hereunder in accordance with the terms of this Agreement; and this Agreement has been duly executed and delivered by such Selling Stockholder, and is the valid and binding agreement of such Selling Stockholder, enforceable against each such Selling Stockholder in accordance with its terms.

(b) Such Selling Stockholder has duly executed and delivered a power of attorney and custody agreement (with respect to such Selling Stockholder, the "Power-of-Attorney" and the "Custody Agreement", respectively), each in the form heretofore delivered to the Representatives, appointing _____ and _____ as such Selling Stockholder's attorney-in-fact (the "Attorney-in-Fact") with authority to execute, deliver and perform this Agreement on behalf of such Selling Stockholder and appointing _____, as custodian thereunder (the "Custodian"). Certificates in negotiable form, endorsed in blank or accompanied by blank stock powers duly executed, with signatures appropriately guaranteed, representing the Securities to be sold by such Selling Stockholder hereunder have been deposited with the Custodian pursuant to the Custody Agreement for the purpose of delivery pursuant to this Agreement. Such Selling Stockholder has full power to enter into the Custody Agreement and the Power-of-Attorney and to perform its obligations under the Custody Agreement. If such Selling Stockholder is a corporation, the execution and delivery of the Custody Agreement and the Power-of-Attorney have been duly authorized by all necessary corporate action of such Selling Stockholder; the Custody Agreement and the Power-of-Attorney have been duly executed

and delivered by such Selling Stockholder and, assuming due authorization, execution and delivery by the Custodian, are the legal, valid, binding and enforceable instruments of such Selling Stockholder. Such Selling Stockholder agrees that each of the Securities represented by the certificates on deposit with the Custodian is subject to the interests of the Underwriters hereunder, that the arrangements made for such custody, the appointment of the Attorney-in-Fact and the right, power and authority of the Attorney-in-Fact to execute and deliver this Agreement, to agree on the price at which the Securities (including such Selling Stockholder's Securities) are to be sold to the Underwriters, and to carry out the terms of this Agreement, are to that extent irrevocable and that the obligations of such Selling Stockholder hereunder shall not be terminated, except as provided in this Agreement or the Custody Agreement, by any act of such Selling Stockholder, by operation of law or otherwise, whether in the case of any individual Selling Stockholder by the death or incapacity of such Selling Stockholder, in the case of a trust or estate by the death of the trustee or trustees or the executor or executors or the termination of such trust or estate, or in the case of a corporate or partnership Selling Stockholder by its liquidation or dissolution or by the occurrence of any other event. If any individual Selling Stockholder, trustee or executor should die or become incapacitated or any such trust should be terminated, or if any corporate or partnership Selling Stockholder shall liquidate or dissolve, or if any other event should occur, before the delivery of such Securities hereunder, the certificates for such Securities deposited with the Custodian shall be delivered by the Custodian in accordance with the respective terms and conditions of this Agreement as if such death, incapacity, termination, liquidation or dissolution or other event had not occurred, regardless of whether or not the Custodian or the Attorney-in-Fact shall have received notice thereof.

(c) Such Selling Stockholder is the lawful owner of the Securities to be sold by such Selling Stockholder hereunder and upon sale and delivery of, and payment for, such Securities, as provided herein, such Selling Stockholder will convey good and marketable title to such Securities, free and clear of any security interests, liens, encumbrances, equities, claims or other defects. Such Selling Stockholder has obtained all authorizations and approvals required by law and under its charter or bylaws, partnership agreement, trust agreement or other organizational documents, as the case may be, to enter this Agreement, such Selling Stockholder's Power of Attorney and Custody agreement, to sell, transfer and deliver all of the shares of Common stock which may be sold by such Selling stockholder pursuant to this Agreement; and to comply with other obligations hereunder and thereunder.

(d) Such Selling Stockholder has not, directly or indirectly, (i) taken any action designed to cause or result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) since the filing of the Registration Statement (A) sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, the Securities or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company (except for the sale of Securities by the Selling Stockholders under this Agreement).

(e) To the extent that any statements or omissions are made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto

in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder specifically for use therein, such Preliminary Prospectus did, and the Registration Statement and the Prospectus and any amendments or supplements thereto, when they become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act and the respective rules and regulations of the Commission thereunder and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading. Such Selling Stockholder has reviewed the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) and the Registration Statement, and the information regarding such Selling Stockholder set forth therein under the caption "Principal and Selling Stockholders" is complete and accurate.

(f) The sale by such Selling Stockholder of Securities pursuant hereto is not prompted by any adverse information concerning the Company that is not set forth in the Registration Statement or the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(g) The sale of the Securities to the Underwriters by such Selling Stockholder pursuant to this Agreement, the compliance by such Selling Stockholder with the other provisions of this Agreement, the Power of Attorney, the Custody Agreement and the consummation of the other transactions herein contemplated do not (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained, such as may be required under state securities or blue sky laws and, if the registration statement filed with respect to the Securities (as amended) is not effective under the Act as of the time of execution hereof, such as may be required (and shall be obtained as provided in this Agreement) under the Act, or (ii) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under any indenture, mortgage, deed of trust, lease or other agreement or instrument to which such Selling Stockholder or, if applicable, to such Selling Stockholder any of its subsidiaries is a party or by which such Selling Stockholder or, if applicable, to such Selling Stockholder any of its subsidiaries or any of such Selling Stockholder's properties are bound, or the charter documents or by-laws of such Selling Stockholder or any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator applicable to such Selling Stockholder or, if applicable, to such Selling Stockholder or any of its subsidiaries.

(h) Each certificate signed by such Selling Stockholder and delivered to the Representatives or counsel for the Underwriters shall be deemed to be a representation and warranty by such Selling Stockholder to each Underwriter as to the matters covered thereby.

3. Purchase, Sale and Delivery of the Securities. (a) On the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein set forth, (A) the Company agrees to issue and sell to each of the Underwriters, severally and not jointly, and each of the Underwriters, severally and not jointly, agrees to purchase from the Company, at a purchase price of $_____ per share, the number of Firm Securities set forth opposite the name of such Underwriter in Column (a), Schedule III hereto and (B) each of the Selling Stockholders agrees to sell to each of the Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase from each of the Selling Stockholders the number of Firm Securities set forth opposite the name of such Underwriter in Column (b) of Schedule III

hereto. One or more certificates in definitive form for the Firm Securities that the several Underwriters have agreed to purchase hereunder, and in such denomination or denominations and registered in such name or names as the Representatives request upon notice to the Company at least 48 hours prior to the Firm Closing Date, shall be delivered by or on behalf of the Company and the Selling Stockholders to the Representatives for the respective accounts of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer in same-day funds (the "Wired Funds") to the respective accounts of the Company and the Selling Stockholders. Such delivery of and payment for the Firm Securities shall be made at the offices of Testa, Hurwitz & Thibeault, LLP, High Street Tower, 125 High Street, Boston, Massachusetts 02110 at 9:30 A.M., New York time, on January ___, 1998, or at such other place, time or date as the Representatives, the Company and the Selling Stockholders may agree upon or as the Representatives may determine pursuant to Section 9 hereof, such time and date of delivery against payment being herein referred to as the "Firm Closing Date". The Company and the Selling Stockholders will make such certificate or certificates for the Firm Securities available for checking and packaging by the Representatives at the offices in New York, New York of the Company's transfer agent or registrar or of Prudential Securities Incorporated at least 24 hours prior to the Firm Closing Date.

(b) For the purpose of covering any over-allotments in connection with the distribution and sale of the Firm Securities as contemplated by the Prospectus, each Selling Stockholder hereby grants to the several Underwriters an option to purchase, severally and not jointly, the number of Option Securities set forth opposite the name of such Underwriter in Column (c) of Schedule III hereto. The options granted hereby may be exercised as to all or any part of the Option Securities from time to time within thirty days after the date of the Prospectus (or, if such 30th day shall be a Saturday or Sunday or a holiday, on the next business day thereafter when the New York Stock Exchange is open for trading). The Underwriters shall not be under any obligation to purchase any of the Option Securities prior to the exercise of such options. The Representatives may from time to time exercise the options granted hereby by giving notice in writing or by telephone (confirmed in writing) to the Selling Stockholder from whom such option is being exercised setting forth the aggregate number of Option Securities as to which the several Underwriters are then exercising such option and the date and time for delivery of and payment for such Option Securities. Any such date of delivery shall be determined by the Representatives but shall not be earlier than two business days or later than five business days after such exercise of such option and, in any event, shall not be earlier than the Firm Closing Date. The time and date set forth in such notice, or such other time on such other date as the Representatives and the Selling Stockholders may agree upon or as the Representatives may determine pursuant to Section 9 hereof, is herein called the "Option Closing Date" with respect to such Option Securities. Upon exercise of such option as provided herein, such Selling Stockholder shall become obligated to sell to each of the several Underwriters, and, subject to the terms and conditions herein set forth, each of the Underwriters (severally and not jointly) shall become obligated to purchase from such Selling Stockholder the number of Option Securities set forth opposite the name of Underwriter in Column (c) of Schedule III hereto in the same percentage of the total number of the Option Securities as to which the several Underwriters are then exercising such option as such Underwriter is obligated to purchase of the aggregate number of Firm Securities, as adjusted by the Representatives in such manner as they deem advisable to avoid fractional shares. If such option is exercised as to all or any portion of the Option Securities, one or more certificates in definitive form for such Option Securities, and payment therefor, shall be delivered on the related Option Closing

Date in the manner, and upon the terms and conditions, set forth in paragraph (a) of this Section 3, except that reference therein to the Firm Securities and the Firm Closing Date shall be deemed, for purposes of this paragraph (b), to refer to such Option Securities and Option Closing Date, respectively.

(c) The Company and each Selling Stockholder hereby acknowledge that the wire transfer by or on behalf of the Underwriters of the purchase price for any Securities does not constitute closing of a purchase and sale of the Securities. Only execution and delivery of a receipt for Securities by the Underwriters indicates completion of the closing of a purchase of the Securities from the Company or any Selling Stockholder. Furthermore, in the event that the Underwriters wire funds to the Company or any Selling Stockholder prior to the completion of the closing of a purchase of Securities, the Company and each Selling Stockholder hereby acknowledge that until the Underwriters execute and deliver a receipt for the Securities, by facsimile or otherwise, the Company and each Selling Stockholder will not be entitled to the wired funds and shall return the wired funds to the Underwriters as soon as practicable (by wire transfer of same-day funds) upon demand. In the event that the closing of a purchase of Securities is not completed and the wire funds are not returned by the Company or any Selling Stockholder to the Underwriters on the same day the wired funds were received by the Company or any Selling Stockholder, the Company and each Selling Stockholder agrees to pay to the Underwriters in respect of each day the wire funds are not returned by it, in same-day funds, interest on the amount of such wire funds in an amount representing the Underwriters' cost of financing as reasonably determined by Prudential Securities Incorporated.

(d) It is understood that any of you, individually and not as one of the Representatives, may (but shall not be obligated to) make payment on behalf of any Underwriter or Underwriters for any of the Securities to be purchased by such Underwriter or Underwriters. No such payment shall relieve such Underwriter or Underwriters from any of its or their obligations hereunder.

4. Offering by the Underwriters. Upon your authorization of the release of the Firm Securities, the several Underwriters propose to offer the Firm Securities for sale to the public upon the terms set forth in the Prospectus.

5. Covenants of the Company and the Selling Stockholders.

(A) The Company covenants and agrees with each of the Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement, if not effective at the time of execution of this Agreement, and any amendments thereto to become effective as promptly as possible. If required, the Company will file the Prospectus or any Term Sheet that constitutes a part thereof and any amendment or supplement thereto with the Commission in the manner and within the time period required by Rules 434 and 424(b) under the Act. During any time when a prospectus relating to the Securities is required to be delivered under the Act, the Company (i) will comply with all requirements imposed upon it by the Act and the rules and regulations of the Commission thereunder to the extent necessary to permit the continuance of sales of or dealings in the Securities in accordance with the provisions hereof and of

the Prospectus, as then amended or supplemented, and (ii) will not file with the Commission the prospectus, Term Sheet or the amendment referred to in the second sentence of Section 2(A)(a) hereof, any amendment or supplement to such Prospectus, Term Sheet or any amendment to the Registration Statement or any Rule 462(b) Registration Statement of which the Representatives previously have been advised and furnished with a copy for a reasonable period of time prior to the proposed filing and as to which filing the Representatives shall not have given their consent. The Company will prepare and file with the Commission, in accordance with the rules and regulations of the Commission, promptly upon request by the Representatives or counsel for the Underwriters, any amendments to the Registration Statement or amendments or supplements to the Prospectus that may be necessary or advisable in connection with the distribution of the Securities by the several Underwriters, and will use its best efforts to cause any such amendment to the Registration Statement to be declared effective by the Commission as promptly as possible. The Company will advise the Representatives, promptly after receiving notice thereof, of the time when the Registration Statement or any amendment thereto has been filed or declared effective or the Prospectus or any amendment or supplement thereto has been filed and will provide evidence satisfactory to the Representatives of each such filing or effectiveness.

(b) The Company will advise the Representatives, promptly after receiving notice or obtaining knowledge thereof, of (i) the issuance by the Commission of any stop order suspending the effectiveness of the Original Registration Statement or any Rule 462(b) Registration Statement or any amendment thereto or any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, (ii) the suspension of the qualification of the Securities for offering or sale in any jurisdiction, (iii) the institution, threatening or contemplation of any proceeding for any such purpose or (iv) any request made by the Commission for amending the Original Registration Statement or any Rule 462(b) Registration Statement, for amending or supplementing the Prospectus or for additional information. The Company will use its best efforts to prevent the issuance of any such stop order and, if any such stop order is issued, to obtain the withdrawal thereof as promptly as possible.

(c) The Company will arrange for the qualification of the Securities for offering and sale under the securities or blue sky laws of such jurisdictions as the Representatives may designate and will continue such qualifications in effect for as long as may be necessary to complete the distribution of the Securities; provided, however, that in connection therewith, the Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

(d) If, at any time prior to the later of (i) the final date when a prospectus relating to the Securities is required to be delivered under the Act or (ii) the Option Closing Date, any event occurs as a result of which the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if for any other reason it is necessary at any time to amend or supplement the Prospectus to comply with the Act or the rules or regulations of the Commission thereunder, the Company will promptly notify the Representatives thereof and, subject to Section 5(a) hereof, will prepare and file with the Commission, at the Company's expense, an amendment to the Registration Statement or an

amendment or supplement to the Prospectus that corrects such statement or omission or effects such compliance.

(e) The Company will, without charge, provide (i) to the Representatives and to counsel for the Underwriters a conformed copy of the registration statement originally filed with respect to the Securities and each amendment thereto (in each case including exhibits thereto) or any Rule 462(b) Registration Statement, certified by the Secretary or an Assistant Secretary of the Company to be true and complete copies thereof as filed with the Commission by electronic transmission, (ii) to each other Underwriter, a conformed copy of such registration statement or any Rule 462(b) Registration Statement and each amendment thereto (in each case without exhibits thereto) and (iii) so long as a prospectus relating to the Securities is required to be delivered under the Act, as many copies of each Preliminary Prospectus or the Prospectus or any amendment or supplement thereto as the Representatives may reasonably request; without limiting the application of clause (iii) of this sentence, the Company, not later than (A) 6:00 PM, New York City time, on the date of determination of the public offering price, if such determination occurred at or prior to 10:00 A.M., New York City time, on such date or (B) 2:00 PM, New York City time, on the business day following the date of determination of the public offering price, if such determination occurred after 10:00 A.M., New York City time, on such date, will deliver to the Underwriters, without charge, as many copies of the Prospectus and any amendment or supplement thereto as the Representatives may reasonably request for purposes of confirming orders that are expected to settle on the Firm Closing Date.

(f) The Company, as soon as practicable, will make generally available to its Stockholders and to the Representatives a consolidated earnings statement of the Company and its subsidiaries that satisfies the provisions of Section 11(a) of the Act and Rule 158 thereunder.

(g) The Company will apply the net proceeds from the sale of the Securities as set forth under "Use of Proceeds" in the Prospectus.

(h) The Company will not, directly or indirectly, without the prior written consent of Prudential Securities Incorporated, on behalf of the Underwriters, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of any option to purchase or other sale or disposition) of any shares of Common Stock or any securities convertible into, or exchangeable or exercisable for, shares of Common Stock for a period of 180 days after the date hereof, and except for issuances pursuant to the exercise of employee stock options pursuant to the Company's stock option plans in effect as of the date hereof. Prudential Securities Incorporated may, in its sole discretion, at any time and without prior notice, release all or any portion of the shares of Common Stock subject to such agreement.

(i) The Company will not, directly or indirectly, (i) take any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) (A) sell, bid for, purchase, or pay anyone any compensation for soliciting purchases of, the Securities or (B) pay or agree to pay to any person any compensation for

soliciting another to purchase any other securities of the Company (except for the sale of Securities by the Selling Stockholders under this Agreement).

(j) The Company will obtain the agreements described in Section 7(g) hereof prior to the Firm Closing Date.

(k) If at any time during the 25-day period after the Registration Statement becomes effective or the period prior to the Option Closing Date, any rumor, publication or event relating to or affecting the Company shall occur as a result of which in your opinion the market price of the Common Stock has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus), the Company will, after notice from you advising the Company to the effect set forth above, forthwith prepare, consult with you concerning the substance of, and disseminate a press release or other public statement, reasonably satisfactory to you, responding to or commenting on such rumor, publication or event.

(l) If the Company elects to rely on Rule 462(b), the Company shall both file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) and pay the applicable fees in accordance with Rule 111 promulgated under the Act by the earlier of (i) 10:00 P.M. Eastern time on the date of this Agreement and (ii) the time confirmations are sent or given, as specified by Rule 462(b)(2).

(m) The Company will cause the Securities to be duly included for quotation on The Nasdaq Stock Market's National Market (the "Nasdaq National Market") prior to the Firm Closing Date. The Company will ensure that the Securities remain included for quotation on the Nasdaq National Market following the Firm Closing Date.

(n) The Company will conduct its operations in a manner that will not subject it to registration as an investment company under the Investment Company Act of 1940, as amended, and this transaction will not cause the Company to become an investment company subject to registration under such Act.

(B) Each of the Selling Stockholders covenants and agrees with each of the Underwriters that:

(a) such Selling Stockholder will not, directly or indirectly, without the prior written consent of Prudential Securities Incorporated, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of any option to purchase or other sale or disposition) of any Securities legally or beneficially owned by such Selling Stockholder or any securities convertible into, or exchangeable or exercisable for, Securities for a period of 180 days after the date hereof. Prudential Securities Incorporated may, in its sole discretion, at any time and without prior notice, release all or any portion of the shares of Common Stock subject to such agreements.

(b) such Selling Stockholder will not, directly or indirectly, (i) take any action designed to cause or result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) (A) sell, bid for, purchase, or pay anyone any compensation for soliciting purchases of, the Securities or (B) pay or agree to pay to any person any compensation for soliciting another to purchase any other securities of the Company (except for the sale of Securities by the Selling Stockholders under this Agreement).

(c) in order to document the Underwriters' compliance with the reporting and withholding provisions of the Internal Revenue Code of 1986, as amended, with respect to the transactions herein contemplated, such Selling Stockholder agrees to deliver to you prior to or on the Firm Closing Date, as hereinafter defined, a properly completed and executed United States Treasury Department Form W-8 or W-9 (or other applicable form of statement specified by Treasury Department regulations in lieu thereof).

6. Expenses. The Company will pay all costs and expenses incident to the performance of the obligations of the Company and the Selling Stockholders under this Agreement, whether or not the transactions contemplated herein are consummated or this Agreement is terminated pursuant to Section 11 hereof, including all costs and expenses incident to (i) the printing or other production of documents with respect to the transactions, including any costs of printing the registration statement originally filed with respect to the Securities and any amendment thereto, any Rule 462(b) Registration Statement, any Preliminary Prospectus and the Prospectus and any amendment or supplement thereto, this Agreement and any blue sky memoranda, (ii) all arrangements relating to the delivery to the Underwriters of copies of the foregoing documents, (iii) the fees and disbursements of the counsel, the accountants and any other experts or advisors retained by the Company and, in accordance with applicable agreements, the Selling Stockholders, (iv) preparation, issuance and delivery to the Underwriters of any certificates evidencing the Securities, including transfer agent's and registrar's fees, (v) the qualification of the Securities under state securities and blue sky laws, including filing fees and fees and disbursements of counsel for the Underwriters relating thereto, (vi) the filing fees of the Commission and the National Association of Securities Dealers, Inc. relating to the Securities, including filing fees and fees and disbursements of counsel for the Underwriters relating thereto, (vii) any quotation of the Securities on the Nasdaq National Market, (viii) any meetings with prospective investors in the Securities (other than as shall have been specifically approved by the Representatives to be paid for by the Underwriters) and (ix) advertising relating to the offering of the Securities (other than as shall have been specifically approved by the Representatives to be paid for by the Underwriters). If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 7 hereof is not satisfied, because this Agreement is terminated pursuant to Section 11 hereof or because of any failure, refusal or inability on the part of the Company to perform all obligations and satisfy all conditions on its part to be performed or satisfied hereunder other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including counsel fees and disbursements) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities. The Company shall not in any event be liable to any of the Underwriters for the loss of anticipated profits from the transactions covered by this Agreement.

Each Selling Stockholder will pay any transfer taxes attributable to the sale by such Selling Stockholder of the Securities it sells hereunder.

7. Conditions of the Underwriters' Obligations. The obligations of the several Underwriters to purchase and pay for the Firm Securities shall be subject, in the Representatives' sole discretion, to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained herein as of the date hereof and as of the Firm Closing Date, as if made on and as of the Firm Closing Date, to the accuracy of the statements of the Company's officers made pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their respective covenants and agreements hereunder and to the following additional conditions:

(a) If the Original Registration Statement or any amendment thereto filed prior to the Firm Closing Date has not been declared effective as of the time of execution hereof, the Original Registration Statement or such amendment and, if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have been declared effective not later than the earlier of (i) 11:00 A.M., New York time, on the date on which the amendment to the registration statement originally filed with respect to the Securities or to the Registration Statement, as the case may be, containing information regarding the initial public offering price of the Securities has been filed with the Commission and (ii) the time confirmations are sent or given as specified by Rule 462(b)(2), or with respect to the Original Registration Statement, or such later time and date as shall have been consented to by the Representatives; if required, the Prospectus or any Term Sheet that constitutes a part thereof and any amendment or supplement thereto shall have been filed with the Commission in the manner and within the time period required by Rules 434 and 424(b) under the Act; no stop order suspending the effectiveness of the Registration Statement or any amendment thereto shall have been issued, and no proceedings for that purpose shall have been instituted or threatened or, to the knowledge of the Company, the Selling Stockholders or the Representatives, shall be contemplated by the Commission; and the Company and each Selling Stockholder shall have complied with any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise).

(b)(1) The Representatives shall have received an opinion, dated the Firm Closing Date, of Hutchins, Wheeler & Dittmar, counsel for the Company, to the effect that:

(i) the Company and each of its subsidiaries listed in Schedule IV hereto (the "Subsidiaries") have been duly organized and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation and are duly qualified to transact business as foreign corporations and are in good standing under the laws of all other jurisdictions where the ownership or leasing of their respective properties or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified does not amount to a material liability or disability to the Company and the Subsidiaries, taken as a whole;

(ii) the Company and each of the Subsidiaries have the corporate power and

authority to own or lease their respective properties and conduct their respective businesses as described in the Registration Statement and the Prospectus, and the Company has the corporate power and authority to enter into this Agreement and to carry out all the terms and provisions hereof to be carried out by it;

(iii) the issued shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and, except as otherwise set forth in the Prospectus, are owned beneficially by the Company free and clear of any perfected security interests or, to the best knowledge of such counsel, any other security interests, liens, encumbrances, equities or claims;

(iv) the Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus; all of the issued shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable, have been issued in compliance with all applicable federal and state securities laws and were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities; the Securities to be issued by the Company pursuant to this have been duly authorized by all necessary corporate action of the Company and, when issued and delivered to and paid for by the Underwriters pursuant to this Agreement, will be validly issued, fully paid and nonassessable; the Securities have been duly included for trading on the Nasdaq National Market; no holders of outstanding shares of capital stock of the Company are entitled as such to any preemptive or other rights to subscribe for any of the Securities; and no holders of securities of the Company are entitled to have such securities registered under the Registration Statement;

(v) the statements set forth under the heading "Description of Capital Stock" in the Prospectus, insofar as such statements purport to summarize certain provisions of the capital stock of the Company, provide a fair summary of such provisions; and the statements set forth under the heading "Management -- Stock Option and Stock Purchase Plans" and in the last paragraph under the heading "Management Discussion and Analysis of Financial Condition and Results of Operations -- Overview" in the Prospectus, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, provide a fair summary of such legal matters, documents and proceedings;

(vi) the execution and delivery of this Agreement have been duly authorized by all necessary corporate action of the Company and this Agreement has been duly executed and delivered by the Company;

(vii) (A) no legal or governmental proceedings are pending to which the Company or any of the Subsidiaries is a party or to which the property of the Company or any of the Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not described therein, and, to the best knowledge of such counsel, no such proceedings have been threatened against the Company or any of the Subsidiaries or with respect to any of their respective properties and (B) no contract or other document is required to be described in the Registration Statement or the Prospectus or to

be filed as an exhibit to the Registration Statement that is not described therein or filed as required;

(viii) the issuance, offering and sale of the Securities to the Underwriters by the Company pursuant to this Agreement, the compliance by the Company with the other provisions of this Agreement and the consummation of the other transactions herein contemplated do not (A) require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained and such as may be required under state securities or blue sky laws, or (B) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other agreement or instrument, known to such counsel, to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their respective properties are bound, or the charter documents or by-laws of the Company or any of the Subsidiaries, or any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator known to such counsel and applicable to the Company or Subsidiaries;

(ix) the Registration Statement is effective under the Act; any required filing of the Prospectus, or any Term Sheet that constitutes a part thereof, pursuant to Rules 434 and 424(b) has been made in the manner and within the time period required by Rules 434 and 424(b); and no stop order suspending the effectiveness of the Registration Statement or any amendment thereto has been issued, and no proceedings for that purpose have been instituted or threatened or, to the best knowledge of such counsel, are contemplated by the Commission;

(x) the Registration Statement originally filed with respect to the Securities and each amendment thereto, any Rule 462(b) Registration Statement and the Prospectus (in each case, other than the financial statements and other financial information contained therein, as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act and the rules and regulations of the Commission thereunder; and

(xi) if the Company elects to rely on Rule 434, the Prospectus is not "materially different", as such term is used in Rule 434, from the prospectus included in the Registration Statement at the time of its effectiveness or an effective post-effective amendment thereto (including such information that is permitted to be omitted pursuant to Rule 430A).

Such counsel shall also state that they have no reason to believe that the Registration Statement, as of its effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of its date or the date of such opinion, included or includes any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b)(2) The Representatives shall have received an opinion, dated the Firm Closing Date, of Hutchins, Wheeler & Dittmar, counsel for the Selling Stockholders, to the effect that:

(i) each Selling Stockholder has full power to enter into this Agreement, the Custody Agreement and the Power-of-Attorney and to sell, transfer and deliver the Securities being sold by such Selling Stockholder hereunder in the manner provided in this Agreement and to perform its obligations under the Custody Agreement; if such Selling Stockholder is a corporation, the execution and delivery of this Agreement, the Custody Agreement and the Power-of-Attorney have been duly authorized by all necessary corporate action of each Selling Stockholder; this Agreement, the Custody Agreement and the Power-of-Attorney has been duly executed and delivered by each Selling Stockholder; the Custody Agreement and the Power-of-Attorney are the legal, valid, binding and enforceable instruments of each Selling Stockholder, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law);

(ii) when the Underwriters obtain control of the Securities to be sold by the Selling Stockholders, assuming that the Underwriters purchased such Securities for value and without notice of any adverse claim to such Securities within the meaning of Section 8-102 of the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, the Underwriters will have acquired all rights of the Selling Stockholders in such Securities free of any adverse claim, any lien in favor of the Company and any restrictions on transfer imposed by the Company;

(iii) the sale of the Securities to the Underwriters by each Selling Stockholder pursuant to this Agreement, the compliance by such Selling Stockholder with the other provisions of this Agreement, the Custody Agreement and the consummation of the other transactions herein contemplated do not (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained and such as may be required under state securities or blue sky laws, or (ii) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under any indenture, mortgage, deed of trust, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder or any of such Selling Stockholder's properties are bound, or the charter documents or by-laws of such Selling Stockholder or any of its subsidiaries or any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator applicable to such Selling Stockholder.

In rendering any such opinion, such counsel may rely, as to matters of fact, to the extent such counsel deems proper, on certificates of responsible officers of the Company and public officials.

References to the Registration Statement and the Prospectus in this paragraph (b) shall

include any amendment or supplement thereto at the date of such opinion.

(c) The Representatives shall have received an opinion, dated the Firm Closing Date, of Testa, Hurwitz & Thibeault, LLP, High Street Tower, 125 High Street, Boston, Massachusetts 02110, counsel for the Underwriters, with respect to the issuance and sale of the Firm Securities, the Registration Statement and the Prospectus, and such other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(d) The Representatives shall have received from Coopers & Lybrand L.L.P. a letter or letters dated, respectively, the date hereof and the Firm Closing Date, in form and substance satisfactory to the Representatives, to the effect that:

(i) they are independent accountants with respect to the Company and its consolidated subsidiaries within the meaning of the Act and the applicable rules and regulations thereunder;

(ii) in their opinion, the audited consolidated financial statements and schedules examined by them and included in the Registration Statement and the Prospectus comply in form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iii) on the basis of a reading of the latest available interim unaudited consolidated financial statements of the Company, a reading of the unaudited amounts for revenues, cost of revenues, net income before income taxes and total and per share amounts of net income as of and for the three months ended September 30, 1997 and of the unaudited consolidated financial statements of the Company and its consolidated subsidiaries for the periods from which such amounts are derived, carrying out certain specified procedures (which do not constitute an examination made in accordance with generally accepted auditing standards) that would not necessarily reveal matters of significance with respect to the comments set forth in this paragraph (iii), a reading of the minute books of the stockholders, the board of directors and any committees thereof of the Company and each of its consolidated subsidiaries, and inquiries of certain officials of the Company and its consolidated subsidiaries who have responsibility for financial and accounting matters, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated financial statements of the Company included in the Registration Statement and the Prospectus do not comply in form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement and the Prospectus;

(B) the unaudited amounts for revenues, cost of revenues, net income before income taxes and total and per share amounts of net income included in the Registration Statement and the Prospectus do not agree with the amounts set forth in any unaudited consolidated

financial statements for those same periods or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the corresponding amounts in the audited consolidated financial statements included in the Registration Statement and the Prospectus; and

(C) at a specific date not more than five business days prior to the date of such letter, there were any changes in the capital stock or long-term debt of the Company and its consolidated subsidiaries or any decreases in net current assets or stockholders' equity of the Company and its consolidated subsidiaries, in each case compared with amounts shown on the September 30, 1997 unaudited consolidated balance sheet included in the Registration Statement and the Prospectus, or for the period from September 30, 1997 to such specified date there were any decreases, as compared with [INSERT APPROPRIATE COMPARATIVE PERIOD OR, IF NO APPROPRIATE PERIOD EXISTS, INSERT DOLLAR AMOUNTS FOR EACH ITEM], in revenues, cost of revenues, net income before income taxes or total or per share amounts of net income of the Company and its consolidated subsidiaries, except in all instances for changes, decreases or increases set forth in such letter; and

(iv) they have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information that are derived from the general accounting records of the Company and its consolidated subsidiaries and are included in the Registration Statement and the Prospectus under the captions Prospectus Summary, Risk Factors, Use of Proceeds, Capitalization, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Description of Capital Stock, and in Exhibit 11 to the Registration Statement, and have compared such amounts, percentages and financial information with such records of the Company and its consolidated subsidiaries and with information derived from such records and have found them to be in agreement, excluding any questions of legal interpretation.

In the event that the letters referred to above set forth any such changes, decreases or increases, it shall be a further condition to the obligations of the Underwriters that (A) such letters shall be accompanied by a written explanation of the Company as to the significance thereof, unless the Representatives deem such explanation unnecessary, and (B) such changes, decreases or increases do not, in the sole judgment of the Representatives, make it impractical or inadvisable to proceed with the purchase and delivery of the Securities as contemplated by the Registration Statement, as amended as of the date hereof.

References to the Registration Statement and the Prospectus in this paragraph (d) with respect to either letter referred to above shall include any amendment or supplement thereto at the date of such letter.

(e) The Representatives shall have received a certificate, dated the Firm Closing Date, of the principal executive officer and the principal financial or accounting officer of the Company to the effect that:

(i) the representations and warranties of the Company in this Agreement are true and correct as if made on and as of the Firm Closing Date; the Registration Statement, as amended as of the Firm Closing Date, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, and the Prospectus, as amended or supplemented as of the Firm Closing Date, does not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Company has performed all covenants and agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Firm Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement or any amendment thereto has been issued, and no proceedings for that purpose have been instituted or threatened or, to the best of the Company's knowledge, are contemplated by the Commission; and

(iii) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has sustained any material loss or interference with their respective businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding, and there has not been any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), management, business prospects, net worth or results of operations of the Company or any of its subsidiaries, except in each case as described in or contemplated by the Prospectus (exclusive of any amendment or supplement thereto).

(f) The Representatives shall have received a certificate, dated the Firm Closing Date, from each Selling Stockholder, signed by an authorized representative of such Selling Stockholder or if such Selling Stockholder is a corporation by the principal executive officer and the principal financial or accounting officer of such Selling Stockholder to the effect that:

(i) the representations and warranties of such Selling Stockholder in this Agreement are true and correct as if made on and as of the Firm Closing Date;

(ii) to the extent that any statements or omissions are made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder specifically for use therein, the Registration Statement, as amended as of the Firm Closing Date, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, and the Prospectus, as amended or supplemented as of the Firm Closing Date, does not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(iii) such Selling Stockholder has performed all covenants and agreements on its part to be performed or satisfied at or prior to the Firm Closing Date.

(g) The Representatives shall have received from each person who is a director or officer of the Company or who owns 5,000 shares of Common Stock an agreement to the effect that such person will not, directly or indirectly, without the prior written consent of Prudential Securities Incorporated, on behalf of the Underwriters, offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise sell or dispose (or announce any offer, sale, offer of sale, contract of sale, pledge, grant of an option to purchase or other sale or disposition) of any shares of Common Stock or any securities convertible into, or exchangeable or exercisable for, shares of Common Stock for a period of 180 days after the date of this Agreement. Prudential Securities Incorporated may, in its sole discretion, at any time and without prior notice, release all or any portion of the shares of Common Stock subject to such agreements.

(h) On or before the Firm Closing Date, the Representatives and counsel for the Underwriters shall have received such further certificates, documents or other information as they may have reasonably requested from the Company and the Selling Stockholders.

(i) Prior to the commencement of the offering of the Securities, the Securities shall have been included for trading on the Nasdaq National Market.

All opinions, certificates, letters and documents delivered pursuant to this Agreement will comply with the provisions hereof only if they are reasonably satisfactory in all material respects to the Representatives and counsel for the Underwriters. The Company and the Selling Stockholders shall furnish to the Representatives such conformed copies of such opinions, certificates, letters and documents in such quantities as the Representatives and counsel for the Underwriters shall reasonably request.

The respective obligations of the several Underwriters to purchase and pay for any Option Securities shall be subject, in their discretion, to each of the foregoing conditions to purchase the Firm Securities, except that all references to the Firm Securities and the Firm Closing Date shall be deemed to refer to such Option Securities and the related Option Closing Date, respectively.

8. Indemnification and Contribution. (a) The Company and each Principal Selling Stockholder jointly and severally agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934 (the "Exchange Act"), against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

(i) any untrue statement or alleged untrue statement made by the Company or such Principal Selling Stockholder in Section 2 of this Agreement,

(ii) any untrue statement or alleged untrue statement of any material fact contained in (A) the Registration Statement or any amendment thereto, any Preliminary

Prospectus or the Prospectus or any amendment or supplement thereto or (B) any application or other document, or any amendment or supplement thereto, executed by the Company or such Principal Selling Stockholder or based upon written information furnished by or on behalf of the Company or such Principal Selling Stockholder filed in any jurisdiction in order to qualify the Securities under the securities or blue sky laws thereof or filed with the Commission or any securities association or securities exchange (each an "Application"),

(iii) the omission or alleged omission to state in the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or any Application a material fact required to be stated therein or necessary to make the statements therein not misleading or

(iv) any untrue statement or alleged untrue statement of any material fact contained in any audio or visual materials used in connection with the marketing of the Securities, including without limitation, slides, videos, films, and tape recordings,

and will reimburse, as incurred, each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action; provided, however, that the Company and such Principal Selling Stockholder will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or any amendment thereto, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or any Application in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein; and provided, further, that the Company and such Principal Selling Stockholder will not be liable to any Underwriter or any person controlling such Underwriter with respect to any such untrue statement or omission made in any Preliminary Prospectus that is corrected in the Prospectus (or any amendment or supplement thereto) if the person asserting any such loss, claim, damage or liability purchased Securities from such Underwriter but was not sent or given a copy of the Prospectus (as amended or supplemented) at or prior to the written confirmation of the sale of such Securities to such person in any case where such delivery of the Prospectus (as amended or supplemented) is required by the Act, unless such failure to deliver the Prospectus (as amended or supplemented) was a result of noncompliance by the Company with Section 5(d) and (e) of this Agreement. This indemnity agreement will be in addition to any liability which the Company or such Principal Selling Stockholder may otherwise have. Neither the Company nor any Principal Selling Stockholder will, without the prior written consent of the Underwriters purchasing, in the aggregate, more than fifty percent (50%) of the Securities, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not any such Underwriter or any person who controls any such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of all of the Underwriters and such controlling persons from all

liability arising out of such claim, action, suit or proceeding. Notwithstanding anything herein to the contrary, the liability of each Principal Selling Stockholder under this Section 8(a) shall not exceed an amount equal to the initial public offering price of the Securities sold by such Principal Selling Stockholder to the Underwriters.

(b) Each Additional Selling Stockholder severally agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, each Underwriter and each person who controls the Company or any Underwriter within the meaning of the Act or the Exchange Act and each other Additional Selling Stockholder against any losses, claims, damages or liabilities to which the Company, any such director, officer, such Underwriter or any such controlling person may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or any Application or (ii) the omission or the alleged omission to state therein a material fact required to be stated in the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or any Application or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Additional Selling Stockholder for use therein; provided, however, that such Additional Selling Stockholder will not be liable to any Underwriter or any person controlling such Underwriter with respect to any such untrue statement or omission made in any Preliminary Prospectus that is corrected in the Prospectus (or any amendment or supplement thereto) if the person asserting any such loss, claim, damage or liability purchased Securities from such Underwriter but was not sent or given a copy of the Prospectus (as amended or supplemented) at or prior to the written confirmation of the sale of such Securities to such person in any case where such delivery of the Prospectus (as amended or supplemented) is required by the Act, unless such failure to deliver the Prospectus (as amended or supplemented) was a result of noncompliance by the Company with Section 5(d) and (e) of this Agreement; and, subject to the limitation set forth immediately preceding this clause, will reimburse, as incurred, any legal or other expenses reasonably incurred by the Company, any such director, officer, such Underwriter or any such controlling person in connection with investigating or defending any such loss, claim, damage, liability or any action in respect thereof. This indemnity agreement will be in addition to any liability which any other Additional Selling Stockholder may otherwise have. Each Additional Selling Stockholder will not, without the prior written consent of the Underwriter or Underwriters purchasing, in the aggregate, more than fifty percent (50%) of the Securities, settle or comprise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not any such Underwriter or any person who controls any such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of all of the Underwriters and such controlling persons from all liability arising out of such claim, action, suit or proceeding.

(c) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement, each Selling Stockholder and each person, if any, who controls the Company or such Selling Stockholder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any losses, claims, damages or liabilities to which the Company, any such director or officer of the Company, such Selling Stockholder or any such controlling person of the Company or such Selling Stockholder may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or any Application or (ii) the omission or the alleged omission to state therein a material fact required to be stated in the Registration Statement or any amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or any Application or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein; and, subject to the limitation set forth immediately preceding this clause, will reimburse, as incurred, any legal or other expenses reasonably incurred by the Company, any such director, officer or controlling person or such Selling Stockholder in connection with investigating or defending any such loss, claim, damage, liability or any action in respect thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(d) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 8. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i)

the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances, designated by the Representatives in the case of paragraph (a) of this Section 8, representing the indemnified parties under such paragraph (a) who are parties to such action or actions) or (ii) the indemnifying party does not promptly retain counsel satisfactory to the indemnified party or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the consent of the indemnifying party.

(e) In circumstances in which the indemnity agreement provided for in the preceding paragraphs of this Section 8 is unavailable or insufficient, for any reason, to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Securities or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters, the parties' relative intents, knowledge, access to information and opportunity to correct or prevent such statement or omission, and any other equitable considerations appropriate in the circumstances. The Company, the Selling Stockholders and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to above in this paragraph (e). Notwithstanding any other provision of this paragraph (e), no Underwriter shall be obligated to make contributions hereunder that in the aggregate exceed the total public offering price of the Securities purchased by such Underwriter under this Agreement, less the aggregate amount of any damages that such Underwriter has otherwise been required to pay in respect of the same or any substantially similar claim, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to

contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute hereunder are several in proportion to their respective underwriting obligations and not joint, and contributions among Underwriters shall be governed by the provisions of the Prudential Securities Incorporated Master Agreement Among Underwriters. For purposes of this paragraph (e), each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement and each person, if any, who controls the Company or any Selling Stockholder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Company or such Selling Stockholder, as the case may be.

9. Default of Underwriters. If one or more Underwriters default in their obligations to purchase Firm Securities or Option Securities hereunder and the aggregate number of such Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase is ten percent or less of the aggregate number of Firm Securities or Option Securities to be purchased by all of the Underwriters at such time hereunder, the other Underwriters may make arrangements satisfactory to the Representatives for the purchase of such Securities by other persons (who may include one or more of the non-defaulting Underwriters, including the Representatives), but if no such arrangements are made by the Firm Closing Date or the related Option Closing Date, as the case may be, the other Underwriters shall be obligated severally in proportion to their respective commitments hereunder to purchase the Firm Securities or Option Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase. If one or more Underwriters so default with respect to an aggregate number of Securities that is more than ten percent of the aggregate number of Firm Securities or Option Securities, as the case may be, to be purchased by all of the Underwriters at such time hereunder, and if arrangements satisfactory to the Representatives are not made within 36 hours after such default for the purchase by other persons (who may include one or more of the non-defaulting Underwriters, including the Representatives) of the Securities with respect to which such default occurs, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company other than as provided in Section 10 hereof. In the event of any default by one or more Underwriters as described in this Section 9, the Representatives shall have the right to postpone the Firm Closing Date or the Option Closing Date, as the case may be, established as provided in Section 3 hereof for not more than seven business days in order that any necessary changes may be made in the arrangements or documents for the purchase and delivery of the Firm Securities or Option Securities, as the case may be. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section 9. Nothing herein shall relieve any defaulting Underwriter from liability for its default.

10. Survival. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company, its officers, the Selling Stockholders and the several Underwriters set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company, any of its officers or directors, the Selling Stockholders, any Underwriter or any controlling person referred to in Section 8 hereof and (ii) delivery of and payment for the Securities. The respective agreements, covenants, indemnities and other statements

set forth in Sections 6 and 8 hereof shall remain in full force and effect, regardless of any termination or cancellation of this Agreement.

11. Termination. (a) This Agreement may be terminated with respect to the Firm Securities or any Option Securities in the sole discretion of the Representatives by notice to the Company and the Selling Stockholders given prior to the Firm Closing Date or the related Option Closing Date, respectively, in the event that the Company or any of the Selling Stockholders shall have failed, refused or been unable to perform all obligations and satisfy all conditions on their respective parts to be performed or satisfied hereunder at or prior thereto or, if at or prior to the Firm Closing Date or such Option Closing Date, respectively,

(i) the Company or any of its subsidiaries shall have, in the sole judgment of the Representatives, sustained any material loss or interference with their respective businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding or there shall have been any material adverse change, or any development involving a prospective material adverse change (including without limitation a change in management or control of the Company), in the condition (financial or otherwise), business prospects, net worth or results of operations of the Company and its subsidiaries, except in each case as described in or contemplated by the Prospectus (exclusive of any amendment or supplement thereto);

(ii) trading in the Common Stock shall have been suspended by the Commission or the New York Stock Exchange or the Nasdaq National Market or trading in securities generally on the New York Stock Exchange or Nasdaq National Market shall have been suspended or minimum or maximum prices shall have been established on either such exchange or market system;

(iii) a banking moratorium shall have been declared by New York or United States authorities; or

(iv) there shall have been (A) an outbreak or escalation of hostilities between the United States and any foreign power, (B) an outbreak or escalation of any other insurrection or armed conflict involving the United States or (C) any other calamity or crisis or material adverse change in general economic, political or financial conditions having an effect on the U.S. financial markets that, in the sole judgment of the Representatives, makes it impractical or inadvisable to proceed with the public offering or the delivery of the Securities as contemplated by the Registration Statement, as amended as of the date hereof.

(b) Termination of this Agreement pursuant to this Section 11 shall be without liability of any party to any other party except as provided in Section 10 hereof.

12. Information Supplied by Underwriters. The statements set forth in [the last paragraph on the front cover page and under the heading "Underwriting" in any Preliminary Prospectus or the Prospectus] (to the extent such statements relate to the Underwriters) constitute the only information furnished by any Underwriter through the Representatives to the Company or

any Selling Stockholder for the purposes of Sections 2(A)(b) and 8 hereof. The Underwriters confirm that such statements (to such extent) are correct.

13. Default by Selling Stockholders. If on the Firm Closing Date or the Option Closing Date any Selling Stockholder fails to sell the Firm Securities or Option Securities which such Selling Stockholder has agreed to sell on such date as set forth in Schedule III hereto or Section 3(b) hereof, the Company agrees that it will sell or arrange for the sale of that number of shares of Common Stock to the Underwriters which represents Firm Securities or Option Securities which such Selling Stockholder has failed to so sell, as set forth in Schedule III hereto or Section 3(b) hereof, or such lesser number as may be requested by the Representatives.

14. Notices. All communications hereunder shall be in writing and, if sent to any of the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission and confirmed in writing to Prudential Securities Incorporated, One New York Plaza, New York, New York 10292, Attention: Equity Transactions Group; if sent to the Company, shall be delivered or sent by mail, telex or facsimile transmission and confirmed in writing to the Company at 199 Riverneck Road, Chelmsford, MA 01824, Attention: James R. Bertelli, President (telecopier: (508) 256-3599); and if sent to any Selling Stockholder, shall be delivered or sent by mail at its address on the register of the Company.

15. Successors. This Agreement shall inure to the benefit of and shall be binding upon the several Underwriters, the Company and the Selling Stockholders and their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that (i) the indemnities of the Company and the Selling Stockholders contained in Section 8 of this Agreement shall also be for the benefit of any person or persons who control any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and (ii) the indemnities of the Underwriters contained in Section 8 of this Agreement shall also be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person or persons who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and the Selling Stockholders. No purchaser of Securities from any Underwriter shall be deemed a successor because of such purchase.

16. Applicable Law. The validity and interpretation of this Agreement, and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflicts of laws.

17. Consent to Jurisdiction and Service of Process. All judicial proceedings arising out of or relating to this Agreement may be brought in any state or federal court of competent jurisdiction in the State of New York, and by execution and delivery of this Agreement, the Selling Stockholders accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts and waives any defense of forum non conveniens and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The Selling Stockholders designate and appoint _____, and such other persons as may hereafter be selected by the Selling Stockholder irrevocably agreeing in writing to so serve, as its agent to receive on their behalf service of all process in any such proceedings in any such court, such service being hereby acknowledged by each Selling Stockholder to be effective and binding service in every respect. A copy of any such process so served shall be mailed by registered mail to the Selling Stockholder at its address provided in Section 14 hereof; provided, however, that, unless otherwise provided by applicable law, any failure to mail such copy shall not affect the validity of service of such process. If any agent appointed by the Selling Stockholder refuses to accept service, the Selling Stockholder hereby agrees that service of process sufficient for personal jurisdiction in any action against the Selling Stockholder in the State of New York may be made by registered or certified mail, return receipt requested, to the Selling Stockholder at its address provided in Section 14 hereof, and the Selling Stockholder hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of any Underwriter to bring proceedings against the Selling Stockholder in the courts of any other jurisdiction.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter shall constitute an agreement binding the Company, the Selling Stockholders and each of the several Underwriters.

Very truly yours,

MERCURY COMPUTER SYSTEMS, INC.

By: _____
[Title]

The foregoing Agreement is hereby
confirmed and accepted as of the
date first above written.

PRUDENTIAL SECURITIES INCORPORATED
COWEN & COMPANY

By: PRUDENTIAL SECURITIES INCORPORATED

By: _____
Jean-Claude Canfin
Managing Director
For itself and on behalf of the Representatives.

SCHEDULE I

PRINCIPAL SELLING STOCKHOLDERS

SCHEDULE II

ADDITIONAL SELLING STOCKHOLDERS

SCHEDULE III

UNDERWRITERS

Underwriter	(a) Number of Firm Securities to be Purchased from the Company	(b) Number of Firm Securities to be Purchased from the Selling Stockholders	(c) Number of Option Securities to be Purchased from the Selling Stockholders
Prudential Securities Incorporated....			
Cowen & Company.....			
[insert names of other Underwriters alphabetically by bracket or in other order determined by Prudential Securities Incorporated - Equity Transactions Group]			
Total_____			

SCHEDULE IV

SUBSIDIARIES

Name	Jurisdiction of Incorporation

EXHIBIT 3.1

The Commonwealth of Massachusetts

Examiner

MICHAEL JOSEPH CONNOLLY
Secretary of State
ONE ASHBURTON PLACE, BOSTON, MASS: 02108

FEDERAL IDENTIFICATION
No. 04-2741391

RESTATED ARTICLES OF ORGANIZATION

GENERAL LAWS, CHAPTER 156B, SECTION 74

This certificate must be submitted to the Secretary of the Commonwealth within sixty days after the date of the vote of stockholders adopting the restated articles of organization. The fee for filing this certificate is prescribed by General Laws, Chapter 156B, Section 114. Make check payable to the Commonwealth of Massachusetts.

We, James Bertelli, President and
Anthony J. Medaglia, Jr., Clerk of

Mercury Computer Systems, Inc.
(Name of Corporation)

located at 199 Riverneck Road, Chelmsford, Massachusetts 01824

do hereby certify that the following restatement of the articles of organization of the corporation was duly adopted at a meeting held on June 23, 1993, by vote of

6,724,695 shares of Common out of 10,000,000 shares outstanding,
(Class of Stock)

shares of out of shares outstanding, and
(Class of Stock)

shares of out of shares outstanding
(Class of Stock)

being at least two-thirds of each class of stock outstanding and entitled to vote and of each class or series of stock adversely affected thereby:

1. The name by which the corporation shall be known is:

Mercury Computer Systems, Inc.

2. The purposes for which the corporation is formed are as follows:

See Page A-1 attached hereto.

C / /

P / /

M / /

RA / /
P.C.

Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8-1/2 X 11 sheets of paper leaving a left hand margin of at least 1 inch for binding. Additions to more than one article may be continued on a single sheet so long as each article requiring each such addition is clearly indicated.

3. The total number of shares and the par value, if any, of each class of stock which the corporation is authorized to issue is as follows:

	WITHOUT PAR VALUE	WITH PAR VALUE	
CLASS OF STOCK	NUMBER OF SHARES	NUMBER OF SHARES	PAR VALUE
Preferred	None	2,000,000	$.01
Common	None	25,000,000	$.01

*4. If more than one class is authorized, a description of each of the different classes of stock with, if any, the preferences, voting powers, qualifications, special or relative rights or privileges as to each class thereof and any series now established:

See Pages B-1 thru B-18 attached hereto.

*5. The restrictions, if any, imposed by the articles of organization upon the transfer of shares of stock of any class are as follows:

None.

*6. Other lawful provisions, if any, for the conduct and regulation of the business affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

See Pages C-1 thru C-12 attached hereto.

*If there are no such provisions, state "None".

ARTICLE 2.

The purposes for which the Corporation is formed are as follows: To manufacture, sell, invent, design, develop, distribute, lease and to engage in all aspects of the production of micro-computer based products; to invent, design, discover, or acquire formulae, processes, improvements, inventions, designs, patents, licenses, copyrights, trademarks, trade names and trade secrets applicable to the foregoing and to hold, use, sell, license and otherwise deal in or dispose of the same; to acquire by purchase, deed, mortgage, lease or by any other method and to hold, maintain, operate, improve, develop, sell, exchange, lease, mortgage, pledge, hypothecate, loan money upon and otherwise deal in real and personal property of every kind, character and description and wheresoever situated, including, without limitation, the stock and securities of the Corporation or of any other corporation; to lend money upon, credit or security to, to guarantee or assume obligations of, and to aid in any other manner other concerns wherever and however organized, any obligations of which or any interest in which shall be held by the Corporation or in the affairs or prosperity of which the Corporation has a lawful interest and to do all acts and things designed to protect, improve and enhance the value of such obligations and interests; and to carry on any business permitted and enjoy all rights and powers granted by the Commonwealth of Massachusetts to a corporation organized under Chapter 156B of the General Laws, as amended.

ARTICLE 4.

DESCRIPTION OF CAPITAL STOCK

A. AUTHORIZED SHARES. The aggregate number of shares which this Corporation shall have authority to issue is: 25,000,000 shares of common stock having a par value of $.01 per share (the "Common Stock") and 2,000,000 shares of preferred stock having a par value of $.01 per share (the "Series Preferred Stock").

B. SERIES PREFERRED STOCK. Shares of Series Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors, each of said series to be distinctly designated. All shares of any one series of the Series Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends, if any, thereon shall be cumulative, if made cumulative. The voting powers, if any, and the designations, preferences and relative, participating, optional or other special rights or privileges of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the provisions of subparagraph 1 of Paragraph D hereof, there is hereby expressly vested in the Board of Directors of the Corporation the authority to issue one or more series of the Series Preferred Stock and to fix in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors of the Corporation the voting powers, if any, and the designations, preferences and relative, participating, optional or other special rights or privileges, and the qualifications, limitations or restrictions of such series, including, but without limiting the generality of the foregoing, the following:

(1) The distinctive designation of, and the number of shares of the Series Preferred Stock which shall constitute such series. The designation of a series of preferred stock need not include the words "preferred" or "preference" and may be designated "special" or other distinctive term. Unless otherwise provided in the resolution issuing such series, the number of shares of any series of the Series Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the Board of Directors in the manner prescribed by law;

(2) The rate and times at which, and the terms and conditions upon which, dividends, if any, on the Series Preferred Stock of such series shall be paid, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes, or series of the same or other classes of stock and whether such dividends shall be cumulative or non-cumulative and, if cumulative, the date from which such dividends shall be cumulative;

(3) Whether the series shall be convertible into, or exchangeable for, at the option of the holders of the Series Preferred Stock of such series of the Corporation or upon the happening of a specified event, shares of any other class

or classes or any other series of the same or any other class or classes of stock of the Corporation, and the terms and conditions of such conversion or exchange, including provisions for the adjustment of any such conversion rate in such events as the Board of Directors shall determine;

(4) Whether or not the Series Preferred Stock of such series shall be subject to redemption at the option of the Corporation or the holders of such series or upon the happening of a specified event, and the redemption price or prices and the time or times at which, and the terms and conditions upon which, the Series Preferred Stock of such series may be redeemed;

(5) The rights, if any, of the holders of the Series Preferred Stock of such series upon the voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding-up, of the Corporation;

(6) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Series Preferred Stock of such series; and

(7) Subject to subparagraph 4 of Paragraph D hereof, whether such series of the Series Preferred Stock shall have full, limited or no voting powers, including, without limiting the generality of the foregoing, whether such series shall have the right, voting as a series by itself or together with other series of the Series Preferred Stock or all series of the Series Preferred Stock as a class, to elect one or more Directors of the Corporation if there shall have been a default in the payment of dividends on any one or more series of the Series Preferred Stock or under such other circumstances and on such conditions as the Board of Directors may determine.

C. COMMON STOCK.

(1) After the Corporation has complied with the requirements, if any, fixed in accordance with the provisions of Paragraph B hereof with respect to dividends on series of the Series Preferred Stock (in accordance with the relative preferences among such series), and subject further to any other conditions which may be fixed in accordance with the provisions of Paragraph B hereof, then, and not otherwise, the holders of Common Stock shall be entitled to receive such dividends (either in cash, stock or otherwise) as may be declared from time to time by the Board of Directors out of assets of the Corporation legally available therefor and the holders of the Series Preferred Stock shall not be entitled to participate in any such dividends.

(2) After distribution in full of the preferential amount, if any, to be distributed to the holders of series of the Series Preferred Stock (in accordance with the relative preferences among such series), in the event of voluntary or

involuntary liquidation, distribution, dissolution or winding-up of the Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to shareholders, ratably in proportion to the number of shares of Common Stock held by them respectively.

(3) Except as may otherwise be required by law, each holder of Common Stock shall have one vote in respect of each share of Common Stock held by him on all matters voted upon by the shareholders.

D. OTHER PROVISIONS.

(1) The relative powers, preferences and rights of each series of the Series Preferred Stock in relation to the powers, preferences and rights of each other series of the Series Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in Paragraph B hereof. The consent, by class or series vote or otherwise, of the holders of such of the series of the Series Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of the Series Preferred Stock whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that no subsequent series shall have powers, preferences or rights senior to the Series A Preferred Stock; and provided further that the Board of Directors may provide in the resolution or resolutions as to any series of the Series Preferred Stock adopted pursuant to Paragraph B hereof, the conditions, if any, under which the consent of the holders of a majority (or such greater proportion as shall be fixed therein) of the outstanding shares of such series shall be required for the issuance of any or all other series of the Series Preferred Stock.

(2) Subject to the provisions of subparagraph 1 of this Paragraph D, shares of any series of the Series Preferred Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(3) Shares of authorized Common Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(4) The number of authorized shares of Common Stock and of the Series Preferred Stock, without a class or series vote, may be increased or decreased from time to time (but not below the number of shares thereof then

outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon.

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E. DESCRIPTION OF SERIES A CONVERTIBLE PREFERRED STOCK.

1. DESIGNATION. _____ shares of the class of Series Preferred Stock, $.01 par value per share, authorized under the Articles of Organization of Mercury Computer Systems, Inc. (the "Corporation") shall be designated the "Series A Preferred Stock."

2. DIVIDENDS. No dividends shall be declared and set aside for any shares of the Series A Preferred Stock except in the event that the Board of Directors of the Corporation shall declare a dividend payable upon the then outstanding shares of the Common Stock, $.01 par value per share (the "Common Stock") of the Corporation, in which event the holders of the Series A Preferred Stock shall be entitled to the amount of dividends per share of Series A Preferred Stock as would be declared payable on the largest number of whole shares of Common Stock into which each share of Series A Preferred Stock held by each holder thereof could be converted pursuant to the provisions of Section 5 hereof, such number determined as of the record date for the determination of holders of Common Stock entitled to receive such dividend.

3. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) TREATMENT UPON LIQUIDATION, DISSOLUTION OR WINDING UP. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, holders of each share of Series A Preferred Stock shall be entitled to be paid, prior to any distribution in such event to holders of shares of Common Stock, out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes, whether such assets are capital, surplus, or capital earnings, an amount equal to the GREATER of:

(i) $1.4080 per share of Series A Preferred Stock (which amount shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Series A Preferred Stock), plus all accrued and unpaid dividends thereon, to and including the date full payment shall be tendered to the holders of the Series A Preferred Stock with respect to such liquidation, dissolution or winding up; or

(ii) such amount per share of Series A Preferred Stock as would have been payable had each such share been converted to Common Stock immediately prior to such event of liquidation, dissolution or winding up pursuant to the provisions of Section 5.

If the assets of the Corporation shall be insufficient to permit the payment in full to the holders of the Series A Preferred Stock and to the holders of any other series of the Series Preferred Stock which by its terms is entitled to share in any of the amounts thus distributable on parity with the Series A Preferred Stock, then the entire assets of the Corporation available for such distribution shall be distributed ratably among the holders of the Series A Preferred Stock and the holders of any such other series of the Series Preferred Stock in proportion to the respective amounts which would otherwise be

payable in respect of the shares held by them upon distribution if all amounts payable on or with respect to such shares were paid in full. After such payment shall have been made in full to the holders of the Series A Preferred Stock or funds necessary for such payment shall have been set aside by the Corporation in trust for the account of holders of the Series A Preferred Stock so as to be available for such payment, the holders of Series A Preferred Stock shall be entitled to no further participation in the distribution of the assets of the Corporation and shall have no further rights of conversion, and the remaining assets available for distribution shall be distributed ratably among the holders of the Common Stock.

(b) TREATMENT OF REORGANIZATIONS, CONSOLIDATIONS, MERGERS AND SALES OF ASSETS. A reorganization as provided in Section 5(h) or a consolidation or merger of the Corporation or a sale of all or substantially all of the assets of the Corporation shall be regarded as a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 3; PROVIDED, HOWEVER, that each holder of Series A Preferred Stock shall have the right to elect the benefits of the provisions of Section 5(h) hereof in lieu of receiving payment in liquidation, dissolution or winding up of the Corporation pursuant to this Section 3.

(c) DISTRIBUTIONS OTHER THAN CASH. Whenever the distribution provided for in this Section 3 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation.

4. VOTING POWER. Except as otherwise expressly provided in Section 7 hereof, or as required by law, each holder of Series A Preferred Stock shall be entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holders' shares of Series A Preferred Stock could be converted, pursuant to the provisions of Section 5 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. Except as otherwise expressly provided herein or as required by law, the holders of shares of Series A Preferred Stock and Common Stock shall vote together as a single class on all matters.

5. CONVERSION RIGHTS. The holders of the Series A Preferred Stock shall have the following rights with respect to the conversion of the Series A Preferred Stock into shares of Common Stock:

(a) GENERAL. Subject to and in compliance with the provisions of this Section 5, any share of the Series A Preferred Stock may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series A Preferred Stock shall be entitled upon conversion shall be the product obtained by multiplying the Applicable Conversion Rate (determined as provided in Section 5(b)) by the number of shares of Series A Preferred Stock being converted.

(b) APPLICABLE CONVERSION RATE. The conversion rate in effect at any time (the "Applicable Conversion Rate") shall be the quotient obtained by dividing $1.4080 by the Applicable Conversion Value, calculated as provided in Section 5(c).

(c) APPLICABLE CONVERSION VALUE. The Applicable Conversion Value shall be $1.4080, except that such amount shall be adjusted from time to time in accordance with this Section 5.

(d) ADJUSTMENTS TO APPLICABLE CONVERSION VALUE.

(i) (A) UPON SALE OF COMMON STOCK. If the Corporation shall, while there are any shares of Series A Preferred Stock outstanding, issue or sell shares of its Common Stock without consideration or at a price per share less than the Applicable Conversion Value in effect immediately prior to such issuance or sale, then in each such case such Applicable Conversion Value upon each such issuance or sale, except as hereinafter provided, shall be lowered so as to be equal to an amount determined by multiplying the Applicable Conversion Value by a fraction:

(1) the numerator of which shall be (a) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock, plus (b) the number of shares of Common Stock which the net aggregate consideration, if any, received by the Corporation for the total number of such additional shares of Common Stock so issued would purchase at the Applicable Conversion Value in effect immediately prior to such issuance, and

(2) the denominator of which shall be (a) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock plus (b) the number of such additional shares of Common Stock so issued.

(B) UPON ISSUANCE OF WARRANTS, OPTIONS AND RIGHTS TO COMMON STOCK.

(1) For the purposes of this Section 5(d)(i), the issuance of any warrants, options, subscriptions, or purchase rights with respect to shares of Common Stock and the issuance of any securities convertible into or exchangeable for shares of Common Stock (or the issuance of any warrants, options, or any rights with respect to such convertible or exchangeable securities) shall be deemed an issuance at such time of such Common Stock if the Net Consideration Per Share (as hereinafter determined) which may be received by the Corporation for such Common Stock shall be LESS THAN the Applicable Conversion Value at the time of such issuance. Any obligation, agreement, or undertaking to issue warrants, options, subscriptions, or purchase rights at any time in the future shall be deemed to be an issuance at the time such obligation, agreement or undertaking is made or arises. No adjustment of the Applicable Conversion Value shall be made under this Section 5(d)(i) upon the issuance of any shares of Common Stock which are issued pursuant to the exercise of any warrants, options, subscriptions, or purchase rights or pursuant to the exercise of any conversion or exchange rights in any

convertible securities if any adjustment shall previously have been made upon the issuance of any such warrants, options, or subscriptions or purchase rights or upon the issuance of any convertible securities (or upon the issuance of any warrants, options or any rights therefor) as above provided.

Should the Net Consideration Per Share of any such warrants, options, subscriptions, or purchase rights or convertible securities be decreased from time to time, then, upon the effectiveness of each such change, the Applicable Conversion Value shall be adjusted to such Applicable Conversion Value as would have been obtained (a) had the adjustments made upon the issuance of such warrants, options, rights, or convertible securities been made upon the basis of the actual Net Consideration Per Share of such securities, and (b) had adjustments made to the Applicable Conversion Value since the date of issuance of such securities been made to the Applicable Conversion Value as adjusted pursuant to (a) above. Any adjustment of the Applicable Conversion Value with respect to this paragraph which relates to warrants, options, subscriptions, or purchase rights with respect to shares of Common Stock shall be disregarded if, as, and when all of such warrants, options, subscriptions, or purchase rights expire or are cancelled without being exercised, so that the Applicable Conversion Value effective immediately upon such cancellation or expiration shall be equal to the Applicable Conversion Value in effect at the time of the issuance or the expiration of cancelled warrants, options, subscriptions, or purchase rights, with such additional adjustments as would have been made to that Applicable Conversion Value had the expired or cancelled warrants, options, subscriptions, or purchase rights not been issued.

(2) For purposes of this paragraph, the "Net Consideration Per Share" which may be received by the Corporation shall be determined as follows:

(a) The "Net Consideration Per Share" shall mean the amount equal to the total amount of consideration, if any, received by the Corporation for the issuance of such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities, plus the minimum amount of consideration, if any, payable to the Corporation upon exercise or conversion thereof, divided by the aggregate number of shares of Common Stock that would be issued if all such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities were exercised, exchanged, or converted.

(b) The Net Consideration Per Share which may be received by the Corporation shall be determined in each instance as of the date of issuance of warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities without giving effect to any possible future upward price adjustments or rate adjustments which may be applicable with respect to such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities.

(C) STOCK DIVIDENDS. In the event the Corporation shall make or issue, or shall fix a record date for the determination of holders of any stock of the Corporation OTHER THAN Common

Stock entitled to receive a dividend or other distribution payable in Common Stock or securities of the Corporation convertible into or otherwise exchangeable for the Common Stock of the Corporation, then such Common Stock or other securities issued in payment of such dividend shall be deemed to have been issued without consideration, EXCEPT FOR dividends payable in shares of Common Stock payable PRO RATA to holders of Series A Preferred Stock and to holders of any other class of stock, whether or not paid to holders of any other class of stock; PROVIDED, HOWEVER, that holders of any shares of Series A Preferred Stock shall be entitled to receive such shares of Common Stock for which the shares of Series A Preferred Stock are then convertible.

(D) CONSIDERATION OTHER THAN CASH. For purposes of this Section 5(d), if a part or all of the consideration received by the Corporation in connection with the issuance of shares of the Common Stock or the issuance of any of the securities described in this Section 5(d), consists of property other than cash, such consideration shall be deemed to have a fair market value as is reasonably determined in good faith by the Board of Directors of the Corporation.

(E) EXCEPTIONS. This Section 5(d)(i) shall not apply under any of the circumstances which would constitute an Extraordinary Common Stock Event (as hereinafter defined in Section 5(d)(ii)). Further, the provisions of this Section 5(d) shall not apply to the issuance of up to 15,790 shares of Common Stock, or options exercisable therefor, outstanding as of January 20, 1984, (such number to be subject to equitable adjustment in the event of any stock split, combination, reclassification or other similar event occurring on or after January 1, 1984), issuable to consultants, officers and employees of the Corporation, or to the issuance of additional shares of Common Stock, or options issuable therefor, to consultants, officers or employees of the Corporation, provided that the purchase price of such Stock or the exercise price of such options shall be not less than the fair market value of the Common Stock on the date of issuance or grant, as the case may be, and provided that not less than two-thirds of the Board of Directors of the Corporation shall have approved such issuance or grant or the stock option or stock purchase plan pursuant to which such issuance or grant was made.

(ii) UPON EXTRAORDINARY COMMON STOCK EVENT. Upon the happening of an Extraordinary Common Stock Event (as hereinafter defined), the Applicable Conversion Value (and all other conversion values set forth in paragraph (d)(i) above) shall, simultaneously with the happening of such Extraordinary Common Stock Event, be adjusted by multiplying the then effective Applicable Conversion Value by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Extraordinary Common Stock Event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such Extraordinary Common Stock Event, and the product so obtained shall thereafter be the Applicable Conversion Value.

The Applicable Conversion Value, as so adjusted, shall be readjusted in the same manner upon the happening of any successive Extraordinary Common Stock Event or Events.

"Extraordinary Common Stock Event" shall mean (i) the issue of additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (ii) a

subdivision of outstanding shares of Common Stock into a greater number of shares of the Common Stock, or (iii) a combination of outstanding shares of the Common Stock into a smaller number of shares of the Common Stock.

(e) AUTOMATIC CONVERSION UPON SPECIFIED PUBLIC OFFERING.

(i) Immediately upon the closing date of an underwritten public offering on a firm commitment basis pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation in which the aggregate net proceeds to the Corporation exceed $5,000,000 and in which the value of the Corporation, based upon the proposed offering price per share to the public of such Common Stock, equals or exceeds $15,000,000, all outstanding shares of Series A Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such Series A Preferred Stock is convertible pursuant to Section 5 hereof as of the closing date of such underwritten public offering without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent for the Common Stock.

(ii) Upon the occurrence of the conversion specified in paragraph (e)(i) above, the holders of such Series A Preferred Stock shall, upon notice from the Corporation, surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder a certificate or certificates for the number of shares of Common Stock into which the shares of the Series A Preferred Stock surrendered were convertible on the date on which such conversion occurred. The Corporation shall not be obligated to issue such certificates unless certificates evidencing such shares of the Series A Preferred Stock being converted are either delivered to the Corporation or any such transfer agent, or the holder notifies the Corporation or any such transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith.

(f) DIVIDENDS. In the event the Corporation shall make or issue, or shall fix a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution with respect to the Common Stock payable in (i) securities of the Corporation OTHER THAN shares of Common Stock or (ii) assets (excluding cash dividends paid out of earned surplus), then and in each such event provision shall be made so that the holders of Series A Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the number of securities or such other assets of the Corporation which they would have received had their Series A Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the Conversion Date (as that term is hereafter defined in

Section 5(j)), retained such securities or such other assets receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this Section 5 with respect to the rights of the holders of the Series A Preferred Stock.

(g) CAPITAL REORGANIZATION OR RECLASSIFICATION. If the Common Stock issuable upon the conversion of the Series A Preferred Stock shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for elsewhere in this Section 5, or the sale of all or substantially all of the Corporation's properties and assets to any other person), then and in each such event the holder of each share of Series A Preferred Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change by holders of the number of shares of Common Stock into which such shares of Series A Preferred Stock might have been converted immediately prior to such reorganization, reclassification or change, all subject to further adjustment as provided herein.

(h) CAPITAL REORGANIZATION, MERGER OR SALE OF ASSETS. If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 5) or a merger or consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person, then, as a part of such reorganization, merger, or consolidation or sale, provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock, the number of shares of stock or other securities or property of the Corporation, or of the successor corporation resulting from such merger, consolidation or sale, to which such holder would have been entitled if such holder had converted its shares of Series A Preferred Stock immediately prior to such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of the Series A Preferred Stock after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 5 (including adjustment of the Applicable Conversion Value then in effect and the number of shares issuable upon conversion of the Series A Preferred Stock) shall be applicable after that event in as nearly equivalent a manner as may be practicable.

Each holder of Series A Preferred Stock upon the occurrence of a capital reorganization, merger or consolidation of the Corporation, or the sale of all or substantially all its assets and properties, as such events are more fully set forth in the first paragraph of this Section 5(h), shall have the option of electing treatment of his shares of Series A Preferred Stock under either this Section 5(h) or Section 3 hereof, notice of which election shall be submitted in writing to the Corporation at its principal offices no later than five (5) business days before the effective date of such event.

(i) ACCOUNTANT'S CERTIFICATE AS TO ADJUSTMENTS: NOTICE BY CORPORATION. In each case of an adjustment or readjustment of the Applicable Conversion Rate, the Corporation

at its expense will furnish each holder of Series A Preferred Stock with a certificate, executed by the president and chief financial officer (or in the absence of a person designated as the chief financial officer, by the treasurer) showing the basis for such adjustment or readjustment. However, if the holder or holders of at least a majority of the then outstanding shares of Series A Preferred Stock so requests, such certificate shall be prepared by independent public accountants of recognized standing.

(j) EXERCISE OF CONVERSION PRIVILEGE. To exercise its conversion privilege, a holder of Series A Preferred Stock shall surrender the certificate or certificates representing the shares being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock issuable upon such conversion shall be issued. The certificate or certificates for shares of Series A Preferred Stock surrendered for conversion shall be accompanied by proper assignment thereof to the Corporation or in blank. The date when such written notice is received by the Corporation, together with the certificate or certificates representing the shares of Series A Preferred Stock being converted, shall be the "Conversion Date." As promptly as practicable after the Conversion Date, the Corporation shall issue and shall deliver to the holder of the shares of Series A Preferred Stock being converted, or on its written order, such certificate or certificates as it may request for the number of whole shares of Common Stock issuable upon the conversion of such shares of Series A Preferred Stock in accordance with the provisions of this Section 5, cash in the amount of all accrued and unpaid dividends on such shares of Series A Preferred Stock, whether or not earned or declared, up to and including the Conversion Date and cash, as provided in Section 5(k), in respect of any fraction of a share of Common Stock issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Conversion Date, and at such time the rights of the holder as holder of the converted shares of Series A Preferred Stock shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(k) CASH IN LIEU OF FRACTIONAL SHARES. No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon the conversion of shares of Series A Preferred Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of Series A Preferred Stock, the Corporation shall pay to the holder of the shares of Series A Preferred Stock which were converted a cash adjustment in respect of such fractional shares in an amount equal to the same fraction of the market price per share of the Common Stock (as determined in a reasonable manner prescribed by the Board of Directors) at the close of business on the Conversion Date. The determination as to whether or not any fractional shares are issuable shall be based upon the total number of shares of Series A Preferred Stock being converted at any one time by any holder thereof, not upon each share of Series A Preferred Stock being converted.

(l) PARTIAL CONVERSION. In the event some but not all of the shares of Series A Preferred Stock represented by a certificate or certificates surrendered by a holder are converted, the Corporation shall execute and deliver to, or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Series A Preferred Stock which were not converted.

(m) RESERVATION OF COMMON STOCK. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

6. NO REISSUANCE OF SERIES A PREFERRED STOCK. No share or shares of Series A Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue. The Corporation may from time to time take such appropriate corporate action as may be necessary to reduce the authorized number of shares of the Series A Preferred Stock accordingly.

7. RESTRICTIONS AND LIMITATIONS.

(a) CORPORATE ACTION. Except as expressly provided herein or as required by law, so long as any shares of the Series A Preferred Stock remain outstanding, the Corporation shall not, and shall not permit any subsidiary (which shall mean any corporation or trust of which the Corporation directly or indirectly owns at the time all of the outstanding shares of every class other than directors' qualifying shares) to, without the approval by vote or written consent by the holders of at least a majority of the then outstanding shares of the Series A Preferred Stock, each share of Series A Preferred Stock to be entitled to one vote in each instance:

(i) redeem, purchase or otherwise acquire for value (or pay into or set aside for a sinking fund for such purpose), any share or shares of Series A Preferred Stock;

(ii) authorize or issue, or obligate itself to authorize or issue, additional shares of Series A Preferred Stock;

(iii) authorize or issue, or obligate itself to authorize or issue, any other equity security senior to or on a parity with the Series A Preferred Stock as to liquidation preferences, conversion rights, voting rights, dividend rights or otherwise; or

(iv) merge or consolidate with, or sell, assign, lease or otherwise dispose of or voluntarily part with the control of (whether in one transaction or in a series of transactions) all, or substantially all, of its assets (whether now owned or hereinafter acquired) or sell, assign or otherwise dispose of (whether in one transaction or in a series of transactions) any of its accounts receivable (whether now in existence or hereinafter created) at a discount or with recourse, to any person, or permit any subsidiary to do any of the foregoing, except for sales or other dispositions of assets in the ordinary course of business and EXCEPT that (1) any subsidiary may merge into or consolidate with or transfer assets to any other subsidiary and (2) any subsidiary may merge into or transfer assets to the Corporation.

(b) AMENDMENTS TO CHARTER. The Corporation shall not amend its Articles of Organization without the approval, by vote or written consent, by the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, each share of Series A Preferred Stock to be entitled to one vote in each instance, if such amendment would change any of the rights, preferences, privileges of or limitations provided for herein for the benefit of any shares of Series A Preferred Stock. Without limiting the generality of the next preceding sentence, the Corporation will not amend its Articles of Organization without the approval by the holders of at least a majority of the then outstanding shares of Series A Preferred Stock if such amendment would:

(i) change the relative seniority rights of the holders of Series A Preferred Stock as to the payment of dividends in relation to the holders of any other capital stock of the Corporation; or

(ii) reduce the amount payable to the holders of Series A Preferred Stock upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or change the relative seniority of the liquidation preferences of the holders of Series A Preferred Stock to the rights upon liquidation of the holders of any other capital stock of the Corporation or change the dividend rights of the holders of Series A Preferred Stock; or

(iii) cancel or modify the conversion rights of the holders of Series A Preferred Stock provided for in Section 5 herein.

8. NO DILUTION OR IMPAIRMENT. The Corporation will not, by amendment of its Articles of Organization or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Series A Preferred Stock set forth herein, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holders of the Series A Preferred Stock against dilution or other impairment. Without limiting the generality of the foregoing, the Corporation (a) will not increase the par value of any shares of stock receivable on the conversion of the Series A Preferred Stock above the amount payable

therefor on such conversion, (b) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of stock on the conversion of all Series A Preferred Stock from time to time outstanding, (c) will not transfer all or substantially all of its properties and assets to any other person (corporate or otherwise), or consolidate with or merge into any other person or permit any such person to consolidate with or merge into the Corporation (if the Corporation is not the surviving person), unless such other person shall expressly assume in writing and will be bound by all the terms of the Series A Preferred Stock set forth herein.

9. NOTICES OF RECORD DATE. In the event of:

(a) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right; or

(b) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person; or

(c) any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, then and in each such event the Corporation shall mail or cause to be mailed to each holder of Series A Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and a description of such dividend, distribution or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation, or winding up is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up. Such notice shall be mailed at least thirty (30) days prior to the date specified in such notice on which such action is to be taken.

ARTICLE 6.

Other lawful provisions for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution or for limiting, defining or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders are as follows:

No Director or officer shall be disqualified by his office from dealing or contracting as vendor, purchaser or otherwise, whether in his individual capacity or through any other corporation, trust, association, firm or joint venture in which his is interested as a stockholder, director, trustee, partner or otherwise, with the Corporation or any corporation, trust, association, firm or joint venture in which the Corporation shall be a stockholder or otherwise interested or which shall hold stock or be otherwise interested in the Corporation, nor shall any such dealing or contract be avoided, nor shall any Director or officer so dealing or contracting be liable to account for any profit or benefit realized through any such dealing or contract with the Corporation or with any stockholder or creditor thereof solely because of the fiduciary relationship established by reason of his holding such Directorship or office. Any such interest of a Director shall not disqualify him from being counted in determining the existence of a quorum at any meeting nor shall any such interest disqualify him from voting or consenting as a Director or having his vote or consent counted in connection with any such dealing or contract.

No stockholder shall be disqualified from dealing or contracting as vendor, purchaser or otherwise, either in his individual capacity or through any other corporation, trust, association, firm or joint venture in which he is interested as a stockholder, director, trustee, partner or otherwise, with the Corporation or any corporation, trust, association, firm or joint venture in which the Corporation shall be a stockholder or otherwise interested or which shall hold stock or be otherwise interested in the Corporation, nor shall any such dealing or contract be avoided, nor shall any stockholder so dealing or contracting be liable to account for any profit or benefit realized through any such contract or dealing to the Corporation or to any stockholder or creditor thereof by reason of such stockholder holding stock in the Corporation to any amount, nor shall any fiduciary relationship be deemed to be established by holding such stock.

Meetings of the stockholders of the Corporation may be held at any place within the United States.

The Corporation may be a partner in any business enterprise it would have power to conduct by itself.

The Directors may make, amend or repeal the By-Laws in whole or in part, except with respect to any provision thereof which by law or the By-Laws requires action by the stockholders.

No Director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director notwithstanding any statutory provision or other law imposing such liability, except for liability of a director (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions

not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 61 or 62 of Chapter 156 of the Massachusetts General Laws, or (iv) for any transaction from which the Director derived an improper personal benefit.

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Classified Board of Directors

(1) The Directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the whole number of the Board of Directors. If the number of Directors is not evenly divisible by three, the Board of Directors shall determine the number of Directors to be elected initially into each class. In the election of Directors at the Special Meeting of Stockholders in Lieu of the 1992 Annual Meeting, the Class I Directors shall be elected to hold office for a term to expire at the first annual meeting of the stockholders thereafter; the Class II Directors shall be elected to hold office for a term to expire at the second annual meeting of the stockholders thereafter; and the Class III Directors shall be elected to hold office for a term to expire at the third annual meeting of the stockholders thereafter, and in the case of each class, until their respective successors are duly elected and qualified. At each annual election held after the Special Meeting of Stockholders in Lieu of the 1992 Annual Meeting, the Directors elected to succeed those whose terms expire shall be identified as being of the same class as the Directors they succeed and shall be elected to hold office for a term to expire at the third annual meeting of the stockholders after their election, and until their respective successors are duly elected and qualified. If the number of Directors changes, any increase or decrease in Directors shall be apportioned among the classes so as to maintain all classes as equal in number as possible, and any additional Director elected to any class shall hold office for a term which shall coincide with the terms of the other Directors in such class and until his successor is duly elected and qualified.

(2) Notwithstanding any other provisions of these Articles of Organization or the By-Laws of the Corporation or the fact that a lesser percentage may be specified by law, these Articles of Organization or the By-Laws of the corporation, the affirmative vote' of the holders of at least eighty (80%) percent of the combined voting power of the outstanding stock of the Corporation entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class, shall be required to amend, alter, adopt any provision inconsistent with or to repeal this provision; PROVIDED, HOWEVER, that if any such proposal receives the affirmative vote of a majority of the Continuing Directors (as defined below), then such proposal shall require only the affirmative vote of the holders of at least a majority of the outstanding Voting Stock of the Corporation.

Vote Required for Certain Business Combinations

Until January 1, 1999, the following shall be applicable to certain business combinations:

(A) In addition to any affirmative vote required by law or these Articles of Organization, and except as otherwise expressly provided in Paragraph (B) of this Provision:

1. any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) an Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or

consolidation would be, an Affiliate (as such term is hereinafter defined) of an Interested Stockholder; or

2. any sale, lease, exchange, mortgage, pledge, grant of a security interest, transfer or other disposition (in one transaction or a series of transactions to or with (a) an Interested Stockholder or (b) or any other person (whether or not itself an Interested Stockholder) which is, or after such sale, lease, exchange, mortgage, pledge, grant of security interest, transfer or other disposition would be, an Affiliate of an Interested Stockholder, directly or indirectly, of substantially all of the assets of the Corporation (including, without limitation, any voting securities of a Subsidiary) or any Subsidiary; or

3. the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary, or both, to (a) an Interested Stockholder or (b) any other person (whether or not itself an Interested Stockholder) which is, or after such issuance or transfer would be, an Affiliate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof); or

4. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of an Interested Stockholder; or

5. any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary directly or indirectly beneficially owned by (a) an Interested Stockholder or (b) any other person (whether or not itself an Interested Stockholder) which is, or after such reclassification, recapitalization, merger or consolidation or other transaction would be, an Affiliate of an Interested Stockholder;

shall not be consummated unless such consummation shall have been approved by the affirmative vote of the holders of at least eighty (80%) percent of the combined voting power of the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, in these Articles of Organization or in any agreement with any national securities exchange or otherwise.

(B) The provisions of Paragraph (A) of this Provision shall not be applicable to any particular Business Combination (as hereinafter defined) and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Articles of Organization, if the Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined) or all of the following conditions shall have been met:

1. The transaction constituting the Business Combination shall provide for a consideration to be received by all holders of Common Stock in exchange for all their shares of Common Stock, and the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per-share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of Common Stock beneficially owned by an Interested Stockholder (i) within the two-year period immediately prior to the Announcement Date (as hereinafter defined), (ii) within the two-year period immediately prior to the Determination Date (as hereinafter defined), or (iii) in the transaction in which it became an Interested Stockholder, whichever is highest; or

(b) the Fair Market Value per share of Common Stock on the Announcement Date or on the Determination Date, whichever is higher;

2. If the transaction constituting the Business Combination shall provide for a consideration to be received by holders of any class or series of outstanding Voting Stock other than Common Stock, the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of such class or series of Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this subparagraph 2 shall be required to be met with respect to every class or series of outstanding Voting Stock, whether or not an Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such class or series of Voting Stock beneficially owned by an Interested Stockholder (i) within the two-year period immediately prior to the Announcement Date, (ii) within the two-year period immediately prior to the Determination Date, or (iii) in the transaction in which it became an Interested Stockholder, whichever is highest; or

(b) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher; or

(c) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

3. The consideration to be received by holders of a particular class or series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as was previously paid in order to acquire shares of such class or series of Voting Stock which are

beneficially owned by an Interested Stockholder and, if an Interested Stockholder beneficially owns shares of any class or series of Voting Stock which were acquired with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock beneficially owned by it. The price determination in accordance with subparagraphs 1 and 2 of this Paragraph (B) shall be subject to appropriate adjustment in the event of any recapitalization, stock dividend, stock split, combination of shares or similar event;

4. After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination:

(a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor the full amount of any dividends (whether or not cumulative) payable on any outstanding preferred stock;

(b) there shall have been (i) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock) other than as approved by a majority of the Continuing Directors, and (ii) an increase in such annual rate of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and

(c) such Interested Stockholder shall not have become the beneficial owner of any additional shares of Voting Stock at a price lower than that paid in the transaction in which it became an Interested Stockholder;

5. After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

6. A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such act, rules or regulations) shall be mailed to the stockholders of the Corporation, no later than the earlier of (a) thirty (30) days prior to any vote on the proposed Business Combination, or (b) if no vote on such Business Combination is required, sixty (60) days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). Such proxy statement shall contain at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the

Business Combination which the Continuing Directors, or any of them, may have furnished in writing and, if deemed advisable by a majority of the Continuing Directors, an opinion of a reputable investment banking firm as to the fairness (or lack of fairness) of the terms of such Business Combination, from the point of view of the holder of Voting Stock other than an Interested Stockholder (such investment banking firm to be selected by a majority of the Continuing Directors, to be furnished with all information it reasonably requests and to be paid a reasonable fee for its services upon receipt by the Corporation of such opinion).

(C) For the purposes of this Provision:

1. "Business Combination" shall mean any transaction which is referred to in any one or more of subparagraphs 1 through 5 of Paragraph (A) of this Provision.

2. "Voting Stock" shall mean stock of all classes and series of the Corporation entitled to vote generally in the election of Directors.

3. "Person" shall mean any individual, firm, trust, partnership, association, corporation or other entity.

4. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary or any person or entity holding 9% or more of Voting Stock on July 2, 1993) who or which:

(a) is the beneficial owner, directly or indirectly, of more than ten (10%) percent of the combined voting power of the then outstanding Voting Stock; or

(b) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than ten (10%) percent of the combined voting power of the then outstanding Voting Stock; or

(c) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by an Interested Stockholder, unless such assignment or succession shall have occurred pursuant to a Public Transaction (as hereinafter defined) or any series of transactions involving a Public Transaction.

For the purposes of determining whether a person is an Interested Stockholder, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph 6 below but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or option, or otherwise.

5. "Public Transaction" shall mean any (a) purchase of shares offered pursuant to an effective registration statement under the Securities Act of 1933, as amended, or (b) open-market purchase of shares on a national securities exchange if, in either such case, the price and other terms of sale are not negotiated by the purchaser and the seller of the beneficial interest in the shares.

6. A person shall be a "beneficial owner" of any Voting Stock:

(a) which such person or any of its Affiliates beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote or to direct the voting thereof pursuant to any agreement, arrangement or understanding; or

(c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

7. "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on July 22, 1993.

8. "Subsidiary" shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3all.1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on June 27, 1989) is owned, directly or indirectly, by the corporation; PROVIDED, HOWEVER, that for the purposes of the definition of Interested Stockholder set forth in subparagraph 4, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

9. "Continuing Director" shall mean any member of the Board of Directors of the Corporation who is unaffiliated with, and not a nominee of, an Interested Stockholder and was a member of the Board prior to the time that such Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director who is unaffiliated with, and not a nominee of, an Interested Stockholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

10. "Announcement Date" shall mean the date of the first public announcement of the proposed Business Combination.

11. "Determination Date" shall mean the date on which an Interested Stockholder became an Interested Stockholder.

12. "Fair Market Value" shall mean: (a) in the case of stock, the highest closing sale price during the thirty (30)-day period immediately preceding the date in question of a share of such stock on the National Market System of the National Association of Securities Dealers Automated Quotation System or any system then in use on any national securities exchange or automated quotation system, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(D) A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Provision, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Provision, including, without limitation, (1) whether a person is an Interested Stockholder, (2) the number of shares of Voting Stock beneficially owned by any person, (3) whether a person is an Affiliate of another, (4) whether the requirements of Paragraph (B) of this Provision have been met, and (5) such other matters with respect to which a determination is required under this Provision. The good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all purposes of this Provision.

(E) Nothing contained in this Provision shall be construed to relieve an Interested Stockholder of any fiduciary obligation imposed by law.

(F) Notwithstanding any other provisions of these Articles of Organization or the By-laws of the Corporation or the fact that a lesser percentage may be specified by law, these Articles of Organization or the By-laws of the corporation, the affirmative vote of the holders of at least eighty (80%) percent of the combined voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to amend, alter, adopt any provision inconsistent with or repeal this Provision; PROVIDED, HOWEVER, that if any such proposal receives the affirmative vote of a majority of the Continuing Directors, then such proposal shall require only the affirmative vote of the holders of at least a majority of the outstanding Voting Stock of the Corporation.

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Redemption of Shares

The Corporation, until January 1, 1999, in accordance with Section 6 of Chapter 110D of the General Laws of the Commonwealth of Massachusetts, by action of its Board of Directors is authorized, at the option of the Corporation by such Board action but without requiring the agreement of the person who has made a control share acquisition (as defined in said Chapter 110D), to redeem all but not less than all shares acquired in such a control share acquisition in accordance with and subject to the limitations contained in said Chapter 110D including Section 6 thereof, provided however that any person or entity holding more than 9% of the issued and outstanding stock entitled to vote generally for the election of Directors on July 2, 1993 shall be exempt from this provision so long as any such 10% stockholder continues to hold at least 5% of the voting stock of the Corporation.

Federal Identification No: 04-2741391

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin
Secretary of the Commonwealth
Corporations Division
One Ashburton Place, Boston, MA 02108-1512

CERTIFICATE OF CORRECTION
(GENERAL LAWS, CHAPTER 156B, SECTION 6A)

CORPORATE NAME: MERCURY COMPUTER SYSTEMS, INC.

DOCUMENT TO BE CORRECTED: RESTATED ARTICLES OF ORGANIZATION

IT IS HEREBY CERTIFIED THAT THE ABOVE MENTIONED DOCUMENT WAS FILED WITH THE OFFICE OF THE SECRETARY OF STATE ON 10/21/93.

PLEASE STATE THE INACCURACY OR DEFECT TO BE CORRECTED IN SAID DOCUMENT:

ATTACHMENT PAGE B-5

E. DESCRIPTION OF SERIES A CONVERTIBLE PREFERRED STOCK

1. DESIGNATION: _____ SHARES OF THE CLASS OF SERIES . . .

PLEASE STATE CORRECTED VERSION OF THE DOCUMENT:

ATTACHMENT PAGE B-5

E. DESCRIPTION OF SERIES A CONVERTIBLE PREFERRED STOCK

1. DESIGNATION: 1,000,000 SHARES OF THE CLASS OF SERIES . . .

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, WE SIGN OUR NAMES THIS 23RD DAY OF OCTOBER IN THE YEAR 1997

/s/ James Bertelli PRESIDENT

James Bertelli

/s/ Anthony J. Medaglia, Jr. CLERK

Anthony J. Medaglia, Jr.

- ---
NOTE: IF THE INACCURACY OR DEFECT TO BE CORRECTED IS NOT APPARENT ON THE FACE OF THE DOCUMENT, MINUTES OF THE MEETING SUBSTANTIATING THE ERROR MUST BE FILED WITH THE CERTIFICATE. IF REQUIRED, ADDITIONAL INFORMATION MAY BE STATED ON A SEPARATE 8 1/2 x 11 INCH WHITE PAPER.
- ---

*We further certify that the foregoing restate articles of organization effect no amendments to the articles of organization of the corporation as heretofore amended, except amendments to the following articles

Article 3, Article 4 and Article 6

(*If there are no such amendments, state "None".)

Briefly describe amendments in space below:

To Article 3

1. Increased the number of authorized shares of Common Stock from 10,000,000 shares to 25,000,000.

To Article 4

1. Increased the number of authorized shares of Common Stock as stated above.

To Article 6

1. Creation of a classified Board of Directors.

2. Adoption of a Fair Price Amendment to be in effect until January 1, 1999.

3. Adopted a provision regarding the redemption by the Corporation of shares acquired in a control share acquisition to be in effect until January 1, 1999.

IN WITNESS WHEREOF AND UNDER PENALTIES OF PERJURY, we have hereto signed our names this 12th day of October in the year 1993.

/s/ James R. Bartelli President

/s/ Anthony J. Madaglia, Jr. Clerk

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

I hereby approve the within restated articles of organization and, the filing fee in the amount of $ having been paid, said articles are deemed to have been filed with me this day of , 19 .

MICHAEL JOSEPH CONNOLLY
Secretary of State

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF RESTATED ARTICLES OF ORGANIZATION TO BE SENT TO:

- ---

- ---

- ---

Telephone

Copy Mailed

Federal Identification No: 04-2741391

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin
Secretary of the Commonwealth
Corporations Division
One Ashburton Place, Boston, MA 02108-1512

CERTIFICATE OF CORRECTION
(GENERAL LAWS, CHAPTER 156B, SECTION 6A)

CORPORATE NAME: MERCURY COMPUTER SYSTEMS, INC.

DOCUMENT TO BE CORRECTED: RESTATED ARTICLES OF ORGANIZATION

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PLEASE STATE THE INACCURACY OR DEFECT TO BE CORRECTED IN SAID DOCUMENT:

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PLEASE STATE CORRECTED VERSION OF THE DOCUMENT:

ATTACHMENT PAGE B-5

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1. DESIGNATION: 1,000,000 SHARES OF THE CLASS OF SERIES...

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, WE SIGN OUR NAMES THIS 23rd DAY OF OCTOBER IN THE YEAR 1997.

/s/ James Bertelli PRESIDENT

James Bertelli

/s/ Anthony J. Medaglia, Jr. CLERK

Anthony J. Medaglia, Jr.

- ---
NOTE: IF THE INACCURACY OR DEFECT TO BE CORRECTED IS NOT APPARENT ON THE FACE OF THE DOCUMENT, MINUTES OF THE MEETING SUBSTANTIATING THE ERROR MUST BE FILED WITH THE CERTIFICATE. IF REQUIRED, ADDITIONAL INFORMATION MAY BE STATED ON A SEPARATE 8-1/2 X 11 INCH WHITE PAPER.
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Exhibit 3.2

BY-LAWS

OF

MERCURY COMPUTER SYSTEMS, INC.

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BY-LAWS

OF

MERCURY COMPUTER SYSTEMS, INC.

ARTICLE 1

ARTICLES OF ORGANIZATION

The name and purposes of the Corporation shall be as set forth in the Articles of Organization. These By-Laws, the powers of the Corporation and its Directors and stockholders, and all matters concerning the conduct and regulation of the business of the Corporation, shall be subject to such provisions in regard thereto, if any, as are set forth in the Articles of Organization. All references in these By-Laws to the Articles of Organization shall be construed to mean the Articles of Organization of the Corporation as from time to time amended or restated.

ARTICLE 2

FISCAL YEAR

Except as from time to time otherwise determined by the Directors, the fiscal year of the Corporation shall be the twelve months ending on June 30.

ARTICLE 3

MEETINGS OF STOCKHOLDERS

SECTION 3.1 ANNUAL MEETING

The annual meeting of the stockholders shall be held at 10:00 o'clock A.M. on the first Wednesday of October in each year. Purposes for which an annual meeting is to be held, additional to those prescribed by law and by these By-Laws, may be specified by the President or by the Directors.

If such annual meeting has not been held on the day herein provided therefor, a special meeting of the stockholders in lieu of the annual meeting may be held, and any business transacted or elections held at such special meeting shall have the same effect as if transacted or held at the annual meeting, and in such case all references in these By-Laws, except in this Section 3.1, to the annual meeting of the stockholders shall be deemed to refer to such special meeting. Any such special meeting shall be called, and the purposes thereof shall be specified in the call, as provided in Section 3.2 of this Article 3.

To be properly brought before the meeting, business must be of a nature that is appropriate for consideration at an annual meeting and must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before the annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Clerk of

the Corporation. To be timely, each such notice must be given either by personal delivery or by United States mail, postage prepaid, to the Clerk of the Corporation not later than (1) with respect to a matter to be brought before an annual meeting of stockholders or special meeting in lieu of an annual meeting, sixty (60) days prior to the date set forth in the By-Laws for the annual meeting and (2) with respect to a matter to be brought before a special meeting of the stockholders not in lieu of an annual meeting, the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to stockholders. The notice shall set forth (i) information concerning the stockholder, including his or her name and address; (ii) a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the matter specified in the notice, and (iii) such other information as would be required to be included in a proxy statement soliciting proxies for the presentation of such matter to the meeting.

Notwithstanding anything in these By-Laws to the contrary, no business shall be transacted at the annual meeting except in accordance with the procedures set forth in this Section; provided, however, that nothing in this Section shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with these By-Laws.

SECTION 3.2 SPECIAL MEETINGS

A special meeting of the stockholders may be called at any time by the President, or by a majority of the Directors acting by vote or by written instrument or instruments signed by them. A special meeting of the stockholders shall be called by the Clerk, or in the case of the death,

absence, incapacity or refusal of the Clerk, by any other officer, upon written application of one or more stockholders who hold at least thirty (30) percent in interest of the capital stock entitled to vote thereat. Such call shall state the time, place and purposes of the meeting. In the event that none of the officers is able or willing to call a special meeting, the supreme judicial or superior court, upon application of one or more stockholders who hold at least thirty (30) percent in interest of the capital stock entitled to vote thereat, shall have jurisdiction in equity to authorize one or more of such stockholders to call a meeting by giving notice as is required by law.

SECTION 3.3 PLACE OF MEETINGS

All meetings of the stockholders shall be held at the principal office of the Corporation in Massachusetts, unless a different place within Massachusetts or, if permitted by the Articles of Organization, elsewhere within the United States is designated by the President, or by a majority of the Directors acting by vote or by written instrument or instruments signed by them. Any adjourned session of any meeting of the stockholders shall be held at such place within Massachusetts or, if permitted by the Articles of Organization, elsewhere within the United States as is designated in the vote of adjournment.

SECTION 3.4 NOTICE OF MEETINGS

A written notice of the place, date and hour of all meetings of stockholders stating the purposes of the meeting shall be given at least seven (7) days before the meeting to each stockholder entitled to vote thereat, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to such stockholder at his

address as it appears in the records of the Corporation. Such notice shall be given by the Clerk, or in the case of the death, absence, incapacity or refusal of the Clerk, by any other officer or by a person designated either by the Clerk, by the person or persons calling the meeting, by any stockholder or group of stockholders applying for such meeting pursuant to Section 3.2 of Article 3 of these By-Laws or by the Board of Directors. Whenever notice of a meeting is required to be given a stockholder under any provision of law, of the Articles of Organization, or of these By-Laws, a written waiver thereof, executed before or after the meeting by such stockholder or his attorney thereunto authorized, and filed with the records of the meeting, shall be deemed equivalent to such notice.

SECTION 3.5 QUORUM

At any meeting of the stockholders, a quorum for the election of any Director or for the consideration of any question shall consist of a majority in interest of all stock issued, outstanding and entitled to vote at such election or upon such question, respectively, except that if two or more classes of stock are entitled to vote as separate classes for the election of any Director or upon any question, then in the case of each such class a quorum for the election of any Director or for the consideration of such question shall consist of a majority in interest of all stock of that class issued, outstanding and entitled to vote thereon. Stock owned by the Corporation, if any, shall be disregarded in determining any quorum. Whether or not a quorum is present, any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, and the meeting may be held as adjourned without further notice.

When a quorum for an election is present at any meeting, a plurality of the votes properly

cast for any office shall elect such office. When a quorum for the consideration of a question is present at any meeting, a majority of the votes properly cast upon the question shall decide the question; except that if two or more classes of stock are entitled to vote as separate classes upon such question, then in the case of each such class a majority of the votes of such class properly cast upon the question shall decide the vote of that class upon the question; and except in any case where a larger vote is required by law or by the Articles of Organization.

SECTION 3.6 ACTION WITHOUT MEETING

Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting if all stockholders entitled to vote on the matter consent to the action in writing and the written consents are filed with the records of the meetings of stockholders. Such consents shall be treated for all purposes as a vote at a meeting.

SECTION 3.7 PROXIES AND VOTING

Except as may otherwise be provided in the Articles of Organization, stockholders entitled to vote shall have one vote for each share of stock entitled to vote owned by them. Stockholders entitled to vote may vote in person or by proxy. No proxy dated more than six (6) months before the meeting named therein shall be valid and no proxy shall be valid after the final adjournment of such meeting; PROVIDED, HOWEVER, that a proxy coupled with an interest sufficient in law to support an irrevocable power, including, without limitation, an interest in the shares or in the Corporation generally, may be irrevocable if it so provides, need not specify the meeting to which it relates, and shall be valid and enforceable until the interest terminates, or for such shorter period as may be specified in the proxy. A proxy with respect to stock held in the name

of two or more persons shall be valid if executed by any one of them unless at or prior to the exercise of the proxy the Corporation receives specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger. Proxies shall be filed with the Clerk, or person performing the duties of clerk, at the meeting, or any adjournment thereof, before being voted.

The Corporation shall not, directly or indirectly, vote upon any share of its own stock.

ARTICLE 4

DIRECTORS

SECTION 4.1 ENUMERATION, ELECTION AND TERM OF OFFICE

The business and affairs of this corporation shall be managed under the direction of a Board of Directors consisting of not fewer than three (3) nor more than fifteen (15) Directors, the exact number to be determined from time to time by resolution adopted by the affirmative vote of a majority of the entire Board of Directors, such Board of Directors to be divided into such classes and elected by such stockholders as have the right to vote thereon, for such terms as are provided in the Articles of Organization. Each Director shall hold office until his successor shall have been elected and qualified, subject to Article 6 of these By-Laws. Whenever used in these By-Laws, the phrase "entire Board of Directors" shall mean that number of Directors fixed by the most recent resolution adopted pursuant to the preceding sentence prior to the date as of which a determination of the number of Directors then constituting the entire Board of Directors shall be relevant for any purpose under these By-Laws. Subject to the foregoing limitations and the

requirements of the Articles of Organization, the Board of Directors may be enlarged by the stockholders at any meeting or by the affirmative vote of a majority of the entire Board of Directors then in office.

Nominations for the election of Directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote generally in the election of Directors. However, any stockholder entitled to vote generally in the election of Directors may nominate one or more persons for election as Directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Clerk of the Corporation not later than (1) with respect to an election to be held at an annual meeting of stockholders or special meeting in lieu of an annual meeting, sixty (60) days prior to the date for the annual meeting set forth in the By-Laws and (2) with respect to an election to be held at a special meeting of stockholders not in lieu of an annual meeting, the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to stockholders. Each such notice to the Clerk shall set forth (i) the name and address of the stockholder and each of his or her nominees; (ii) a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each such nominee; (iv) such other information as would be required to be included in a proxy statement soliciting proxies or the election of the nominees of such stockholder; and (v) the consent of each nominee to serve as a Director of the Corporation if so

elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. The presiding officer of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if such officer should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

No Director need be a stockholder. Any election of Directors by the stockholders shall be by ballot if so requested by any stockholder entitled to vote thereon.

SECTION 4.2 POWERS

The business of the Corporation shall be managed by the Board of Directors, which shall exercise all the powers of the Corporation except as otherwise required by law, by the Articles of Organization or by these By-Laws. In the event of one or more vacancies in the Board of Directors, the remaining Directors, if at least two (2) Directors still remain in office, may exercise the powers of the full Board until such vacancy or vacancies are filled.

SECTION 4.3 MEETINGS OF DIRECTORS

Regular meetings of the Directors may be held without notice at such places and at such times as may be fixed from time to time by the Directors. A regular meeting of the Directors may be held without notice immediately following an annual meeting of stockholders or any special meeting held in lieu thereof.

Special meetings of Directors may be called by the Chairman of the Board, the President, the Treasurer or any two (2) or more Directors, or if there shall be less than three (3) Directors,

by any one (1) Director, and shall be held at such time and place as specified in the call. Reasonable notice of each special meeting of the Directors shall be given to each Director. Such notice may be given by the Secretary or Assistant Secretary of the Board, the Clerk or any Assistant Clerk or by the officer or one of the Directors calling the meeting. Notice to a Director shall in any case be sufficient if sent by telegram or telecopier at least forty-eight (48) hours or by mail at least ninety-six (96) hours before the meeting addressed to the Director at his or her usual or last known business or residence address, or if given to him or her at least forty-eight (48) hours before the meeting in person or by telephone or by handing him or her a written notice. Notice of a meeting need not be given to any Director if a written waiver of notice, executed by him or her before or after the meeting, is filed with the records of the meeting, or to any Director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him or her. A notice or waiver of notice need not specify the purposes of the meeting.

SECTION 4.4 QUORUM OF DIRECTORS

At any meeting of the Directors, a quorum for any election or for the consideration of any question shall consist of a majority of the Directors then in office. Whether or not a quorum is present any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the votes of a majority of the Directors present shall be requisite and sufficient for election to any office and shall decide any question brought before such meeting, except in any case where a larger vote is required by law, by the Articles of Organization or by these By-Laws.

SECTION 4.5 CONSENT IN LIEU OF MEETING AND PARTICIPATION IN MEETINGS BY COMMUNICATIONS EQUIPMENT

Any action required or permitted to be taken at any meeting of the Directors may be taken without a meeting if all the Directors consent to the action in writing and the written consents are filed with the records of the meetings of the Directors. Such consents shall be treated for all purposes as a vote of the Directors at a meeting.

Members of the Board of Directors or any Committee designated thereby may participate in a meeting of such Board or Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

SECTION 4.6 COMMITTEES

By vote of a majority of the Directors then in office, the Directors may elect from their own number an Executive Committee or other Committees and may by like vote delegate to any such Committee some or all of their powers except those which by law may not be delegated.

ARTICLE 5

OFFICERS

SECTION 5.1 ENUMERATION, ELECTION AND TERM OF OFFICE

The officers of the Corporation shall include a President, a Treasurer and a Clerk, who shall be chosen by the Directors at their first meeting following an annual meeting of the stockholders. Each of the officers shall hold office until the next annual election to the office

which he or she holds and until his or her successor is chosen and qualified or until he or she sooner dies, resigns, is removed or becomes disqualified. The Directors may choose one of their number to be Chairman of the Board and determine his or her powers, duties and term of office. The Directors may at any time appoint such other officers, including one or more Vice Presidents, Assistant Treasurers, Assistant Clerks, a Secretary of the Board and an Assistant Secretary of the Board as they deem wise, and may determine their respective powers, duties and terms of office.

The Corporation may also designate individuals as divisional, group, or segment vice presidents or vice presidents of a particular function, which individual shall carry such title on a non-executive basis and not as an executive officer of the Corporation. Said non-executive vice presidents may be designated by the Board of Directors or by the President pursuant to Board resolutions so-authorizing the President to appoint non-executive vice presidents on a particular occasion or from time to time in his or her discretion, said honorary vice presidents to be titled "Vice President (specific area of function)."

No officer need be a stockholder or a Director except that the Chairman of the Board shall be a Director. The same person may hold more than one office, except that no person shall be both President and Clerk.

SECTION 5.2 PRESIDENT AND CHAIRMAN OF THE BOARD

The President shall be the Chief Executive Officer of the Corporation and, subject to the control and direction of the Directors, shall have general supervision and control of the business of the Corporation. The President shall preside at all meetings of the stockholders at which he or

she is present, and, if the President is a Director, at all meetings of the Directors, if there shall be no Chairman of the Board or in the absence of the Chairman of the Board.

If there shall be a Chairman of the Board, such person shall make his or her counsel available to the other officers of the Corporation, and shall have such other duties and powers as may from time to time be conferred on him or her by the Directors. The Chairman of the Board shall preside at all meetings of the Directors at which he or she is present, and, in the absence of the President, at all meetings of stockholders.

SECTION 5.3 TREASURER AND ASSISTANT TREASURER

The Treasurer shall have the custody of the funds and valuable books and papers of the Corporation, except such as are directed by these By-Laws to be kept by the Clerk or by the Secretary of the Board. The Treasurer shall perform all other duties usually incident to such office, and shall be at all times subject to the control and direction of the Directors. If required by the Directors, the Treasurer shall give bond in such form and amount and with such sureties as shall be determined by the Directors.

If the Treasurer is absent or unavailable, any Assistant Treasurer shall have the duties and powers of Treasurer and shall have such further duties and powers as the Directors shall from time to time determine.

SECTION 5.4 CLERK AND ASSISTANT CLERK

If the Corporation shall not have a resident agent appointed pursuant to law, the Clerk shall be a resident of the Commonwealth of Massachusetts. The Clerk shall record all proceedings of the stockholders in a book to be kept therefor. In case a Secretary of the Board is

not elected, the Clerk shall also record all proceedings of the Directors in a book to be kept therefor.

If the Corporation shall not have a transfer agent, the Clerk shall also keep or cause to be kept the stock and transfer records of the Corporation, which shall contain the names of all stockholders and the record address and the amount of stock held by each.

If the Clerk is absent or unavailable, any Assistant Clerk shall have the duties and powers of the Clerk and shall have such further duties and powers as the Directors shall from time to time determine.

SECTION 5.5 SECRETARY OF THE BOARD AND ASSISTANT SECRETARY

If a Secretary of the Board is elected, such person shall record all proceedings of the Directors in a book to be kept therefor.

If the Secretary of the Board is absent or unavailable, any Assistant Secretary shall have the duties and powers of the Secretary and shall have such further duties and powers as the Directors shall from time to time determine.

If no Secretary or Assistant Secretary has been elected, or if, having been elected, no Secretary or Assistant Secretary is present at a meeting of the Directors, the Clerk or an Assistant Clerk shall record the proceedings of the Directors.

SECTION 5.6 TEMPORARY CLERK AND TEMPORARY SECRETARY

If no Clerk or Assistant Clerk shall be present at any meeting of the stockholders, or if no Secretary, Assistant Secretary, Clerk or Assistant Clerk shall be present at any meeting of the Directors, the person presiding at the meeting shall designate a Temporary Clerk or Secretary to

perform the duties of Clerk or Secretary.

SECTION 5.7 OTHER POWERS AND DUTIES

Each officer shall, subject to these By-Laws and to the control and direction of the Directors, have in addition to the duties and powers specifically set forth in these By-Laws, such duties and powers as are customarily incident to such office and such additional duties and powers as the Directors may from time to time determine.

ARTICLE 6

RESIGNATIONS, REMOVALS AND VACANCIES

SECTION 6.1 RESIGNATIONS

Any Director or officer may resign at any time by delivering his or her resignation in writing to the President or the Clerk or to a meeting of the Directors. Such resignations shall take effect at such time as is specified therein, or if no such time is so specified, then upon delivery thereof to the President or the Clerk or to a meeting of the Directors.

SECTION 6.2 REMOVALS

Directors, including Directors elected by the Directors to fill vacancies in the Board, may be removed from office (a) with cause by vote of the holders of a majority of the shares issued and outstanding and entitled to vote generally in the election of Directors; (b) with or without cause by vote of the holders of at least 80% of the votes entitled to be cast by the holders of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class; (c) with cause by vote of a.majority of the Directors then in office; or (d) without

cause by vote of at least 80% of the Directors then in office (including the Director to be removed in calculating said percentage); provided that the Directors of a class elected by a particular class of stockholders may be removed only by vote of the holders of a majority of the shares of such class.

The Directors may terminate or modify the authority of any agent or employee. The Directors may remove any officer from office with or without assignment of cause by vote of a majority of the Directors then in office.

If cause is assigned for removal of any Director or officer, such Director or officer may be removed only after reasonable notice and opportunity to be heard before the body proposing to remove him.

No Director or officer who resigns or is removed shall have any right to any compensation as such Director or officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; provided, however, that the foregoing provision shall not prevent such Director or officer from obtaining damages for breach of any contract of employment legally binding upon the Corporation.

SECTION 6.3 VACANCIES

Any vacancy in the Board of Directors, including a vacancy resulting from an enlargement of the Board, may be filled by the Directors by vote of a majority of the remaining Directors then in office, though less than a quorum, or by the stockholders at a meeting called for the purpose, provided that any vacancy created by the stockholders may be filled by the

stockholders at the same meeting. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new Directorship was created or the vacancy occurred and until such Directors' successor shall have been elected and qualified or until he or she sooner dies, resigns, is removed or becomes disqualified.

If the office of any officer becomes vacant, the Directors may choose or appoint a successor by vote of a majority of the Directors present at the meeting at which such choice or appointment is made.

Each such successor shall hold office for the unexpired term of the Director's predecessor and until a successor shall be chosen or appointed and qualified, or until he or she sooner dies, resigns, is removed or becomes disqualified.

ARTICLE 7

INDEMNIFICATION OF DIRECTORS AND OTHERS

SECTION 7.1 DEFINITIONS

For purposes of this Article 7:

(a) "Director/officer" means any person who is serving or has served as a Director, officer or employee of the Corporation appointed or elected by the Board of Directors or the stockholders of the Corporation, or any Director, officer or employee of the Corporation who is serving or has served at the request of the Corporation as a Director, officer, trustee, principal, partner, employee or other agent of any other organization.

(b) "Proceeding" means any action, suit or proceeding, civil or criminal, brought or

threatened in or before any court, tribunal, administrative or legislative body or agency.

(c) "Expense" means any fine or penalty, and any liability fixed by a judgment, order, decree or award in a Proceeding, any amount reasonably paid in settlement of a Proceeding and any professional fees and other disbursements reasonably incurred in connection with a Proceeding.

SECTION 7.2 RIGHT TO INDEMNIFICATION

Except as limited by law or as provided in Sections 7.3 and 7.4 of this Article 7, each Director/officer (and his heirs and personal representatives) shall be indemnified by the Corporation against any Expense incurred by such Director/officer in connection with each Proceeding in which he or she is involved as a result of his or her serving or having served as a Director/officer.

SECTION 7.3 INDEMNIFICATION NOT AVAILABLE

No indemnification shall be provided to a Director/officer with respect to a Proceeding as to which it shall have been adjudicated that he or she did not act in good faith in the reasonable belief that his or her action was in the best interests of the Corporation.

SECTION 7.4 COMPROMISE OR SETTLEMENT

In the event that a Proceeding is compromised or settled so as to impose any liability or obligation on a Director/officer or upon the Corporation, no indemnification shall be provided as to said Director/officer with respect to such Proceeding if such Director/officer shall have been adjudicated not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Corporation.

SECTION 7.5 ADVANCES

The Corporation shall pay sums on account of indemnification in advance of a final disposition of a Proceeding upon receipt of an undertaking by the Director/officer to repay such sums if it is subsequently established that he or she is not entitled to indemnification pursuant to Sections 7.3 and 7.4 hereof, which undertaking may be accepted without reference to the financial ability of such person to make repayment.

SECTION 7.6 NOT EXCLUSIVE

Nothing in this Article 7 shall limit any lawful rights to indemnification existing independently of this Article 7.

SECTION 7.7 INSURANCE

The provisions of this Article 7 shall not limit the power of the Board of Directors to authorize the purchase and maintenance of insurance on behalf of any Director/officer against any Expense, whether or not the Corporation would have the power to indemnify such Director/officer against such Expense under this Article 7.

ARTICLE 8

STOCK

SECTION 8.1 STOCK AUTHORIZED

The total number of shares and the par value, if any, of each class of stock which the Corporation is authorized to issue, and if more than one class is authorized, the descriptions, preferences, voting powers, qualifications and special and relative rights and privileges as to each class and any series thereof, shall be as stated in the Articles of Organization.

SECTION 8.2 ISSUE OF AUTHORIZED UNISSUED CAPITAL STOCK

Any unissued capital stock from time to time authorized under the Articles of Organization and amendments thereto may be issued by vote of the Directors. No stock shall be issued unless the cash, so far as due, or the property, services or expenses for which it was authorized to be issued, has been actually received or incurred by, or conveyed or rendered to, the Corporation, or is in its possession as surplus.

SECTION 8.3 CERTIFICATES OF STOCK

Each stockholder shall be entitled to a certificate in such form as may be prescribed from time to time by the Directors, stating the number and the class and the designation of the series, if any, of the shares held by such stockholder. Such certificates shall be signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer. Such signatures may be facsimiles if the certificate is signed by a transfer agent, or by a registrar, other than a Director, officer or employee of the Corporation. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the time of its issue. Every certificate issued by the Corporation for shares of stock at a time when such shares are subject to any restriction on transfer pursuant to the Articles of Organization, the By-Laws or any agreement to which the Corporation is a party, shall have the restriction noted conspicuously on the certificate and shall also set forth on the face or back of the certificate either the full text of the restriction, or a statement of the existence of such restriction and a statement that the Corporation will furnish a copy thereof to the holder of such

certificate upon written request and without charge. Every stock certificate issued by the Corporation at a time when it is authorized to issue more than one class or series of stock shall set forth upon the face or back of the certificate either the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series, if any, authorized to be issued, as set forth in the Articles of Organization, or a statement of the existence of such preferences, powers, qualifications and rights and a statement that the Corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

SECTION 8.4 REPLACEMENT CERTIFICATE

In case of the alleged loss or destruction or the mutilation of a certificate of stock, a new certificate may be issued in place thereof, upon such conditions as the Directors may determine.

SECTION 8.5 TRANSFERS

Subject to the restrictions, if any, imposed by the Articles of Organization, the By-Laws or any agreement to which the Corporation is a party, shares of stock shall be transferred on the books of the Corporation only by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment of such shares or by a written power of attorney to sell, assign or transfer such shares, properly executed, with necessary transfer stamps affixed, and with such proof that the endorsement, assignment or power of attorney is genuine and effective as the Corporation or its transfer agent may reasonably require. Except as may otherwise be required by law, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for

all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws. It shall be the duty of each stockholder to notify the Corporation of his or her post office address.

SECTION 8.6 RECORD DATE

The Directors may fix in advance a time, which shall be not more than sixty (60) days before the date of any meeting of stockholders or the date for the payment of any dividend or the making of any distribution to stockholders or the last day on which the consent or dissent of stockholders may be effectively expressed for any purpose, as the record date for determining the stockholders having the right to notice of and to vote at such meeting and any adjournment thereof or the right to receive such dividend or distribution or the right to give such consent or dissent, and in such case only stockholders of record on such date shall have such right, notwithstanding any transfer of stock on the books of the Corporation after the record date; or without fixing such record date the Directors may for any such purposes close the transfer books for all or any part of such period.

If no record date is fixed and the transfer books are not closed:

(1) The record date for determining stockholders having the right to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors acts with respect thereto.

ARTICLE 9

MISCELLANEOUS PROVISIONS

SECTION 9.1 EXECUTION OF PAPERS

All deeds, leases, transfers, contracts, bonds, notes, releases, checks, drafts and other obligations authorized to be executed on behalf of the Corporation shall be signed by the President or the Treasurer except as the Directors may generally or in particular cases otherwise determine.

SECTION 9.2 VOTING OF SECURITIES

Except as the Directors may generally or in particular cases otherwise determine, the President or the Treasurer may, on behalf of the Corporation (i) waive notice of any meeting of stockholders or shareholders of any other corporation, or of any association, trust or firm, of which any securities are held by this Corporation; (ii) appoint any person or persons to act as proxy or attorney-in-fact for the Corporation, with or without substitution, at any such meeting; and (iii) execute instruments of consent to stockholder or shareholder action taken without a meeting.

SECTION 9.3 CORPORATE SEAL

The seal of the Corporation shall be a circular die with the name of the Corporation, the word "Massachusetts" and the year of its incorporation cut or engraved thereon, or shall be in such other form as the Board of Directors or the stockholders may from time to time determine.

SECTION 9.4 CORPORATE RECORDS

The original, or attested copies, of the Articles of Organization, By-Laws, and the records of all meetings of incorporators and stockholders, and the stock and transfer records, which shall contain the names of all stockholders and the record address and the amount of stock held by each, shall be kept in Massachusetts for inspection by the stockholders at the principal office of the Corporation or at an office of the Clerk, or if the Corporation shall have a transfer agent or a resident agent, at an office of either of them. Said copies and records need not all be kept in the same office.

ARTICLE 10

AMENDMENTS

These By-Laws may be altered, amended or repealed or new By-Laws enacted by the affirmative vote of a majority of the entire Board of Directors (if notice of the proposed alteration or amendment is contained in the notice of the meeting at which such vote is taken or if all Directors are present) or at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by the affirmative vote of a majority of the shares represented and entitled to vote at such meeting (if notice of the proposed alteration or amendment is contained in the notice of such meeting).

Notwithstanding anything contained in the preceding paragraph of this Article 10 to the contrary until January 1, 1999, either (i) the affirmative vote of the holders of at least eighty (80%) percent of the votes entitled to be cast by the holders of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, or (ii) the

affirmative vote of a majority of the entire Board of Directors with the concurring vote of a majority of the Continuing Directors, voting separately and as a subclass of Directors, shall be required to alter, amend or repeal or adopt any provision inconsistent with, Section 3.1 of Article 3, Section 4.1 of Article 4, Section 6.2 and Section 6.3 of Article 6 and this paragraph of this Article 10. For purposes of this Article 10, the term "Continuing Director" shall have the meaning ascribed to it in Article 6 of the Articles of Organization of the Corporation. Subsequent to January 1, 1999, the foregoing sections may be altered, amended or repealed in accordance with the first paragraph of this Article 10.2. The purposes for which the corporation is formed are as follows: To manufacture, sell, invent, design, develop, distribute, lease and to engage in all aspects of the production of micro-computer based products; to invent, design, discover, or acquire formulae, processes, improvements, inventions, designs, patents, licenses, copyrights, trademarks, trade names and trade secrets applicable to the foregoing and to hold, use, sell, license and otherwise deal in or dispose of the same; to acquire by purchase, deed, mortgage, lease or by any other method and to hold, maintain, operate,. improve, develop, sell, exchange, lease, mortgage, pledge, hypothecate, loan money upon and otherwise deal in real and personal property of every kind, character and description and wheresoever situated, including without limitation the stock and securities of the corporation or of any other corporation; to lend money upon credit or security to, to guarantee or assume obligations of, and to aid in any other manner other concerns wherever and however organized, any obligations of which or any interest in which shall be held by the corporation or in the affairs or prosperity of which the corporation has a lawful interest and to do all acts and things designed to protect, improve and enhance the

value of such obligations and interests; and to carry on any business permitted and enjoy all rights and powers granted by the Commonwealth of Massachusetts to a corporation organized under Chapter 156B of the General Laws, as amended.

EXHIBIT 10.1

This Plan, as presently in effect as of May 22, 1987 includes Amendment No. 1 dated November 9, 1983, Amendment No. 2 dated February 11, 1985, Amendment No. 3 dated May 22, 1987 and reflects the 3:1 stock split voted March 8, 1985.

MERCURY COMPUTER SYSTEMS, INC.
1982 STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

This stock option plan (the "Plan") is intended to encourage ownership of the stock of Mercury Computer Systems, Inc., a Massachusetts corporation (the "Company") by key employees of the Company, to induce highly qualified personnel to enter and remain in the employ of the Company, and to provide additional incentive for participants to promote the success of the Company's business.

2. STOCK SUBJECT TO THE PLAN.

The total number of shares of the common stock of the Company ($.01 par value) for which options may be granted under the Plan shall not exceed 1,200,000 shares, subject to adjustment in accordance with Section 10 hereof. Such shares may in whole or in part, as the Board of Directors of the Company (the "Board") shall from time to time determine, be issued shares which shall have been reacquired by the Company or authorized but unissued shares, whether now or hereafter authorized.

If any unexercised options granted under this Plan lapse or terminate for any reason, the shares covered thereby may again be optioned hereunder, and such lapsed or unexercised options shall not be considered in computing the total number of shares optioned.

3. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by the Board or, if the Board so determines, by a committee of the Board, consisting of three or more members appointed by the Board. Such committee, if established, shall be known as the "Stock Option Committee". For purposes of this Plan the term "Committee" shall mean either the Board or the Stock Option Committee.

4. PARTICIPANTS IN THE PLAN.

Each participant in the Plan must be a regular salaried employee of the Company (or one of its subsidiaries (herein called "subsidiaries"), if any, as defined in Section 425 of the Internal Revenue Code of 1954 as now in force or hereafter amended, including any applicable successor provisions to said Section 425, and the Treasury Regulations promulgated thereunder (the "Code" and "Regulations")). The Committee may designate as participants in the Plan persons who are now or may be hereafter employed by the Company or its subsidiaries in key positions. In determining the eligibility of an individual to be granted an option, as well as in determining the number of shares to be optioned to any individual, the Committee shall consider the position and responsibilities of the employee being considered, the nature and value to the Company or its subsidiaries of his service and accomplishments, his present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Committee may deem relevant. No Director who is not otherwise an employee of the Company shall be eligible to participate in the Plan.

5. GRANT OF OPTION; OPTION AGREEMENT.

The Committee may from time to time grant options to eligible employees, which options may be nonqualified options or incentive stock options (within the meaning of Section 422A of the Code). Each option shall be evidenced by an option agreement (the

"Agreement") duly executed on behalf of the Company and by the participant to whom such option is granted, which Agreements may but need not be identical and shall comply with and be subject to the terms and conditions of the Plan. Any Agreement may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Committee, including with respect to any restrictions to be imposed on the shares acquired by a participant upon the exercise of an option granted to him. No option shall be granted within the meaning of the Plan and no purported grant of any option shall be effective, until such an Agreement shall have been duly executed on behalf of the Company and the participant. More than one option may be granted to an individual. However, in no event shall an incentive stock option be granted to an individual who, at the time such option is granted, owns (as defined in Section 425 of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or of its parent or any subsidiary corporation) unless at the time the option is granted the option price is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted. The aggregate fair market value (determined at the time the option is granted) of the stock with respect to which incentive stock options are exercisable for the first time by an individual during any calendar year (under this Plan or any other plan of Mercury Computer Systems, Inc., its parent or any of its subsidiaries) shall not exceed $100,000.

6. OPTION EXERCISE PRICE.

The exercise price or prices of options granted under this Plan shall be determined by the Committee at the time of the granting of an option, but, in the case of an

incentive stock option, shall in no event be lest than the fair market value of the shares of the common stock of the Company covered by the option at the time the option is granted, and in no event less than the par value thereof. If the Company's common stock is at any time actively traded in an established over-the-counter market, the fair market value of such common stock shall be the mean between the bid and asked prices quoted in such over-the-counter market at the close on the date nearest preceding the date of grant. If such common stock is listed on any national exchange, the mean between the high and low sale prices quoted on such exchange on the trading day nearest preceding the date of the granting of the option may be taken as such fair market value. Notwithstanding the foregoing, if such methods of determining fair market value shall not be consistent with the Regulations at the time applicable to incentive stock options, fair market value shall be determined in accordance with the Regulations.

7. TIME AND MANNER OF EXERCISE OF OPTION.

(a) Except as otherwise determined from time to time by the Committee and subject to the provisions of section 7(b), options granted under the Plan shall be exercisable as follows:

(i) During the first twelve (12) months from the date the option was granted, the option may not be exercised as to any of the shares covered thereby;

(ii) After twelve (12) months from the date on which the option was granted, the option may be exercised as to twenty percent (20%) of the shares covered thereby;

(iii) After twenty-four (24) months from the date on which the option was granted, the option may be exercised as to forty percent (40%) of the shares covered thereby;

(iv) After thirty-six (36) months from the date on which the option was granted, the option may be exercised as to sixty percent (60%) of the shares covered thereby;

(v) After forty-eight (48) months from the date on which the option was granted, the option may be exercised as to eighty percent (80%) of the shares covered thereby;

(vi) After sixty (60) months from the date on which the option was granted, the option may be exercised as to all of the shares covered thereby; and

(vii) No option may be exercised after ten (10) years from the date on which the option was granted.

(b) To the extent that the right to purchase shares under an option has accrued and is in effect, options may be exercised in full at one time or in part from time to time, by giving written notice, signed by the person or persons exercising the option, to the Company, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares, which payment may be in whole or in part in shares of the common stock of the Company already owned by the person or persons exercising the option, valued at fair market value determined in accordance with the provisions of Section 6; provided, however, that there shall be no such exercise at any one time as to fewer than ten (10) shares or all of the remaining shares then purchasable by the person or

persons exercising the option, if fewer than ten (10) shares. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company to the person or persons exercising the option at such time, during ordinary business hours, after fifteen (15) but not more than thirty (30) days from the date of receipt of the notice by the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the option.

8. TERM OF OPTIONS.

(a) Each option shall expire not more than ten (10) years from the date of granting thereof, but shall be subject to earlier termination as herein provided.

(b) An option granted to any participant who ceases to be a regular salaried employee of the Company or one of its subsidiaries may be exercised, to the extent then exercisable under the provisions of section 7(a), within ten (10) days after the date on which such participant ceased to be an employee, or if the Board consents, within three (3) months after the date on which such participant ceased to be an employee, unless such termination of employment (i) was by the Company for cause or by the participant in breach of an employment contract, in either of which cases such option shall terminate on the date on which such participant ceased to be an employee or (ii) was because the participant has become disabled within the meaning of Section 105(d)(4) of the Code. In the case of a disabled participant, such option may be exercised to the extent then exercisable within twelve (12) months after the date on which such participant ceased to be an employee.

(c) In the event of the death of any participant, the option granted to such participant may be exercised to the extent then exercisable by the estate of such participant, or

by any person or persons who acquired the right to exercise such option by bequest or inheritance or by reason of the death of such participant. Such option must be exercised within twelve (12) months after the date of death of such participant, but in any event prior to its expiration.

9. OPTIONS NOT TRANSFERABLE.

The right of any participant to exercise any option granted to him shall not be assignable or transferable by such participant otherwise than by will or the laws of descent and distribution, and any such option shall be exercisable during the lifetime of such participant only by him. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the participant to whom the option is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation, any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

10. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

In the event that the outstanding shares of the common stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which options may be granted under the Plan and as to which outstanding options or portions thereof then unexercised shall be exercisable, to the end that the

proportionate interest of the participant shall be maintained as before the occurrence of such event; such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share. No such adjustment shall be made which shall, within the meaning of any applicable sections of the Code, constitute a modification, extension or renewal of an option or a grant of additional benefits to a participant.

If by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, the Board shall authorize the issuance of stock options or the assumption of outstanding stock options in a transaction to which Section 425(a) of the Code applies then, notwithstanding any other provision of the Plan, the Committee may grant options upon such terms and conditions as it may deem appropriate for the purpose of assumption of the outstanding option, or substitution of new options for outstanding options, in conformity with the provisions of such Section 425(a) and the Regulations thereunder.

11. RESTRICTIONS ON ISSUANCE OF SHARES.

Notwithstanding the provisions of Section 7, the Company may delay the issuance of shares covered by the exercise of any option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(i) The shares with respect to which the option has been exercised are at the time of the issue of such shares effectively registered under applicable Federal and state securities acts as now in force or hereafter amended; or

(ii) A no-action letter in respect of the issuance of such shares shall have been obtained by the Company from the Securities and Exchange Commission and any applicable state securities commissioner; or

(iii) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration under applicable Federal and state securities acts as now in force or hereafter amended.

It is intended that all exercises of options shall be effective, and the Company shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to cause a registration statement or a post-effective amendment to any registration statement to be prepared at its expense solely for the purpose of covering the issue of shares in respect of which any option may be exercised.

12. PURCHASE FOR INVESTMENT; RIGHTS OF HOLDER ON SUBSEQUENT REGISTRATION.

Unless the shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933 as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue any shares covered by any option unless the person who exercises such option, whether such exercise is in whole or in part, shall give a written representation and undertaking to the Company which is satisfactory in form and scope to counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he is acquiring the shares issued to him pursuant to such exercise of the option for his own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he will

make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the 1933 Act, or any other applicable law, and that if shares are issued without such registration a legend to this effect may be endorsed on the securities so issued. In the event that the Company shall, nevertheless, deem it necessary or desirable to register under the 1933 Act or other applicable statutes any shares with respect to which an option shall have been exercised, or to qualify any such shares for exemption from the 1933 Act or other applicable statutes, then the Company shall take such action at its own expense and may require from each participant such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and Directors from such holder against all losses, claims, damage and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which they were made.

13. MODIFICATION OF OUTSTANDING OPTIONS.

The Committee may accelerate the exercisability of an outstanding option and may authorize the modification of any outstanding option with the consent of the participant when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of the Plan.

14. LOANS PROHIBITED.

The Company shall not, directly or indirectly, lend money to a participant or to any person or persons entitled to exercise an option by reason of the death of a participant for the purpose of assisting him or them in the acquisition of shares covered by an option granted under the Plan.

15. APPROVAL OF STOCKHOLDERS.

The Plan shall be subject to approval by the affirmative vote of stockholders holding at least a majority of the voting stock of the Company voting in person or by proxy at a duly held stockholders' meeting within twelve (12) months of the adoption of the Plan by the Board and shall take effect as of the date of adoption immediately upon such approval.

16. TERMINATION AND AMENDMENT OF PLAN.

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the earlier of the date upon which the Plan is adopted by the Board or is duly approved by the stockholders of the Company. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, that except as provided in Section 10 the Board may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 15, increase the maximum number of shares for which options may be granted under the Plan or increase the maximum number of shares for which an option may be granted to any optionee. Termination or any modification or amendment of the Plan shall not, without the consent of a participant, affect his rights under an option previously granted to him.

Adopted by the Board of Directors: December 23, 1982

Approved by the Stockholders: November 9, 1983

MERCURY COMPUTER SYSTEMS, INC.

FOURTH AMENDMENT TO THE
MERCURY COMPUTER SYSTEMS, INC.
1982 STOCK OPTION PLAN

The Mercury Computer Systems, Inc. 1982 Stock Option Plan (the "Plan") is hereby amended in accordance with the provisions of Section 16 of the Plan as follows:

1. Section 7(b) of the Plan is hereby amended by inserting in the first sentence thereof after the phrase "Section 6" and before the punctuation mark ";" the following language:

", but only to the extent that such payment, in whole or in part in shares of the Company's stock, would not cause the Company to recognize an expense for financial accounting purposes"

2. Except as hereinabove provided, the Plan is hereby ratified and confirmed in all respects.

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Anthony J. Medaglia, Jr.

Anthony J. Medaglia, Jr.,
Clerk

ADOPTED BY THE BOARD OF DIRECTORS: March 1, 1989

MERCURY COMPUTER SYSTEMS, INC.

FIFTH AMENDMENT TO THE
MERCURY COMPUTER SYSTEMS, INC.
1982 STOCK OPTION PLAN

The Mercury Computer Systems, Inc. 1982 Stock Option Plan (the "Plan") is hereby amended in accordance with the provisions of Section 16 of the Plan as follows:

1. Section 3 of the Plan is hereby amended by striking the last sentence thereof and adding at the end thereof the following three new sentences:

> "The Board may delegate its authority to the President of the Company to grant options under the Plan to employees of the Company other than officers and directors of the Company who are subject to Section 16(b) of the Securities and Exchange Act of 1934 on such terms and conditions as the Board may deem appropriate, including a limitation on the number of shares that may be granted by the President in the aggregate. The grant of the options by the President may be on such terms and conditions as deemed appropriate by the President to the extent so authorized by the Board, provided that the terms and conditions of the options otherwise comply with all of the provisions of the Plan. For purposes of this Plan, the term 'Committee' shall mean any of the Board, the Stock Option Committee or the President, as the case may be."

2. Except as hereinabove provided, the Plan is hereby ratified and confirmed in all respects.

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Anthony J. Medaglia, Jr.

Anthony J. Medaglia, Jr.
Clerk

Adopted by the Board of Directors: April 3, 1990

Stockholder Approval Not Necessary

EXHIBIT 10.2

MERCURY COMPUTER SYSTEMS, INC.
1991 STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

This 1991 Stock Option Plan (the "Plan") is intended to encourage ownership of the stock of Mercury Computer Systems, Inc. (the "Company") by employees of and consultants to the Company and its subsidiaries, to induce qualified personnel to enter and remain in the employ of the Company or its subsidiaries and otherwise to provide additional incentive for optionees to promote the success of its business.

2. STOCK SUBJECT TO THE PLAN.

(a) The total number of shares of the authorized but unissued or Treasury shares of the common stock, $0.01 par value, of the Company ("Common Stock") for which options may be granted under the Plan shall not exceed Two Hundred Thousand (200,000) shares, subject to adjustment as provided in Section 12 hereof. Such shares may in whole or in part, as the Board of Directors of the Company (the "Board") shall from time to time determine, be issued shares which shall have been reacquired by the Company or authorized but unissued shares, whether now or hereafter authorized.

(b) If an option granted or assumed hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for subsequent option grants under the Plan.

(c) Stock issuable upon exercise of an option granted under the Plan may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Board.

3. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by the Board. No member of the Board shall act upon any matter exclusively affecting any option granted or to be granted to himself or herself under the Plan. A majority of the members of the Board shall constitute a quorum, and any action may be taken by a majority of those present and voting at any meeting. The decision of the Board as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Board may, in its sole discretion, grant options to purchase shares of the Company's Common Stock and issue shares upon exercise of such options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective option agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective option agreements, which may but need not be identical, and to make all other determinations in the judgment of the Board necessary or desirable for the administration of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any

option agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and shall be the sole and final judge of such expediency. No director shall be liable for any action or determination made in good faith. The Board may, in its discretion, delegate its power, duties and responsibilities to a committee, consisting of two or more members of the Board, all of whom are "disinterested persons" (as hereinafter defined). In addition, the Board may delegate to the President of the Company its authority to grant options on such terms and conditions as the Board may deem appropriate, including a limitation on the aggregate number of shares subject to issuance under all or any portion of such options. If a committee is so appointed or if the President is so authorized, all references to the Board herein shall mean and relate to such committee, unless the context otherwise requires. For the purposes of the Plan, a director or member of such committee shall be deemed to be "disinterested" only if such person qualifies as a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Securities and Exchange Act of 1934, as amended, as such term is interpreted from time to time. Notwithstanding the foregoing, the Committee need not be made up of "disinterested persons" until the date of the first registration of an equity security of the Company under Section 12 of the Securities and Exchange Act of 1934, and the Board may not delegate its authority to grant options hereunder to the President from and after such date.

4. TYPE OF OPTIONS.

Options granted pursuant to the Plan shall be authorized by action of the Board and may be designated as either incentive stock options meeting the requirements of Section 422A of the Internal Revenue Code of 1986 (the "Code") or non-qualified options which are not intended to meet the requirements of such Section 422A of the Code, the designation to be in the sole discretion of the Board. Options designated as incentive stock options that fail to continue to meet the requirements of Section 422A of the Code shall be redesignated as non-qualified options automatically without further action by the Board on the date of such failure to continue to meet the requirements of Section 422A of the Code.

5. ELIGIBILITY.

Options designated as incentive stock options may be granted only to officers and key employees of the Company or of any subsidiary corporation (herein called "subsidiary" or "subsidiaries"), as defined in Section 425 of the Code and the Treasury Regulations promulgated thereunder (the "Regulations"). Options designated as non-qualified options may be granted to officers, key employees of and consultants to the Company or of any of its subsidiaries.

Directors who are not otherwise employees of the Company or a subsidiary shall not be eligible to be granted an option pursuant to the Plan.

In determining the eligibility of an individual or entity to be granted an option, as well as in determining the number of shares to be optioned to any individual or entity, the Board shall take into account the position and responsibilities of the individual or entity being considered, the

nature and value to the Company or its subsidiaries of his or her or its service and accomplishments, his or her or its present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Board may deem relevant.

No option designated as an incentive stock option shall be granted to any employee of the Company or any subsidiary if such employee owns, immediately prior to the grant of an option, stock representing more than 10% of the voting power or more than 10% of the value of all classes of stock of the Company or a parent or a subsidiary, unless the purchase price for the stock under such option shall be at least 110% of its fair market value at the time such option is granted and the option, by its terms, shall not be exercisable more than five years from the date it is granted. In determining the stock ownership under this paragraph, the provisions of Section 425(d) of the Code shall be controlling. In determining the fair market value under this paragraph, the provisions of Section 7 hereof shall apply.

6. OPTION AGREEMENT.

Each option shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of the Company and by the optionee to whom such option is granted, which Agreement shall comply with and be subject to the terms and conditions of the Plan. The Agreement may contain such other terms, provisions and conditions which are not inconsistent with the Plan as may be determined by the Board, provided that options designated as incentive stock options shall meet all of the conditions for incentive stock options as defined in Section 422A of the Code. No option shall be granted within the meaning of the Plan and no purported grant of any option shall be effective until the Agreement shall have been duly executed on behalf of the Company and the optionee. More than one option may be granted to an individual.

7. OPTION PRICE.

The option price or prices of shares of the Company's Common Stock for options designated as non-qualified stock options shall be the fair market value of such Common Stock as determined by the Board. The option price or prices of shares of the Company's Common Stock for incentive stock options shall be the fair market value of such Common Stock at the time the option is granted as determined by the Board in accordance with the Regulations promulgated under Section 422A of the Code. If such shares are then listed on any national securities exchange, the fair market value shall be the mean between the high and low sales prices, if any, on the largest such exchange on the date of the grant of the option or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the mean between the high and low sales prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market System for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on

the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then either listed on any such exchange or quoted in NASDAQ, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation Service for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Board.

8. MANNER OF PAYMENT; MANNER OF EXERCISE.

(a) Options granted under the Plan may provide for the payment of the exercise price by delivery of (i) cash or a check payable to the order of the Company in an amount equal to the exercise price of such options, (ii) shares of Common Stock of the Company owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised, or (iii) any combination of (i) and (ii), provided, however, that payment of the exercise price by delivery of shares of Common Stock of the Company owned by such optionee may be made only to the extent such payment, in whole or in part, would not result in a charge to earnings for financial accounting purposes as determined by the Board. The fair market value of any shares of the Company's Common Stock which may be delivered upon exercise of an option shall be determined by the Board in accordance with Section 7 hereof. Payment of the option exercise price by delivery of shares of Common Stock of the Company is subject to the approval of the Board, which approval may be granted or denied in the sole discretion of the Board.

(b) To the extent that the right to purchase shares under an option has accrued and is in effect, options may be exercised in full at one time or in part from time to time, by giving written notice, signed by the person or persons exercising the option, to the Company, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares as provided in subparagraph (a) above. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company to the person or persons exercising the option at such time, during ordinary business hours, after fifteen (15) but not more than thirty (30) days from the date of receipt of the notice by the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the option.

9. EXERCISE OF OPTIONS.

Each option granted under the Plan shall, subject to Section 10(b) and Section 12 hereof, be exercisable at such time or times and during such period as shall be set forth in the Agreement; provided, however, that no option granted under the Plan shall have a term in excess of ten (10) years from the date of grant.

To the extent that an option to purchase shares is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. No partial exercise may be made for less than ten (10) full shares of Common Stock.

10. TERM OF OPTIONS; EXERCISABILITY.

(a) TERM.

(1) Each option shall expire not more than ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.

(2) Except as otherwise provided in this Section 10, an option granted to any optionee who ceases to be an employee of, or consultant to, the Company or one of its subsidiaries shall terminate on the tenth day after the date such optionee ceased to be an employee of, or consultant to, the Company or one of its subsidiaries, or on the date on which the option expires by its terms, whichever occurs first or, if the Board consents, within three (3) months after the date on which such optionee ceases to be an employee or consultant.

(3) If such termination of employment or consultancy is because of dismissal for cause or because the optionee is in breach of any employment or consultancy agreement, such option will terminate on the date the optionee ceases to be an employee of or consultant to the Company or one of its subsidiaries.

(4) If such termination of employment or consultancy is because the optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such option shall terminate on the last day of the twelfth month from the date such optionee ceases to be an employee or consultant, or on the date on which the option expires by its terms, whichever occurs first.

(5) In the event of the death of any optionee, any option granted to such optionee shall terminate on the last day of the twelfth month from the date of death, or on the date on which the option expires by its terms, whichever occurs first.

(b) EXERCISABILITY.

(1) An option granted to an optionee who ceases to be an employee of or consultant to the Company or one of its subsidiaries shall be exercisable only to the extent that the right to purchase shares under such option has accrued and is in effect on the date such optionee ceases to be an employee of or consultant to the Company or one of its subsidiaries.

(2) In the event of the death of any optionee, the option granted to such optionee may be exercised to the extent the optionee was entitled to do so at the date of his or her

death, by the estate of such optionee, or by any person or persons who acquired the right to exercise such option by bequest or inheritance or by reason of the death of such optionee.

11. OPTIONS NOT TRANSFERRABLE.

The right of any optionee to exercise any option granted to him or her shall not be assignable or transferrable by such optionee otherwise than by will or the laws of descent and distribution, and any such option shall be exercisable during the lifetime of such optionee only by him. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee to whom the option is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

12. RECAPITALIZATIONS, REORGANIZATIONS AND THE LIKE.

In the event that the outstanding shares of the Common Stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which options may be granted under the Plan and as to which outstanding options or portions thereof then unexercised shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event; such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share.

In addition, unless otherwise determined by the Board in its sole discretion, in the case of any (i) sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (ii) Change in Control (as hereinafter defined) of the Company, the purchaser(s) of the Company's assets or stock may, in his, her or its discretion, deliver to the optionee the same kind of consideration that is delivered to the shareholders of the Company as a result of such sale, conveyance or Change in Control, or the Board may cancel all outstanding options in exchange for consideration in cash or in kind which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the optionee would have received had the option been exercised (to the extent then exercisable) and no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the option price therefor. Upon receipt of such consideration by the optionee, his or her option shall immediately terminate and be of no further force and effect. The value of the stock or other securities the optionee would have received if the option had been exercised shall be determined in good faith by the Board of Directors of the Company, and in the case of shares of the Common Stock of the Company, in accordance with the provisions of Section 7 hereof. The Board shall also have the power and right, in its sole discretion, to accelerate the exercisability of any

options, notwithstanding any limitations in this Plan or in the Agreement upon such a sale, conveyance or Change in Control. Upon such acceleration, any options or portion thereof originally designated as incentive stock options that no longer qualify as incentive stock options under Section 422A of the Code as a result of such acceleration shall be redesignated as non-qualified stock options. A "Change in Control" shall be deemed to have occurred if any person, or any two or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than ten percent (10%) of the then outstanding Common Stock of the Company, shall acquire such additional shares of the Company's Common Stock in one or more transactions, or series of transactions, such that following such transaction or transactions, such person or group and affiliates beneficially own twenty-five percent (25%) or more of the Company's Common Stock outstanding.

Upon dissolution or liquidation of the Company, all options granted under this Plan shall terminate, but each optionee (if at such time in the employ of or otherwise associated with the Company or any of its subsidiaries) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her option to the extent then exercisable.

If by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, the Board shall authorize the issuance or assumption of a stock option or stock options in a transaction to which Section 425(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Board may grant an option or options upon such terms and conditions as it may deem appropriate for the purpose of assumption of the old option, or substitution of a new option for the old option, in conformity with the provisions of such Section 425(a) of the Code and the Regulations thereunder, and any such option shall not reduce the number of shares otherwise available for issuance under the Plan.

No fraction of a share shall be purchasable or deliverable upon the exercise of any option, but in the event any adjustment hereunder of the number of shares covered by the option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

13. NO SPECIAL EMPLOYMENT RIGHTS.

Nothing contained in the Plan or in any option granted under the Plan shall confer upon any option holder any right with respect to the continuation of his or her employment or consultancy by the Company (or any subsidiary) or interfere in any way with the right of the Company (or any subsidiary), subject to the terms of any separate employment or consultancy agreement to the contrary, at any time to terminate such employment or consultancy or to increase or decrease the compensation or other remuneration of the option holder from the rate in existence at the time of the grant of an option. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment or consultancy shall be determined by the Board at the time.

14. WITHHOLDING.

The Company's obligation to deliver shares upon the exercise of any non-qualified option granted under the Plan shall be subject to the option holder's satisfaction of all applicable Federal, state and local income and employment tax withholding requirements. The Company and an employee optionee may agree to withhold shares of Common Stock purchased upon exercise of an option to satisfy the above-mentioned withholding requirements.

15. RESTRICTIONS ON ISSUE OF SHARES.

(a) Notwithstanding the provisions of Section 8, the Company may delay the issuance of shares covered by the exercise of an option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(i) The shares with respect to which such option has been exercised are at the time of the issue of such shares effectively registered or qualified under applicable Federal and state securities acts now in force or as hereafter amended; or

(ii) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration and qualification under applicable Federal and state securities acts now in force or as hereafter amended.

(b) It is intended that all exercises of options shall be effective, and the Company shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to qualify shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares in respect of which any option may be exercised, except as otherwise agreed to by the Company in writing.

16. PURCHASE FOR INVESTMENT; RIGHTS OF HOLDER ON SUBSEQUENT REGISTRATION.

Unless the shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, the Company shall be under no obligation to issue any shares covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to the Company which is satisfactory in form and scope to counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the option for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if shares are issued

without such registration, a legend to this effect may be endorsed upon the securities so issued. In the event that the Company shall, nevertheless, deem it necessary or desirable to register under the Securities Act of 1933 or other applicable statutes any shares with respect to which an option shall have been exercised, or to qualify any such shares for exemption from the Securities Act of 1933 or other applicable statutes, then the Company may take such action and may require from each optionee such information in writing for use in any registration statement, supplementary registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required o be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

17. LOANS.

The Company shall not make loans to optionees, or to any person or persons entitled to exercise an option by reason of the death of an optionee, to permit them to exercise options.

18. MODIFICATION OF OUTSTANDING OPTIONS.

The Board may authorize the amendment of any outstanding option with the consent of the optionee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of the Plan.

19. APPROVAL OF STOCKHOLDERS.

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of the Company voting in person or by proxy at a duly held stockholders' meeting, or by written consent of all of the stockholders, within twelve (12) months after the adoption of the Plan by the Board and shall take effect as of the date of adoption by the Board upon such approval. The Board may grant options under the Plan prior to such approval, but any such option shall become effective as of the date of grant only upon such approval and, accordingly, no such option may be exercisable prior to such approval.

20. TERMINATION AND AMENDMENT OF PLAN.

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly adopted by the Board. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, that any such amendment or modification requiring stockholder approval under Section 422 of the Code shall have been approved by the stockholders in the manner stated in Section 19; and provided further that, from and after the date of the first registration of an

equity security of the Company under Section 12 of the Securities and Exchange Act of 1934, the Board may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 19, modify or amend the Plan if such modification or amendment of the Plan would require shareholder approval under Rule 16b-3.

21. RESERVATION OF STOCK.

The Company shall at all times during the term of the Plan reserve and keep available such number of shares of stock as will be sufficient to satisfy the requirements of the Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

22. LIMITATION OF RIGHTS IN THE OPTION SHARES.

An optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

23. NOTICES.

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to the Company, to its principal place of business, attention: President, and, if to an optionee, to the address as appearing on the records of the Company.

ADOPTED BY THE BOARD OF DIRECTORS: April 2, 1991

APPROVED BY THE STOCKHOLDERS: June 4, 1991

MERCURY COMPUTER SYSTEMS, INC.

FIRST AMENDMENT TO 1991 STOCK OPTION PLAN

In accordance with the provisions of Section 20 of the Mercury Computer Systems, Inc. 1991 Stock Option Plan (the "Plan"), the Plan is hereby amended as follows:

1. Section 2(a) of the Plan is hereby amended by increasing the number of shares of common stock of the Corporation authorized for grant under the Plan by 200,000 and that accordingly, the phrase "Two Hundred Thousand (200,000)" shall be deleted and there shall be inserted in lieu thereof the phrase "Four Hundred Thousand (400,000)".

2. Section 3 of the Plan is amended by deleting the tenth sentence thereof, which currently reads as follows:

> "In addition, the Board may delegate to the President of the Company its authority to grant options on such terms and conditions as the Board may deem appropriate, including a limitation on the aggregate number of shares subject to issuance under all or any portion of such options.

and by deleting in the eleventh sentence thereof the phrases "or if the President is so authorized" and "or the President (as applicable)", and by adding at the end thereof the following sentence:

> "With respect to the participation of any Director or officer (as defined in Rule 16b-3) in the Plan, his or her selection as an optionee and the number of option shares to be allocated to such Director or officer shall be determined by, or only in accordance with, the recommendations of the committee, as described above."

3. The Plan is hereby amended by adding the following Section 24:

> "24. COMPLIANCE WITH RULE 16B-3. From and after the date of the first registration of an equity security of the Company under Section 12 of the Securities and Exchange Act of 1934, it is intended that the provisions of the Plan and any option granted thereunder to a person subject to the reporting requirements of Section 16(a) of the Act shall comply in all respects with the terms and conditions of Rule 16b-3, or any successor provisions. Any agreement granting options shall contain such provisions as are necessary or appropriate to assure such compliance. To the extent that any provision hereof is found not to be in compliance with such Rule, such provision shall be deemed to be modified so as to be in compliance with such Rule, or if such modification is not possible,

shall be deemed to be null and void, as it relates to a recipient subject to Section 16(a) of the Act."

4. The Plan is hereby amended by deleting all references to Section 425 of the Internal Revenue Code of 1986, as amended, and substituting "Section 424" therefor.

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Anthony J. Medaglia, Jr.

Anthony J. Medaglia, Jr.
Clerk

ADOPTED BY DIRECTORS: March 2, 1993

ADOPTED BY STOCKHOLDERS: July 22, 1993

MERCURY COMPUTER SYSTEMS, INC.

SECOND AMENDMENT TO 1991 STOCK OPTION PLAN

In accordance with the provisions of Section 20 of the Mercury Computer Systems, Inc. 1991 Stock Option Plan, as amended (the "Plan"), the Plan is hereby further amended as follows:

Section 2(a) of the Plan is hereby amended by increasing the number of shares of common stock of the Corporation authorized for grant under the Plan by 300,000 and that accordingly, the phrase "Four Hundred Thousand (400,000)" shall be deleted and there shall be inserted in lieu thereof the phrase "Seven Hundred Thousand (700,000)".

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Anthony J. Medaglia, Jr.

Anthony J. Medaglia, Jr.,
Clerk

ADOPTED BY DIRECTORS: July 22, 1993

APPROVED BY STOCKHOLDERS: July 22, 1993

EXHIBIT 10.3

MERCURY COMPUTER SYSTEMS, INC.
1993 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE

The purpose of this Mercury Computer Systems, Inc. 1993 Stock Option Plan for Non-Employee Directors (the "Plan") is to attract and retain the services of experienced and knowledgeable independent directors who are not employees (sometimes referred to herein collectively as "Participants") of Mercury Computer Systems, Inc. ("Mercury") for the benefit of Mercury and its stockholders and to provide additional incentive for such Participants to continue to work in the best interests of Mercury and its stockholders through continuing ownership of its common stock.

2. SHARES SUBJECT TO THE PLAN

The total number of shares of common stock, par value $.01 per share ("Shares"), of Mercury for which options may be granted under the Plan shall not exceed 50,000 in the aggregate, subject to adjustment in accordance with Section 9 hereof.

3. ELIGIBILITY; GRANT OF OPTION

On September 30 of each of 1994, 1995, 1996, 1997 and 1998, each person who is then a member of the Board of Directors of Mercury (the "Board") and who is then not an employee of Mercury or any subsidiary shall be granted an option to acquire the Formula Number of Shares under the Plan. Any options granted prior to stockholder approval of this Plan shall become effective as of their date of grant only upon stockholder approval of this Plan in accordance with

Section 13 hereof. The options shall be non-qualified options not intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The Formula Number shall be that number equal to one percent (1%) of the net income of Mercury for the most recent fiscal year ending prior to the grant date as shown on Mercury's audited financial statements divided by the fair market value of a share of Mercury common stock, as determined under Section 5 hereof, on the first day of such most recent fiscal year, divided by the number of the non-employee Directors of Mercury granted options hereunder on such grant date. No fractional shares shall be issued.

4. OPTION AGREEMENT

Each option granted under the Plan shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of Mercury and by the director to whom such option is granted, which Agreements shall comply with and be subject to the terms and conditions of the Plan.

5. OPTION EXERCISE PRICE

Subject to the provisions of Section 9 hereof, the option exercise price for an option granted under the Plan shall be the fair market value of the Shares of the common stock of Mercury covered by the option on the date of grant of the option. For the purposes hereof, the fair market value of the Shares of the common stock of Mercury shall be determined as follows. If such shares are then listed on any national securities exchange, the fair market value shall be the mean between the high and low sales prices, if any, on the largest such exchange on the date of the grant of the option or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date

after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the mean between the high and low sales prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System National Market System ("NASDAQ/NMS") for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then either listed on any such exchange or quoted in NASDAQ/NMS, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation Service for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the fair market value cannot be determined under the preceding three sentences, it shall be determined by the Company's independent auditors.

6. TIME AND MANNER OF EXERCISE OF OPTION

(a) Options granted under the Plan shall, subject to the provisions of Section 7, be exercisable as provided in this Section 6(a). The options shall not be exercisable prior to six months from the date of the date of grant. Thereafter, the options shall be exercisable in full.

(b) To the extent that the right to exercise an option has accrued and is in effect, the option may be exercised in full at one time or in part from time to time by giving written notice, signed by the person or persons exercising the option, to Mercury, stating the number of Shares

with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment must be in cash or certified check payable to the order of the Company; provided, however, that there shall be no such exercise at any one time as to fewer than Two Hundred Fifty (250) Shares or all of the remaining Shares then purchasable by the person or persons exercising the option, if fewer than Two Hundred Fifty (250) Shares. Upon such exercise, delivery of a certificate for paid-up non-assessable Shares shall be made at the principal Massachusetts office of Mercury to the person or persons exercising the option at such time, during ordinary business hours, not more than thirty (30) days from the date of receipt of the notice by Mercury, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by Mercury and the person or persons exercising the option.

7. TERM OF OPTIONS

(a) Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.

(b) In the event of the death of an optionee, the option granted to such optionee may be exercised, to the extent the optionee was entitled to do so on the date of such optionee's death, by the estate of such optionee or by any person or persons who acquired the right to exercise such option by bequest or inheritance or otherwise by reason of the death of such optionee. Such option may be exercised at any time within one (1) year after the date of death of such optionee, at which time the option shall terminate, or prior to the date on which the option otherwise expires by its terms, whichever is earlier.

(c) In the event that an optionee ceases to be a director of Mercury, the option granted to such optionee may be exercised by him, but only to the extent that under Section 6 hereof the

right to exercise the option has accrued and is in effect. Such option may be exercised at any time within one (1) month after the date such optionee ceases to be a director of Mercury, at which time the option shall terminate, but in any event prior to the date on which the option expires by its terms, whichever is earlier, unless termination as a director (a) was by Mercury for cause, in which case the option shall terminate immediately at the time the optionee ceases to be a director of Mercury, (b) was because the optionee has become disabled (within the meaning of Section 22(e)(3) of the Code), or (c) was by reason of the death of the optionee. In the case of death, see Section 7(b) of the Plan. In the case of disability, the option may be exercised, to the extent then exercisable under Section 6 hereof, at any time within one (1) year after the date of termination of the optionee's directorship with Mercury, at which time the option shall terminate, but in any event prior to the date on which the option otherwise expires by its terms, whichever is earlier.

8. OPTIONS NOT TRANSFERABLE

The right of any optionee to exercise an option granted to him under the Plan shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. Any option granted under the Plan shall be exercisable during the lifetime of such optionee only by him. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge,

hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

9. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event that the outstanding Shares of the common stock of Mercury are changed into or exchanged for a different number or kind of shares or other securities of Mercury or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which outstanding options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event, and such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share.

10. RESTRICTIONS ON ISSUE OF SHARES

Notwithstanding the provisions of Section 6 hereof, Mercury may delay the issuance of Shares covered by the exercise of any option and the delivery of a certificate for such Shares until one of the following conditions shall be satisfied:

(i) the Shares with respect to which an option has been exercised are at the time of the issue of such Shares effectively registered under applicable Federal and state securities acts now in force or hereafter amended; or

(ii) counsel for Mercury shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such Shares are exempt from registration under applicable Federal and state securities acts now in force or hereafter amended.

It is intended that all exercises of options shall be effective. Accordingly, Mercury shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that Mercury shall be under no obligation to cause a registration statement or a post-effective amendment to any registration statement to be prepared at its expense solely for the purpose of covering the issue of Shares in respect of which any option may be exercised, except as otherwise agreed to by Mercury in writing.

11. RIGHTS OF HOLDER ON PURCHASE FOR INVESTMENT; SUBSEQUENT REGISTRATION

Unless the Shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, Mercury shall be under no obligation to issue any Shares covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to Mercury which is satisfactory in form and scope to counsel to Mercury and upon which, in the opinion of such counsel, Mercury may reasonably rely, that he is acquiring the Shares issued to him pursuant to such exercise of the option for his own account as an investment and not with a view to, or for sale in connection with, the distribution of any such Shares, and that he will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if Shares are issued without such registration a legend to this effect may be endorsed

upon the securities so issued. In the event that Mercury shall, nevertheless, deem it necessary or desirable to register under the Securities Act of 1933 or other applicable statutes any Shares with respect to which an option shall have been exercised, or to qualify any such Shares for exemption from the Securities Act of 1933 or other applicable statutes, then Mercury shall take such action at its own expense and may require from each optionee such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to Mercury and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

12. LOANS PROHIBITED

Mercury shall not, directly or indirectly, lend money to an optionee or to any person or persons entitled to exercise an option by reason of the death of an optionee for the purpose of assisting him or them in the acquisition of Shares covered by an option granted under the Plan.

13. APPROVAL OF STOCKHOLDERS

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of Mercury voting in person or by proxy at a duly held stockholders' meeting, or by written consent of all of the stockholders, and shall take effect immediately as of its date of adoption upon such approval.

14. EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by Mercury, and none of such expenses shall be charged to any optionee.

15. TERMINATION AND AMENDMENT OF PLAN

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly approved by the stockholders. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable, provided however that, except as provided in Section 9 hereof, no modification or amendment to the provisions of the Plan may be made more than once every six (6) months other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder, if the effect of such amendment or modification would be to change (i) the requirements for eligibility under the Plan, (ii) the timing of the grants of options to be granted under the Plan or the exercise price or vesting schedule thereof, or (iii) the number of Shares subject to options to be granted under the Plan either in the aggregate or to one director. Any amendment to the provisions of the Plan which (i) materially increases the number of Shares which may be subject to options granted under the Plan, (ii) materially increases the benefits accruing to Participants under the Plan, or (iii) materially modifies the requirement for eligibility to participate in the Plan, shall be subject to approval by the stockholders of Mercury obtained in the manner stated in Section 13 hereof. Termination or any modification or amendment of the Plan shall not, without the consent of an optionee, affect his rights under an option previously granted to him.

16. LIMITATION OF RIGHTS IN THE OPTION SHARES

An optionee shall not be deemed for any purpose to be a stockholder of Mercury with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

17. NOTICES

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to Mercury, to its principal place of business, attention: President, and, if to an optionee, to the address as appearing on the records of Mercury.

18. COMPLIANCE WITH RULE 16b-3

It is the intention of Mercury that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934 (the "Act") and that Participants remain disinterested persons for purposes of administering other employee benefit plans of Mercury and having transactions under such other plans be exempt from Section 16(b) of the Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provisions would disqualify Participants from remaining disinterested persons, that provisions shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

APPROVED BY BOARD OF DIRECTORS: June 22, 1993

APPROVED BY THE STOCKHOLDERS: July 22, 1993

EXHIBIT 10.4

MERCURY COMPUTER SYSTEMS, INC.
1997 STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

This stock option plan (the "Plan") is intended to encourage ownership of the stock of Mercury Computer Systems, Inc. (the "Company") by employees and advisors of the Company and its subsidiaries, to induce qualified personnel to enter and remain in the employ of the Company or its subsidiaries and otherwise to provide additional incentive for optionees to promote the success of its business.

2. STOCK SUBJECT TO THE PLAN.

(a) The total number of shares of the authorized but unissued or Treasury shares of the common stock, $.01 par value per share, of the Company (the "Common Stock") for which options may be granted under the Plan shall not exceed Five Hundred Seventy-Five Thousand (575,000) shares, subject to adjustment as provided in Section 12 hereof.

(b) If an option granted hereunder shall expire or terminate for any reason without having vested fully or having been exercised in full, the unvested and/or unpurchased shares subject thereto shall again be available for subsequent option grants under the Plan.

(c) Stock issuable upon exercise of an option granted under the Plan may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Committee.

3. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by a committee (the "Committee") consisting of two or more members of the Company's Board of Directors. The selection of persons for participation in the Plan and all decisions concerning the timing, pricing and amount of any grant or award

under the Plan shall be made solely by the Committee. The Board of Directors may from time to time appoint a member or members of the Committee in substitution for or in addition to the member or members then in office and may fill vacancies on the Committee however caused. The Committee shall choose one of its members as Chairman and shall hold meetings at such times and places as it shall deem advisable. A majority of the members of the Committee shall constitute a quorum and any action may be taken by a majority of those present and voting at any meeting. Any action may also be taken without the necessity of a meeting by a written instrument signed by a majority of the Committee. The decision of the Committee as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Committee shall have the authority to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option agreement granted hereunder in the manner and to the extent it shall deem expedient to carry the Plan into effect and shall be the sole and final judge of such expediency. No Committee member shall be liable for any action or determination made in good faith.

4. TYPE OF OPTIONS.

Options granted pursuant to the Plan shall be authorized by action of the Committee and may be designated as either incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options which are not intended to meet the requirements of such Section 422 of the Code, the designation to

be in the sole discretion of the Committee. The Plan shall be administered by the Committee in such manner as to permit options to qualify as incentive stock options under the Code.

5. ELIGIBILITY.

Options designated as incentive stock options shall be granted only to employees (including officers and directors who are also employees) of the Company and any of its subsidiaries. Options designated as non-qualified options may be granted to officers, directors, employees, consultants, and advisors of the Company or of any of its subsidiaries. "Subsidiary" or "subsidiaries" shall be as defined in Section 424 of the Code and the Treasury Regulations promulgated thereunder (the "Regulations") and shall include present and future subsidiaries.

The Committee shall, from time to time, at its sole discretion, select from such eligible individuals those to whom options shall be granted and shall determine the number of shares to be subject to each option. In determining the eligibility of an individual to be granted an option, as well as in determining the number of shares to be granted to any individual, the Committee in its sole discretion shall take into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of his or her service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Committee may deem relevant.

No option designated as an incentive stock option shall be granted to any employee of the Company or any subsidiary if such employee owns, immediately prior to the grant of an option, stock representing more than 10% of the combined voting power of all classes of stock of the Company or a parent or a subsidiary, unless the purchase price for the stock under such

option shall be at least 110% of its fair market value at the time such option is granted and the option, by its terms, shall not be exercisable more than five years from the date it is granted. In determining the stock ownership under this paragraph, the provisions of Section 424(d) of the Code shall be controlling. In determining the fair market value under this paragraph, the provisions of Section 7 hereof shall apply.

The maximum number of shares of the Company's Common Stock with respect to which an option or options may be granted to any employee in any one taxable year of the Company shall not exceed 100,000 shares, taking into account shares granted during such taxable year under options that are terminated or repriced.

6. OPTION AGREEMENT.

Each option shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of the Company and by the optionee to whom such option is granted, which Agreement shall comply with and be subject to the terms and conditions of the Plan. The Agreement may contain such other terms, provisions and conditions which are not inconsistent with the Plan as may be determined by the Committee, provided that options designated as incentive stock options shall meet all of the conditions for incentive stock options as defined in Section 422 of the Code. The date of grant of an option shall be as determined by the Committee. More than one option may be granted to an individual.

7. OPTION PRICE.

The option price or prices of shares of the Company's Common Stock for options designated as non-qualified stock options shall be determined by the Committee, but in no event shall the option price of a non-qualified stock option be less than 50% of the fair market

value of such Common Stock at the time the option is granted, as determined by the Committee. The option price or prices of shares of the Company's Common Stock for incentive stock options shall be not less than the fair market value of such Common Stock at the time the option is granted as determined by the Committee in accordance with the Regulations promulgated under Section 422 of the Code. If such shares are then listed on any national securities exchange, the fair market value shall be the mean between the high and low sales prices, if any, on the largest such exchange on the date of grant of the option, or if the date of grant is not a business day the business day immediately preceding the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the mean between the high and low sales prices, if any, as reported in the National Association of Securities Dealers Automated Quotation National Market ("NASDAQ/NM") for the date of grant, or if the date of grant is not a business day the business day immediately preceding the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then either listed on any such exchange or quoted in NASDAQ/NM, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation Service for the date of grant, or if the date of grant is not a business day the business day immediately preceding the date of the

grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Committee.

8. MANNER OF PAYMENT; MANNER OF EXERCISE.

(a) Options granted under the Plan may provide for the payment of the exercise price, as determined by the Committee and set forth in the Option Agreement, by delivery of (i) cash or a check payable to the order of the Company in an amount equal to the exercise price of such options, (ii) shares of Common Stock of the Company owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised, (iii) any combination of (i) and (ii), provided, however, that payment of the exercise price by delivery of shares of Common Stock of the Company owned by such optionee may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Committee, or (iv) payment may also be made by delivery of a properly executed exercise notice to the Company, together with a copy of irrevocable instruments to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. The fair market value of any shares of the Company's Common Stock which may be delivered upon exercise of an option shall be determined by the Committee in accordance with Section 7 hereof. To facilitate clause (iv) above, the Company may enter into agreements for coordinated procedures with one or more brokerage firms. The date of exercise shall be the date of delivery of such exercise notice.

(b) To the extent that the right to purchase shares under an option has accrued and is in effect, options may be exercised in full at one time or in part from time to time, by giving written notice, signed by the person or persons exercising the option, to the Company, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares as provided in subparagraph (a) above. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company to the person or persons exercising the option at such time, during ordinary business hours, after 9:00 a.m. but not more than thirty (30) days from the date of receipt of the notice by the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the option. Upon exercise of the option and payment as provided above, the optionee shall become a stockholder of the Company as to the Shares acquired upon such exercise.

9. EXERCISE OF OPTIONS.

Each option granted under the Plan shall, subject to Section 10(b) and Section 12 hereof, be exercisable with reference to the Vesting Reference Date (the date selected by the Committee) as follows: prior to the First Anniversary Date of the Vesting Reference Date --twenty percent (20%); on the Second Anniversary Date of the Vesting Reference Date -- forty percent (40%); on the Third Anniversary Date of the Vesting Reference Date -- sixty percent (60%); on the Fourth Anniversary Date of the Vesting Reference Date -- eighty percent (80%); and on the Fifth Anniversary date of the Vesting Reference Date -- one hundred percent (100%) provided, however, that no option granted under the Plan shall have a term in excess of ten (10) years from the date of grant. Notwithstanding any other provisions of this section,

in the event of a Change of Control (as hereinafter defined) of the Company, fifty percent (50%) of the unvested shares of each Participant with a minimum of six months' service will automatically be fully Vested; in the event of a Change of Control of the Company not approved by the Board of Directors prior to such Change of Control, all of the shares shall be fully Vested immediately upon such Change of Control. for purposes of the plan, a "Change of Control" shall be deemed to have occurred if any of the following conditions have occurred: (1) the merger or consolidation of the Company with another entity where the Company is not the surviving entity and where after the merger or consolidation (i) its stockholders prior to the merger or consolidation hold less than 50% of the voting stock of the surviving entity and (ii) its Directors prior to the merger or consolidation are less than a majority of the Board of the surviving entity; (2) the sale of all or substantially all of the Company's assets to a third party and subsequent to the transaction (i) its stockholders hold less than 50% of the stock of said third party and (ii) its Directors are less than a majority of the Board of said third party; or (3) a transaction or series of related transactions, including a merger of the Company with another entity where the Company is the surviving entity, whereby 50% or more of the voting stock of the company is transferred to parties who are not prior thereto stockholders or affiliates of the Company.

To the extent that an option to purchase shares is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. No partial exercise may be made for less than fifty (50) full shares of Common Stock.

Notwithstanding the foregoing, the Committee may in its discretion (i) specifically provide for another time or times of exercise (but not delay a vesting period) or (ii) accelerate the exerciseability of any option subject to such terms and conditions as the Committee deems necessary and appropriate.

10. TERM OF OPTIONS; EXERCISABILITY.

(a) TERM.

(1) Each option shall expire not more than ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.

(2) Except as otherwise provided in this Section 10, (i) an option granted to any employee optionee who ceases to be an employee of the Company or one of its subsidiaries or (ii) an option granted to any employee optionee of the Company or one of its subsidiaries whose work schedule is materially reduced from the schedule in effect at the time of the grant, including a reduction from full time employment to part time employment and a reduction from full or part-time employment due to a leave of absence, other than military leave, sick leave, or other bona fide leave of absence, for up to 90 days or so long as the employee optionee's right to re-employment is guaranteed either by statute or by contract if longer than 90 days, shall terminate ten (10) days after (a) the date such optionee ceases to be an employee of the Company or one of its subsidiaries or (b) the date such optionee has his work schedule reduced, or on the date on which the option expires by its terms, whichever occurs first, subject always to the discretion of the Committee.

(3) If such termination of employment is because of dismissal for cause or because the employee is in breach of any employment agreement, such option will terminate on the date the optionee ceases to be an employee of the Company or one of its subsidiaries.

(4) If such termination of employment is because the optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such option shall terminate on the last day of the twelfth month from the date such optionee ceases to be an employee, or on the date on which the option expires by its terms, whichever occurs first.

(5) In the event of the death of any optionee, any option granted to such optionee shall terminate on the last day of the twelfth month from the date of death, or on the date on which the option expires by its terms, whichever occurs first.

(6) Notwithstanding subparagraphs (2), (3), (4) and (5) above, the Committee shall have the authority to extend the expiration date of any outstanding option in circumstances in which it deems such action to be appropriate.

(b) EXERCISABILITY. An option granted to an employee optionee who ceases to be an employee of the Company or one of its subsidiaries, whether by having become permanently disabled, as defined in Section 22(e)(3) of the Code, by death, or otherwise, shall be exercisable only to the extent that the right to purchase shares under such option has accrued and is in effect on the date such optionee ceases to be an employee of the Company or one of its subsidiaries.

11. OPTIONS NOT TRANSFERABLE.

The right of any optionee to exercise any option granted to him or her shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and

distribution, and any such option shall be exercisable during the lifetime of such optionee only by him; provided, however, that in the case of a non-qualified stock option, the Committee may permit transferability of such options on such terms and conditions as determined by the Committee and set forth in the Option Agreement. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee to whom the option is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, divorce, trustee process or similar process, whether legal or equitable, upon such option.

12. RECAPITALIZATIONS, REORGANIZATIONS AND THE LIKE.

(a) In the event that the outstanding shares of the Common Stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which options may be granted under the Plan and as to which outstanding options or portions thereof then unexercised shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event; such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share.

(b) In addition, unless otherwise determined by the Committee in its sole discretion, in the case of any Change of Control of the Company, the purchaser(s) of the Company's assets or stock may, in his, her or its discretion, deliver to the optionee the same kind of consideration that is delivered to the stockholders of the Company as a result of such sale, conveyance or Change of Control, or the Committee may cancel all outstanding options in exchange for consideration in cash or in kind, which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the optionee would have received had the option been exercised (to the extent then exercisable) and no disposition of the shares acquired upon such exercise been made prior to such Change of Control, less the option price therefor. Upon receipt of consideration by the optionee, his or her option shall immediately terminate and be of no further force and effect. The value of the stock or other securities the optionee would have received if the option had been exercised shall be determined in good faith by the Committee, and in the case of shares of the Common Stock of the Company, in accordance with the provisions of Section 7 hereof. The Committee shall also have the power and right to accelerate the exercisability of any options, notwithstanding any limitations in this Plan or in the Agreement upon such Change of Control. Upon such acceleration, any options or portion thereof originally designated as incentive stock options that no longer qualify as incentive stock options under Section 422 of the Code as a result of such acceleration shall be redesignated as non-qualified stock options.

(c) Upon dissolution or liquidation of the Company, all options granted under this Plan shall terminate, but each optionee (if at such time in the employ of or otherwise associated

with the Company or any of its subsidiaries) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her option to the extent then exercisable.

(d) No fraction of a share shall be purchasable or deliverable upon the exercise of any option, but in the event any adjustment hereunder of the number of shares covered by the option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

13. NO SPECIAL EMPLOYMENT RIGHTS.

Nothing contained in the Plan or in any option granted under the Plan shall confer upon any option holder any right with respect to the continuation of his or her employment by the Company (or any subsidiary thereof) or interfere in any way with the right of the Company (or any subsidiary thereof), subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the option holder from the rate in existence at the time of the grant of an option. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Committee at the time.

14. WITHHOLDING.

The Company's obligation to deliver shares upon the exercise of any option granted under the Plan and any payments or transfers under Section 12 hereof shall be subject to the option holder's satisfaction of all applicable Federal, state and local income, excise, employment and any other tax withholding requirements.

15. RESTRICTIONS ON ISSUE OF SHARES.

(a) Notwithstanding the provisions of Section 8, the Company may delay the issuance of shares covered by the exercise of an option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(1) The shares with respect to which such option has been exercised are at the time of the issue of such shares effectively registered or qualified under applicable Federal and state securities acts now in force or as hereafter amended; or

(2) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration and qualification under applicable Federal and state securities acts now in force or as hereafter amended.

(b) It is intended that all exercises of options shall be effective, and the Company shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to qualify shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares in respect of which any option may be exercised, except as otherwise agreed to by the Company in writing.

16. PURCHASE FOR INVESTMENT; RIGHTS OF HOLDER ON SUBSEQUENT REGISTRATION.

Unless the shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, the Company shall be under no obligation to issue any shares covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to the Company which is satisfactory in form and scope to

counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the option for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if shares are issued without such registration, a legend to this effect may be endorsed upon the securities so issued. In the event that the Company shall, nevertheless, deem it necessary or desirable to register under the Securities Act of 1933 or other applicable statutes any shares with respect to which an option shall have been exercised, or to qualify any such shares for exemption from the Securities Act of 1933 or other applicable statutes, then the Company may take such action and may require from each optionee such information in writing for use in any registration statement, supplementary registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors and controlling persons from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

18. MODIFICATION OF OUTSTANDING OPTIONS.

The Committee may authorize the amendment of any outstanding option with the consent of the optionee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of this Plan.

19. APPROVAL OF STOCKHOLDERS.

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of the Company present, or represented, and entitled to vote at a duly held stockholders' meeting, or by written consent of the stockholders as provided for under applicable state law, within twelve (12) months after the adoption of the Plan by the Board of Directors and shall take effect as of the date of adoption by the Board of Directors upon such approval. The Committee may grant options under the Plan prior to such approval, but any such option shall become effective as of the date of grant only upon such approval and, accordingly, no such option may be exercisable prior to such approval.

20. TERMINATION AND AMENDMENT.

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly adopted by the Board of Directors of the Company. The Board of Directors may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, that except as provided in this Section 20, the Board of Directors may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 19, increase the maximum number of shares for which options may be granted or change the designation of the

class of persons eligible to receive options under the Plan, or make any other change in the Plan which requires stockholder approval under applicable law or regulations.

21. RESERVATION OF STOCK.

The Company shall at all times during the term of the Plan reserve and keep available such number of shares of stock as will be sufficient to satisfy the requirements of the Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

22. LIMITATION OF RIGHTS IN THE OPTION SHARES.

An optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

23. NOTICES.

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to the Company, to its principal place of business, attention: President, and, if to an optionee, to the address as appearing on the records of the Company.

APPROVED BY THE BOARD: June 5, 1997

APPROVED BY STOCKHOLDERS: June 6, 1997

EXHIBIT 10.5

MERCURY COMPUTER SYSTEMS, INC.
1997 EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE

It is the purpose of this 1997 Employee Stock Purchase Plan to provide a means whereby eligible employees may purchase Common Stock of Mercury Computer Systems, Inc., (the "Company") and any subsidiaries as defined below through after-tax payroll deductions. It is intended to provide a further incentive for employees to promote the best interests of the Company and to encourage stock ownership by employees in order that they may participate in the Company's economic growth.

It is the intention of the Company that the Plan qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code and the provisions of this Plan shall be construed in a manner consistent with the Code and Treasury Regulations promulgated thereunder.

2. DEFINITIONS

The following words or terms, when used herein, shall have the following respective meanings:

(a) "Plan" shall mean the 1997 Employee Stock Purchase Plan.

(b) "Company" shall mean Mercury Computer Systems, Inc., a Massachusetts corporation.

(c) "Account" shall mean the Employee Stock Purchase Account established for a Participant under Section 7 hereunder.

(d) "Basic Compensation" shall mean the regular rate of salary or wages in effect immediately prior to a Purchase Period, before any deductions or withholdings, and including overtime, bonuses and sales commissions, but excluding amounts paid in reimbursement for expenses.

(e) "Board of Directors" shall mean the Board of Directors of Mercury Computer Systems, Inc.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Committee" shall mean the Compensation Committee appointed by the Board of Directors.

(h) "Common Stock" shall mean shares of the Company's common stock, $.01 par value per share.

(i) "IPO" shall mean the date of the closing of the Company's first public offering of Common Stock made pursuant to an effective Registration Statement filed with the Securities and Exchange Commission.

(j) "Eligible Employees" shall mean all persons employed by the Company or one of its Subsidiaries, but excluding:

(1) Persons who have been employed by the Company or its Subsidiaries for less than six months on the first day of the Purchase Period;

(2) Persons whose customary employment is less than twenty hours per week or five months or less per year; and

(3) Persons who are deemed for purposes of Section 423(b)(3) of the Code to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or a subsidiary.

For purposes of the Plan, employment will be treated as continuing intact while a Participant is on military leave, sick leave, or other bona fide leave of absence, for up to 90 days or so long as the Participant's right to re-employment is guaranteed either by statute or by contract, if longer than 90 days.

(k) "Exercise Date" shall mean the last day of a Purchase Period; provided, however, that if such date is not a business day, "Exercise Date" shall mean the immediately preceding business day.

(l) "Participant" shall mean an Eligible Employee who elects to participate in the Plan under Section 6 hereunder.

(m) Except as provided below, there shall be two "Purchase Periods" in each full calendar year during which the Plan is in effect, one commencing on January 1 of each calendar year and continuing through June 30 of such calendar year, and the second commencing on July 1 of each calendar year and continuing through December 31 of such calendar year. The first Purchase Period shall commence on the first, January 1 or June 30, to occur after the IPO. The last Purchase Period shall commence on July 1, 2007 and end on December 31, 2007.

(n) "Purchase Price" shall mean the lower of (i) 85% of the fair market value of a share of Common Stock for the first business day of the relevant Purchase Period, or (ii) 85% of such value on the relevant Exercise Date. If the shares of Common

Stock are listed on any national securities exchange, or traded on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") National Market System, the fair market value per share of Common Stock on a particular day shall be the closing price, if any, on the largest such exchange, or if not traded on an exchange, the Nasdaq National Market System, on such day, and, if there are no sales of the shares of Common Stock on such particular day, the fair market value of a share of Common Stock shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the particular day in accordance with Treasury Regulations Section 25.2512-2. If the shares of Common Stock are not then listed on any such exchange or the Nasdaq National Market System, the fair market value per share of Common Stock on a particular day shall be the mean between the closing "Bid" and the closing "Asked" prices, if any, as reported in the National Daily Quotation Service for such day. If the fair market value cannot be determined under the preceding sentences, it shall be determined in good faith by the Board of Directors.

(o) "Subsidiary" shall mean any present or future corporation which (i) would be a "subsidiary corporation" of the Company as that term is defined in Section 424(f) of the Code and (ii) is designated as a participant in the Plan by the Board.

3. GRANT OF OPTION TO PURCHASE SHARES.

Each Eligible Employee shall be granted an option effective on the first business day of each Purchase Period to purchase shares of Common Stock. The term of the option shall be the

length of the Purchase Period. The number of shares subject to each option shall be the quotient of the aggregate payroll deductions in the Purchase Period authorized by each Participant in accordance with Section 6 divided by the Purchase Price, but in no event greater than 1,333 shares per option, or such other number as determined from time to time by the Board of Directors or the Committee (the "Share Limitation"). Notwithstanding the foregoing, no employee shall be granted an option which permits his right to purchase shares under the Plan to accrue at a rate which exceeds in any one calendar year $25,000 of the fair market value of the Common Stock as of the date the option to purchase is granted.

4. SHARES.

There shall be 250,000 shares of Common Stock reserved for issuance to and purchase by Participants under the Plan, subject to adjustment as herein provided. The shares of Common Stock subject to the Plan shall be either shares of authorized but unissued Common Stock or shares of Common Stock reacquired by the Company and held as treasury shares. Shares of Common Stock not purchased under an option terminated pursuant to the provisions of the Plan may again be subject to options granted under the Plan.

The aggregate number of shares of Common Stock which may be purchased pursuant to options granted hereunder, the number of shares of Common Stock covered by each outstanding option, and the purchase price for each such option shall be appropriately adjusted for any increase or decrease in the number of outstanding shares of Common Stock resulting from a stock split or other subdivision or consolidation of shares of Common Stock or for other capital adjustments or payments of stock dividends or distributions or other increases or decreases in the outstanding shares of Common Stock effected without receipt of consideration by the Company.

5. ADMINISTRATION.

The Plan shall be administered by the Board of Directors or the Compensation Committee appointed from time to time by the Board of Directors. The Board of Directors or the Committee, if one has been appointed, is vested with full authority to make, administer and interpret such equitable rules and regulations regarding the Plan as it may deem advisable. The Board of Directors', or the Committee's, if one has been appointed, determinations as to the interpretation and operation of the Plan shall be final and conclusive. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under the Plan.

6. ELECTION TO PARTICIPATE.

An Eligible Employee may elect to become a Participant in the Plan for a Purchase Period by completing a "Stock Purchase Agreement" form prior to the first day of the Purchase Period for which the election is made. Such Stock Purchase Agreement shall be in such form as shall be determined by the Board of Directors or the Committee. The election to participate shall be effective for the Purchase Period for which it is made. There is no limit on the number of Purchase Periods for which an Eligible Employee may elect to become a Participant in the Plan. In the Stock Purchase Agreement, the Eligible Employee shall authorize regular payroll deductions of any full percentage of his Basic Compensation, but in no event less than one percent (1%) nor more than ten percent (10%) of his Basic Compensation, not to exceed $25,000 per year. An Eligible Employee may not change his authorization except as otherwise provided in Section 9. Options granted to Eligible Employees who have failed to execute a Stock Purchase Agreement within the time periods prescribed by the Plan will automatically lapse.

7. EMPLOYEE STOCK PURCHASE ACCOUNT.

An Employee Stock Purchase Account will be established for each Participant in the Plan for bookkeeping purposes, and payroll deductions made under Section 6 will be credited to such Accounts. However, prior to the purchase of shares in accordance with Section 8 or withdrawal from or termination of the Plan in accordance with the provisions hereof, the Company may use for any valid corporate purpose all amounts deducted from a Participant's wages under the Plan and credited for bookkeeping purposes to his Account.

The Company shall be under no obligation to pay interest on funds credited to a Participant's Account, whether upon purchase of shares in accordance with Section 8 or upon distribution in the event of withdrawal from or termination of the Plan as herein provided.

8. PURCHASE OF SHARES.

Each Eligible Employee who is a Participant in the Plan automatically and without any act on his part will be deemed to have exercised his option on each Exercise Date to the extent that the balance then in his Account under the Plan is sufficient to purchase at the Purchase Price whole shares of the Common Stock subject to his option, subject to the Share Limitations and the Section 423(b)(8) limitation described in Section 3. Any balance remaining in the Participant's Account shall be refunded to him in cash without interest.

9. WITHDRAWAL.

A Participant who has elected to authorize payroll deductions for the purchase of shares of Common Stock may cancel his election by written notice of cancellation ("Cancellation") delivered to the office or person designated by the Company to receive Stock Purchase

Agreements, but any such notice of Cancellation must be so delivered not later than ten (10) days before the relevant Exercise Date.

A Participant will receive in cash, as soon as practicable after delivery of the notice of Cancellation, the amount credited to his Account. Any Participant who so withdraws from the Plan may again become a Participant at the start of the next Purchase Period in accordance with Section 6.

Upon dissolution or liquidation of the Company every option outstanding hereunder shall terminate, in which event each Participant shall be refunded the amount of cash then in his Account. If the Company shall at any time merge into or consolidate with another corporation, the holder of each option then outstanding will thereafter be entitled to receive at the next Exercise Date, upon exercise of such option and for each share as to which such option was exercised, the securities or property which a holder of one share of the Common Stock was entitled upon and at such time of such merger or consolidation. In accordance with this paragraph and this Plan, the Board of Directors or Compensation Committee, if any, shall determine the kind or amount of such securities or property which such holder of an option shall be entitled to receive. A sale of all or substantially all of the assets of the Company shall be deemed a merger or consolidation for the foregoing purposes.

10. ISSUANCE OF STOCK CERTIFICATES.

The shares of Common Stock purchased by a Participant shall, for all purposes, be deemed to have been issued and sold at the close of business on the Exercise Date. Prior to that date none of the rights or privileges of a shareholder of the Company, including the right to vote or receive dividends, shall exist with respect to such shares.

Within a reasonable time after the Exercise Date, the Company shall notify the transfer agent and registrar of the Common Stock of the Participant's ownership of the number of shares of Common Stock purchased by a Participant for the Purchase Period, which shall be registered either in the Participant's name or jointly in the names of the Participant and his spouse with right of survivorship as the Participant shall designate in his Stock Purchase Agreement. Such designation may be changed at any time by filing notice thereof with the party designated by the Company to receive such notices.

11. TERMINATION OF EMPLOYMENT.

(a) Upon a Participant's termination of employment for any reason, other than death, no payroll deduction may be made from any compensation due him and the entire balance credited to his Account shall be automatically refunded, and his rights under the Plan shall terminate.

(b) Upon the death of a Participant, no payroll deduction shall be made from any compensation due him at time of death, the entire balance in the deceased Participant's Account shall be paid in cash to the Participant's designated beneficiary, if any, under a group insurance plan of the Company covering such employee, or otherwise to his estate, and his rights under the Plan shall terminate.

12. RIGHTS NOT TRANSFERABLE.

The right to purchase shares of Common Stock under this Plan is exercisable only by the Participant during his lifetime and is not transferable by him. If a Participant attempts to transfer his right to purchase shares under the Plan, he shall be deemed to have requested withdrawal from the Plan and the provisions of Section 9 hereof shall apply with respect to such Participant.

13. NO GUARANTEE OF CONTINUED EMPLOYMENT.

Granting of an option under this Plan shall imply no right of continued employment with the Company for any Eligible Employee.

14. NOTICE.

Any notice which an Eligible Employee or Participant files pursuant to this Plan shall be in writing and shall be delivered personally or by mail addressed to Mercury Computer Systems, Inc. , 199 Riverneck Road, Chelmsford, MA 01824, Attn: James R. Bertelli. Any notice to a Participant or an Eligible Employee shall be conspicuously posted in the Company's principal office or shall be mailed addressed to the Participant or Eligible Employee at the address designated in the Stock Purchase Agreement or in a subsequent writing.

15. APPLICATION OF FUNDS.

All funds deducted from a Participant's wages in payment for shares purchased or to be purchased under this Plan may be used for any valid corporate purpose provided that the Participant's Account shall be credited with the amount of all payroll deductions as provided in Section 7.

16. GOVERNMENT APPROVALS OR CONSENTS.

This Plan and any offering and sales to Eligible Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. Subject to the provisions of Section 17, the Board of Directors of the Company may make such changes in the Plan and include such terms in any offering under this Plan as may be necessary or desirable, in the opinion of counsel, to comply with the rules or regulations of any governmental authority, or to be eligible for tax benefits under the Code or the laws of any state.

17. AMENDMENT OF THE PLAN.

The Board of Directors may, without the consent of the Participants, amend the Plan at any time, provided that no such action shall adversely affect options theretofore granted hereunder, and provided that no such action by the Board of Directors without approval of the Company's shareholders may (a) increase the total number of shares of Common Stock which may be purchased by all Participants, (b) change the class of employees eligible to receive options under the Plan, or (c) make any changes to the Plan which require shareholder approval under applicable law or regulations, including Section 423 of the Code and the regulations promulgated thereunder.

For purposes of this Section 17, termination of the Plan by the Board of Directors pursuant to Section 18 shall not be deemed to be an action which adversely affects options theretofore granted hereunder.

18. TERM OF THE PLAN.

The Plan shall become effective on the Effective Date, provided that it is approved within twelve months after adoption by the Board of Directors by the affirmative vote of holders of a majority of the stock of the Company present or represented and entitled to vote at a duly held shareholders' meeting. The Plan shall continue in effect through June 30, 2007, provided, however, that the Board of Directors shall have the right to terminate the Plan at any time, but such termination shall not affect options then outstanding under the Plan. It will terminate in any case when all or substantially all of the unissued shares of stock reserved for the purposes of the Plan have been purchased. If at any time shares of stock reserved for the purposes of the Plan remain available for purchase but not in sufficient number to satisfy all then unfilled purchase

requirements, the available shares shall be apportioned among Participants in proportion to the amount of payroll deductions accumulated on behalf of each Participant that would otherwise be used to purchase stock and the Plan shall terminate. Upon such termination or any other termination of the Plan, all payroll deductions not used to purchase stock will be refunded, without interest.

19. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION; LEGEND.

By electing to participate in the Plan, each Participant agrees to notify the Company in writing immediately after the Participant transfers Common Stock acquired under the Plan, if such transfer occurs within two years after the first business day of the Purchase Period in which such Common Stock was acquired. Each Participant further agrees to provide any information about such a transfer as may be requested by the Company or any subsidiary corporation in order to assist it in complying with the tax laws. Such dispositions generally are treated as "disqualifying dispositions" under Sections 421 and 424 of the Code, which have certain tax consequences to Participants and to the Company and its participating Subsidiaries. The Participant further agrees that all stock certificates for Common Stock purchased under the Plan by the Participant shall be held in his name or jointly with his spouse, as the case may be, and not in the name of a broker, nominee or other person or entity for such two-year period, and agrees that such stock certificates shall bear a legend reflecting that such Common Stock was obtained upon the purchase of Common Stock under the Plan. The Participant acknowledges that the Company may send a Form W-2, or substitute therefor, as appropriate, to the Participant with respect to any income recognized by the Participant upon a disqualifying disposition of Common Stock.

20. WITHHOLDING OF ADDITIONAL INCOME TAXES.

By electing to participate in the Plan, each Participant acknowledges that the Company and its participating Subsidiaries are required to withhold taxes with respect to the amounts deducted from the Participant's compensation and accumulated for the benefit of the Participant under the Plan and each Participant agrees that the Company and its participating Subsidiaries may deduct additional amounts from the Participant's compensation, when amounts are added to the Participant's account, used to purchase Common Stock or refunded, in order to satisfy such withholding obligations. Each Participant further acknowledges that when Common Stock is purchased under the Plan, the Company and its participating Subsidiaries may be required to withhold taxes with respect to all or a portion of the difference between the fair market value of the Common Stock purchased and its purchase price, and each Participant agrees that such taxes may be withheld from compensation otherwise payable to such Participant. It is intended that tax withholding will be accomplished in such a manner that the full amount of payroll deductions elected by the Participant under Section 6 will be used to purchase Common Stock. However, if amounts sufficient to satisfy applicable tax withholding obligations have not been withheld from compensation otherwise payable to any Participant, then, notwithstanding any other provision of the Plan, the Company may withhold such taxes from the Participant's accumulated payroll deductions and apply the net amount to the purchase of Common Stock, unless the Participant pays to the Company, prior to the exercise date, an amount sufficient to satisfy such withholding obligations. Each Participant further acknowledges that the Company and its participating Subsidiaries may be required to withhold taxes in connection with the disposition of stock acquired under the Plan and agrees that the Company or any participating subsidiary may take

whatever action it considers appropriate to satisfy such withholding requirements, including deducting from compensation otherwise payable to such Participant an amount sufficient to satisfy such withholding requirements or conditioning any disposition of Common Stock by the Participant upon the payment to the Company or such subsidiary of an amount sufficient to satisfy such withholding requirements.

21. GENERAL.

Whenever the context of this Plan permits, the masculine gender shall include the feminine and neuter genders.

Adopted by the Board of Directors November 6, 1997.

Approved by the Stockholders _____.

Exhibit 10.6

EXTENSION OF LEASE

THIS EXTENSION OF LEASE effective as of May __, 1997, between EQUITABLE VARIABLE LIFE INSURANCE COMPANY ("Landlord") and MERCURY COMPUTER SYSTEMS, INC. ("Tenant").

BACKGROUND

Landlord and Tenant are Landlord and Tenant, respectively, under a Lease dated July 24, 1992, from Landlord, as Landlord, to Tenant, as Tenant, of premises at 199 Riverneck Road, Chelmsford, Massachusetts (the "Lease"). The parties desire to extend the term of the Lease on the terms and conditions herein set forth.

WITNESSETH

NOW, THEREFORE, Landlord and Tenant hereby agree as follows:

1. Landlord and Tenant agree that Tenant has exercised its option to extend the term of the Lease under Section 2.3 of the Lease. As so extended, the term of the Lease shall expire on September 31, 2002.

2. The Annual Fixed Rental Rate for the period October 1, 1997, through September 31, 2002, shall be $672,728 per annum.

3. Tenant shall have the option to extend the term of the Lease for the period October 1, 2002, through September 31, 2007, provided (a) no default in the obligations of Tenant under the Lease shall exist at the time such option is exercised and (b) Tenant shall give notice to Landlord of its exercise of such option on or before April 1, 2002. All of the terms and provisions of the Lease shall be applicable during such period except that (a) the Annual Fixed Rental Rate shall be the greater of (i) Market Rent (as defined in Section 4.2 of the Lease) as of October 1, 2002, or (ii) $672,728.00 per annum and (b) Tenant shall have no option to extend the term of the Lease beyond September 31, 2007.

4. Except only as amended hereby, the Lease shall continue in full force and effect.

WITNESS the execution hereof as an instrument under seal as of the date first above written.

LANDLORD:

EQUITABLE VARIABLE LIFE
INSURANCE COMPANY

By:

Its

TENANT:

MERCURY COMPUTER SYSTEMS, INC.

By:

Its

AMENDMENT OF LEASE

THIS AMENDMENT OF LEASE effective as of October __ , 1992, between EQUITABLE VARIABLE LIFE INSURANCE COMPANY ("Landlord") and MERCURY COMPUTER SYSTEMS, INC, ("Tenant").

BACKGROUND

Landlord and Tenant are the Landlord and Tenant, respectively, under the Lease dated July 24, 1992, of premises at 199 Riverneck Road, Chelmsford, Massachusetts (the "Lease"). The parties desire to fully and finally settle certain disputes as to the condition of the premises under the Lease and to amend the Lease in certain other respects, all as hereinafter set forth. Capitalized terms not defined herein shall have the meaning ascribed to them in the Lease.

W I T N E S S E T H

NOW, THEREFORE, Landlord and Tenant hereby agree as follows:

1. The following terms appearing in Section 1.1 of the Lease are hereby amended to read as follows:

Rent Commencement Date:	January 1, 1993
Term Expiration Date:	January 31, 1998

2. The Annual Fixed Rental Rate for the Original Term and the definition of "Year" are hereby deleted from Section 1.1 of the Lease and the following substituted therefor:

During Original Term:

January 1993 through August 1993:	$24,490.71 per month
September 1993:	$27,181.57 per month
October through December 1993:	$36,022.96 per month
January 1994 through August 1995:	$35,043.33 per month
September 1995:	$35,510.25 per month
October 1995 through August 1996:	$37,045.50 per month
September 1996:	$37,512.67 per month
October 1996 through January 1998:	$39,047.67 per month

[The Annual Fixed Rental Rate in effect for each month shall equal twelve (12) times the applicable monthly rate set forth above.]

3. The Annual Fixed Rental Rate during the Extension Term shall not be amended hereby and shall be as set forth in Section 1.1 of the Lease.

4. Landlord shall diligently complete the repairs listed on Exhibit A hereto.

5. Tenant hereby confirms that it and its consultants have fully inspected the Premises, and, subject to Landlord's obligations set forth in Section 4 hereof, Tenant hereby confirms that it has accepted the Premises in its "as is" condition as of the Term Commencement Date. Landlord and Tenant agree that this Amendment of Lease is intended to settle completely all disputes between Landlord and Tenant with respect to the condition of the Premises, and Tenant hereby waives and releases Landlord from all claims relating thereto, subject only to Section 4 hereof.

WITNESS the execution hereof as an instrument under seal as of the date first above written.

Tenant:

MERCURY COMPUTER SYSTEMS, INC.

By: /s/

Its President

Landlord:

EQUITABLE VARIABLE LIFE
INSURANCE COMPANY

By: /s/

Its

BUILDING DEFICIENCIES

19 lights out in parking lot. Also, 2 lens covers are broken (1 entrance, 1 at back).

Electrical room next to elevator room where the flood occurred - Ceiling must be replaced, fluorescent light fixture rehung, door refinished.

Water faucet on Dock 3 - handle is broken off, needs to be replaced.

Handicapped parking spaces are too narrow - need to be repainted.

Light in back of building on the ground is broken off of pipe and hanging on the ground.

Employee entrance by cafeteria (inside door) will not close and window is cracked.

Same problem on second floor - same entrance.

Same stairwell - lights are out.

Men's room, Phase 1, Floor 2 - Urinal 1 - water will not shut off; Urinal 2 does not work at all.

Same men's room - faucet in sink 3 leaks, rust stain in sink.

Same men's room - 8 ceiling tiles have water stains (no leaks found in ceiling).

Door to second floor from main lobby - won't close.

8 exit lights (fire exit signs) are out.

5 emergency lights (power out units mounted on walls) are out.

First floor, phase 1, men's room - wallpaper is torn and ripped - needs replacing.

At least 5 sprinklers in landscape irrigation system are not working - need replacing (Note: landlord will complete repairs to zone #5 in the Spring, 1993).

LEASE

Dated July 24, 1992

from

EQUITABLE VARIABLE LIFE INSURANCE COMPANY

Landlord

to

MERCURY COMPUTER SYSTEMS, INC,

Tenant

of Premises at

199 Riverneck-Road

Chelmsford, Massachusetts

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LEASE

SECTION I
REFERENCE INFORMATION

Section 1.1. REFERENCE INFORMATION. Reference in this Lease to any of the following shall have the meaning set forth below:

Date of this Lease:	July 24, 1992
Premises:	The building (the "Building") and the lot (the "Lot") shown on Exhibit A, situated at 199 Riverneck Road, Chelmsford, Massachusetts.
Landlord:	Equitable Variable Life Insurance Company
Address of Landlord:	c/o Equitable Real Estate Investment Management, Inc. 75 State Street Boston, Massachusetts 02109
Tenant:	Mercury Computer Systems, Inc., a Massachusetts corporation
Address of Tenant:	Wannalancit Technology Center 600 Suffolk Street Lowell, MA 01854-3608
Term Commencement Date:	The date of this Lease
Rent Commencement Date:	September 24, 1992
Term Expiration Date:	September 31, 1997
Extension Term:	One (1) period of five (5) years
Building Square Footage:	Approximately 96,104 square feet

Annual Fixed Rental Rate:

During original Term:	Year 1:	$282,133 per annum
	Years 2 and 3:	420,520 per annum
	Year 4:	444,546 per annum
	Year 5:	468,572 per annum

For the purpose of the above, a "Year" shall mean the one year period commencing on the Rent Commencement Date or an anniversary thereof, provided that Year 5 shall include the period from the end of Year 5 to the Term Expiration Date.

During Extension Term: The greater of (a) 90% of Market Rent (as defined in Section 4.2) as of the commencement of the Extension Term or (b) $576,624 per annum.

Tenant's Proportionate Fraction:

Until the First Anniversary of the Rent Commencement Date:	74.95%
Thereafter:	100%

Permitted Uses: Research and development, offices, and light manufacturing.

Commercial General Liability Insurance Limit:

Bodily Injury and Property Damage:	Combined single limit of $3,000,000, or greater amount as reasonably required by Landlord from time to time.
Brokers:	The Leggat Company and Peter Elliot & Co., Incorporated

Section 1.2. EXHIBITS. The following Exhibits are attached to and incorporated in this Lease:

Exhibit A:	Plan of Premises
Exhibit B:	Preliminary Space Plan

SECTION 2
PREMISES AND TERM

Section 2.1. PREMISES. Landlord hereby leases and demises the Premises to Tenant and Tenant hereby leases the Premises from Landlord, subject to any and all existing encumbrances and other matters of record and subject to the terms and provisions of this Lease.

Section 2.2. TERM. TO HAVE AND TO HOLD for an original term beginning on the Term Commencement Date and continuing until the Term Expiration Date, unless sooner terminated as hereinafter provided.

Section 2.3. OPTION TO EXTEND TERM. Tenant shall have the option to extend the term of this Lease for the Extension Term, provided (i) no default in the obligations of Tenant under this Lease shall exist at the time such option is exercised and (ii) Tenant shall give notice to Landlord of its exercise of such option not less than six (6) months prior to expiration of the original or then extended term, as the case may be. All of the terms and provisions of this Lease shall be applicable during the Extension Term except that (i) the Annual Fixed Rental Rate shall be as specified in Section 1.1 and (ii) Tenant shall have no option to extend the term of the Lease beyond the Extension Term.

SECTION 3

CONDITION OF PREMISES; ALLOWANCES

SECTION 3.1. CONDITION OF PREMISES. Tenant agrees to accept the Premises in its present "as is" condition. Landlord shall have no obligation to perform any work or construction, except that the building heating and air conditioning, electrical and plumbing systems shall be in good working order as of the Term Commencement Date. If Tenant shall desire to perform any other work or construction, the same shall be done only in accordance with this Lease. Landlord has approved the preliminary space plan attached as Exhibit B subject to the preparation of detailed plans and specifications for the construction contemplated thereby. Detailed plans and specifications for any work or construction to be performed by Tenant shall be subject to Landlord's approval to the extent provided in Section 10.4. Landlord shall promptly respond to any request by Tenant for approval of plans and specifications.

SECTION 3.2. ALLOWANCES. Within thirty (30) days after the Rent Commencement Date, Landlord shall pay Tenant the sum of $50,000. Landlord shall also reimburse Tenant up to $10,000 for the cost of installing signs on the Building and on Riverneck Road, upon presentation of vendor invoices therefor.

SECTION 4

FIXED RENT

SECTION 4.1. THE FIXED RENT. Tenant shall pay rent to Landlord at the Address of Landlord or at such other place or to such other person or entity as Landlord may by notice to Tenant from time to time direct, at the Annual Fixed Rental Rate set forth in Section 1, in equal installments equal to 1/12th of the Annual Fixed Rental Rate in advance on the first day of each calendar month included in the term, and for any portion of a calendar month at the beginning or end of the term, at that rate payable in advance for such portion.

SECTION 4.2. MARKET RENT. "Market Rent" shall be computed as of the applicable date at the then current rentals being charged to new tenants for comparable space located in the vicinity of the Building, taking into account and giving effect to, in determining comparability, without limitation, such considerations as size, location and lease term.

Landlord shall initially designate Market Rent and shall furnish data in support of such designation. If Tenant shall disagree with Landlord's designation of Market Rent, then Tenant shall have the right, by written notice given within twenty-one (21) days after Tenant has been notified of Landlord's designation, to submit such Market Rent to arbitration as follows. Market Rent shall be determined by arbitrators, one to be chosen by Tenant, one to be chosen by Landlord and a third to be selected, if necessary, as below provided. If within twenty (20) days after Tenant's notice, the parties agree upon a single arbitrator, Market Rent shall be determined by such arbitrator. Otherwise, the unanimous written decision of the two first chosen without the selection and participation of a third arbitrator, or otherwise the written decision of a majority of the three arbitrators chosen and selected as provided herein, shall be conclusive and binding upon Landlord and Tenant. Landlord and Tenant shall each notify the other of its chosen arbitrator within twenty-one (21) days following the call for arbitration and, unless such two arbitrators shall have reached a unanimous decision within thirty (30) days after their designation, then they shall so notify the then President of the Boston Bar Association and request him to select an impartial third arbitrator, who shall be another building owner, a real estate counselor or a broker dealing with like types of properties, to determine Market Rent as herein defined. Such third arbitrator and the first two chosen shall hear the parties and their evidence and render their decision within thirty (30) days following the conclusion of such hearing and notify Landlord and Tenant thereof. Landlord and Tenant shall bear the expense of the third arbitrator (if any) equally. If the dispute between the parties as to Market Rent has not been resolved before the commencement of Tenant's obligation to pay rent based upon Market Rent, then Tenant shall pay rent in respect of the Premises based upon the Market Rent designated by Landlord until either the agreement of the parties as to the Market Rent or the decision of the arbitrators, as the case may be, at which time Tenant shall pay any underpayment of rent to Landlord, or Landlord shall refund any overpayment of rent to Tenant.

SECTION 5
REAL ESTATE AND OTHER TAXES

SECTION 5.1. REAL ESTATE TAXES. As Additional Rent, Tenant shall pay to Landlord Tenant's Proportionate Fraction of all taxes, assessments (special, betterment or otherwise), levies, fees, water and sewer rents and charges, and all other government levies and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which are allocable to the term hereof and imposed or levied upon or assessed against the Lot or Building or any rent or other sums payable by any tenants or occupants thereof (collectively "taxes and assessments" or if singular "tax or assessment").

If Landlord shall elect to pay betterment assessments over any period permitted by law, only the installments thereof (and interest thereon) becoming due during the term shall be treated as taxes and assessments hereunder.

With respect to any period for which Tenant shall be obligated to pay all taxes and assessments, Tenant shall pay the same directly to the proper authority prior to any late charges, interest or penalties becoming payable thereon. Simultaneously with the payment of such taxes or assessments, Tenant shall provide Landlord with evidence of payment thereof.

All payments shall be made by Tenant within 10 days after receipt of Landlord's invoice therefor.

Nothing herein shall, however, require Tenant to pay any income taxes, excess profits taxes, excise taxes, franchise taxes, estate, succession, inheritance or transfer taxes, provided, however, that if at any time during the term the present system of ad valorem taxation of real property shall be changed so that in lieu of the whole or any part of the ad valorem tax on real property, or in lieu of increases therein, there shall be assessed on Landlord a capital levy or other tax on the gross rents received with respect to the Building or Lot or a federal, state, county, municipal, or other local income, franchise, excise or similar tax, assessment, levy or charge (distinct from any now in effect) measured by or based, in whole or in part, upon gross rents, then Tenant's Proportionate Fraction of any and all of such taxes, assessments, levies or charges, to the extent so measured or based ("Substitute Taxes"), shall be payable by Tenant, provided, however, Tenant's obligation with respect to the aforesaid Substitute Taxes shall be limited to the amount thereof as computed at the rates that would be payable if the Building and Lot were the only property of Landlord.

SECTION 6
INSURANCE

SECTION 6.1. TENANT'S INSURANCE. Tenant shall, as Additional Rent, maintain throughout the Term the following insurance:

(a) Commercial general liability insurance for any injury to person or property occurring on the Premises, naming as insureds Tenant, Landlord and such persons, including, without limitation, Landlord's managing agent, as Landlord shall designate from time to time, in amounts which shall, at the beginning of the Term, be at least equal to the

limits set forth in Section 1, and, from time to time during the term, shall be for such higher limits as are reasonably required by Landlord;

(b) Worker's compensation insurance with statutory limits covering all of Tenant's employees working at the Premises;

(c) All risk fire and casualty insurance on a replacement value, agreed amount basis, together with rental loss coverage and, if Landlord so elects, flood coverage to the extent the same is available, insuring the Building and its rental value, with such deductibles, if any, as Landlord shall specify from time to time; and

(d) Insurance against loss or damage from sprinklers and from leakage or explosions or cracking of boilers, pipes carrying steam or water, or both, pressure vessels or similar apparatus, in the so-called "broad form", in such amounts and with such deductibles as Landlord may consider appropriate, and insurance against such other hazards and in such amounts as may from time to time be required by any bank, insurance company or other lending institution holding a mortgage on the Building.

The insurance provided pursuant to clauses (c) and (d) above shall name Landlord and Landlord's mortgagees as the insureds in such manner as Landlord shall specify and such insurance shall be adjusted solely by Landlord and Landlord's mortgagees and Tenant shall have no right to the proceeds of such insurance or to participate in the adjustment thereof, and all policies shall so provide.

SECTION 6.2. REQUIREMENTS APPLICABLE TO INSURANCE POLICIES. All policies for insurance required under the provisions of Section 6.1 shall be acceptable to Landlord and obtained from responsible companies qualified to do business in the Commonwealth of Massachusetts and in good standing therein, which companies and the amount of insurance allocated thereto shall be subject to Landlord's approval, Tenant agrees to furnish Landlord with insurance company certificates of all such insurance and copies of the policies therefor prior to the earlier of the time it shall first enter the Premises or the beginning of the Term hereof and of each renewal policy at least thirty (30) days prior to the expiration of the policy it renews, together with evidence of the payment of all premiums therefor. Each such policy shall be noncancellable with respect to the interest of Landlord and such mortgagees without at least thirty (30) days' prior written notice thereto.

SECTION 6.3. WAIVER OF SUBROGATION. All insurance which is carried by either party with respect to the Premises or to furniture, furnishings, fixtures or equipment therein or alterations or improvements thereto, whether or not required, shall include provisions which either designate the other party as one of the insured or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have been waived by the insured party prior to occurrence of loss or injury, insofar as, and to the extent that such provisions may be effective without making it impossible to obtain insurance coverage from responsible companies qualified to do business in the Commonwealth of

Massachusetts (even though extra premium may result therefrom) and without voiding the insurance coverage in force between the insurer and the insured party. On reasonable request, each party shall be entitled to have duplicates or certificates of policies containing such provisions. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance containing said provisions, reserving, however, any rights with respect to any excess of loss or injury over the amount recovered by such insurance.

SECTION 7
UTILITIES; MAINTENANCE EXPENSES

SECTION 7.1. UTILITIES. Tenant shall pay all charges for water, sewer, gas, electricity and other utilities or services used or consumed in the Building, whether called charge, tax, assessment, fee or otherwise, including, without limitation, water and sewer use charges and taxes, if any, such charges to be paid within ten (10) days of receipt of Landlord's invoice therefor, Landlord shall not be liable for any interruption or failure in the supply of any such utilities to the Premises.

SECTION 7.2. MAINTENANCE EXPENSES. Tenant shall pay to Landlord Tenant's Proportionate Fraction of Landlord's costs and expenses incurred under Section 9 and in maintaining the heating, ventilating and air conditioning contract pursuant to Section 10.2, including a reasonable management fee payable to Landlord. Notwithstanding the preceding sentence, Tenant shall have no obligation to pay any of Landlord's costs incurred for replacement of any component of the roof, foundation, structural supports of the Building, the Building plumbing, electrical, heating and air conditioning or other Building mechanical systems, lawn sprinklers or parking lot and driveway paving which is capitalizable under generally accepted accounting principles.

SECTION 8

Intentionally Deleted.

SECTION 9
LANDLORD'S COVENANTS

SECTION 9.1. BUILDING MAINTENANCE. Subject to Sections 10 and 11, Landlord shall maintain and repair the exterior walls (exclusive of glass and doors and exclusive of the interior surfaces of the exterior walls, all of which Tenant shall maintain and repair), roof, foundation, structural supports of the Building, make all replacements to the roof, foundation, structural supports of the Building, the Building plumbing, electrical, heating and air conditioning system and other Building mechanical systems, lawn sprinklers and parking lot and driveway paving which are capitalizable under generally accepted accounting principles and, to the extent that Landlord shall elect from time to time by notice to Tenant, Landlord

will maintain all other portions of the Building heating and air conditioning system and the plumbing, electrical and mechanical systems.

SECTION 10
TENANT'S COVENANTS

SECTION 10.1. USE. Tenant shall use the Premises only for the Permitted Uses and shall from time to time procure all licenses and permits necessary therefor at Tenant's sole expense.

SECTION 10.2. REPAIR AND MAINTENANCE. Except as otherwise provided in Sections 9 and 11, Tenant shall keep the Premises, including all plumbing, electrical, heating, air conditioning and other systems therein, in first class order, condition and repair and in at least as good order, condition and repair as they are in on the Commencement Date or may be put in during the term, reasonable use and wear only excepted, and shall maintain and repair all landscaped, paved and other areas on the Lot outside of the Building and shall clean and provide snow plowing for the same, all to the standards of a first class building. Tenant shall make all repairs and replacements and do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen. Without limiting the foregoing, Tenant, at its expense, shall maintain in effect at all times a heating, ventilating and air conditioning service contract in form and with a contractor satisfactory to Landlord. Tenant shall also provide to Landlord a written program reasonably acceptable to Landlord for the maintenance and repair of all portions of the Premises which Tenant is required to maintain and repair, including, without limitation, the parking lot and landscaping and all portions of the Building which Tenant is required to maintain and repair, and Tenant shall make such modifications to such program as Landlord shall reasonably require from time to time consistent with the provisions of this Lease. Such maintenance and repair program shall be consistent with maintenance and repair programs for similar first class suburban research and development properties. Tenant shall comply with such approved maintenance and repair program in all respects and in a timely manner.

Tenant shall keep in a safe, secure and sanitary condition all trash and rubbish temporarily stored at the Premises and shall arrange for and be responsible for all of the costs of trash and rubbish removal service in connection with Tenant's use of the Premises.

SECTION 10.3. COMPLIANCE WITH LAW AND INSURANCE REQUIREMENTS. Tenant shall make all repairs, alterations, additions or replacements to the Premises required by any law or ordinance or any order or regulation of any public authority arising from Tenant's use of the Premises and shall keep the Premises equipped with all safety appliances so required. Tenant shall not dump, flush, or in any way introduce any hazardous substances or any other toxic substances into the septic, sewage or other waste disposal system serving the Premises, or generate, store or dispose of hazardous substances in or on the Premises or dispose of hazardous substances from the Premises to any other location without the prior written consent of Landlord and then only in compliance with the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. ss.6901 et seq., the Massachusetts Hazardous Waste Management

Act, M.G.L. c.21C, as amended, the Massachusetts Oil and Hazardous Material Release Prevention and Response Act, M.G,L, c.21E, as amended, and all other applicable codes, regulations, ordinances and laws. Tenant shall notify Landlord of any incident which would require the filing of a notice under Chapter 232 of the Acts of 1982 and shall comply with the orders and regulations of all governmental authorities with respect to zoning, building, fire, health and other codes, regulations, ordinances or laws applicable to the Premises, "Hazardous substances" as used in this Section shall mean "hazardous substances" as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. ss.9601 and regulations adopted pursuant to said Act. Landlord represents to the best of Landlord's knowledge that, as of the date hereof, (i) the Premises are not in violation of any of the environmental laws, rules or regulations listed in this paragraph and (ii) hazardous substances have not been released, discharged or disposed of on the Premises.

Landlord may, if it so elects, make any of the repairs, alterations, additions or replacements referred to in this Section which affect the Building structure or the Building systems, and Tenant shall reimburse Landlord for the cost thereof on demand.

Tenant will provide Landlord, from time to time upon Landlord's request, with all records and information regarding any hazardous substance maintained on the Premises by Tenant.

Landlord shall have the right, at Tenant's expense, to make such inspections as Landlord shall reasonably elect from time to time to determine if Tenant is complying with this Section, provided that, except in the case of emergency, Landlord shall only perform such inspections (i) upon reasonable prior notice to Tenant and (ii) during Tenant's normal business hours.

Tenant shall comply promptly with the recommendations of any insurer, foreseen or unforeseen, ordinary as well as extraordinary, which may be applicable to the Premises, by reason of Tenant's use thereof. In no event shall any activity be conducted by Tenant on the Premises which may give rise to any cancellation of any insurance policy or make any insurance unobtainable.

SECTION 10.4. TENANT'S WORK. Tenant shall not make any installations, alterations, additions or improvements in or to the Premises, including, without limitation, any aperture in the walls, partitions, ceilings or floors, without on each occasion obtaining the prior written consent of Landlord, provided that (a) Landlord consent to non-structural installations, alterations, additions or improvements, including, without limitation, construction or relocation of partitions and installation of computer cabling, which do not affect the plumbing, electrical, heating, ventilating, air-conditioning or other Building systems shall not be unreasonably withheld or delayed and (b) Landlord's consent shall not be required for the construction or relocation of partitions which do not extend into the dropped ceiling. Any such work so approved by Landlord shall be performed only in accordance with plans and specifications therefor approved by Landlord. Tenant shall procure at Tenant's sole expense

all necessary permits and licenses before undertaking any work on the Premises and shall perform all such work in a good and workmanlike manner employing materials of good quality and so as to conform with all applicable zoning, building, fire, health and other codes, regulations, ordinances and laws and with all applicable insurance requirements. If requested by Landlord, Tenant shall furnish to Landlord prior to the commencement of any work costing more than $50,000 to complete a bond or other security acceptable to Landlord assuring that any work by Tenant will be completed in accordance with the approved plans and specifications. Tenant shall keep the Premises at all times free of liens for labor and materials, and Tenant shall promptly bond off any liens made against the Premises. Tenant shall employ for such work only contractors approved by Landlord and shall require all contractors employed by Tenant to carry worker's compensation insurance in accordance with statutory requirements and comprehensive public liability insurance covering such contractors on or about the Premises in amounts that at least equal the limits set forth in Section 1 and to submit certificates evidencing such coverage to Landlord prior to the commencement of such work. Tenant shall save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by or growing out of such work. Landlord may inspect the work of Tenant at reasonable times and give notice of observed defects.

SECTION 10.5. INDEMNITY. Tenant shall defend, with counsel approved by Landlord, all actions against Landlord, any partner, trustee, stockholder, officer, director, employee or beneficiary of Landlord, holders of mortgages secured by the Building and any other party having an interest in the Premises ("Indemnified Parties") with respect to, and shall pay, protect, indemnify and save harmless, to the extent permitted by law, all Indemnified Parties from and against, any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from (a) injury to or death of any person, or damage to or loss of property, occurring in the Premises or connected with the use, condition or occupancy of any thereof unless caused by the negligence of Landlord or its servants or agents, (b) violation of this Lease by Tenant, or (c) any act, fault, omission, or other misconduct of Tenant or its agents, contractors, licensees, sublessees or invitees.

SECTION 10.6. LANDLORD'S RIGHT TO ENTER. Tenant shall permit Landlord and its agents to enter into the Premises (i) in the case of emergency, at any time, without notice to Tenant, and (ii) at all other times during normal business hours and upon reasonable notice to Tenant, to examine the Premises, make such repairs and replacements as Landlord may be required to make under this Lease or may elect, without however, any obligation to do so, and show the Premises to prospective purchasers and lenders, and, during the last year of the term, to show the Premises to prospective tenants and to keep affixed in suitable places notices of availability of the Premises.

SECTION 10.7. PERSONAL PROPERTY AT TENANT'S RISK. All furnishings, fixtures, equipment, effects and property of every kind of Tenant and of all persons claiming by, through or under Tenant which may be on the Premises, shall be at the sole risk and hazard of Tenant and if the whole or any part thereof shall destroyed or damaged by fire, water or

otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage shall be charged to or to be borne by Landlord, except that Landlord shall in no event be indemnified or held harmless or exonerated from any liability to Tenant for any injury, loss, damage or liability not covered by Tenant's insurance to the extent prohibited by law. Tenant shall insure Tenant's personal property.

SECTION 10.8. PAYMENT OF LANDLORD'S COST OF ENFORCEMENT. Tenant shall pay, on demand, Landlord's expenses, including reasonable attorney's fees, incurred in enforcing any obligation of Tenant under this Lease or in curing any default by Tenant under this Lease as provided in Section 12.4.

SECTION 10.9. YIELD UP. At the expiration of the term or earlier termination of this Lease, Tenant shall surrender all keys to the Premises, remove all of its trade fixtures and personal property in the Premises, repair all damage caused by such removal and yield up the Premises (including all installations and improvements made by Tenant except for trade fixtures and such installations or improvements made by Tenant as Landlord shall request Tenant to remove) broom-clean and in the same first class order and repair in which Tenant is obliged to keep and maintain the Premises under this Lease, reasonable wear and tear excepted. Any property not so removed shall be deemed abandoned and may be removed and disposed of by Landlord in such manner as Landlord shall determine and Tenant shall pay Landlord the entire cost and expense incurred by it in effecting such removal and disposition and in making any incidental repairs and replacements to the Premises and for use and occupancy during the period after the expiration of the term and prior to Tenant's performance of its obligations under this Section 10.9.

SECTION 10.10 ESTOPPEL CERTIFICATE. Upon not less than ten (10) business days' prior notice by Landlord, Tenant shall execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect and that, except as stated therein, Tenant has no knowledge of any defenses, offsets or counterclaims against its obligations to pay the Fixed Rental and Additional Rent and any other charges and to perform its other covenants under this Lease (or, if there have been any modifications that the same is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets or counterclaims, setting them forth in reasonable detail), the dates to which the Fixed Rental and Additional Rent and other charges have been paid and a statement that Landlord is not in default hereunder (or if in default, the nature of such default, in reasonable detail). Any such statement delivered pursuant to this Section 10.10 may be relied upon by any prospective purchaser or mortgagee of the Building.

Upon not less than ten (10) business days' prior notice by Tenant, Landlord shall execute, acknowledge and deliver to Tenant a statement in writing certifying that this Lease is unmodified and in full force and effect and that Landlord has no knowledge of any default by Tenant under this Lease (or, if there have been any modifications, that the same is in full force and effect as modified and stating the modifications and, if to Landlord's knowledge there are

any defaults, setting them forth in reasonable detail). Any such statement delivered pursuant to this Section 10.10 may be relied upon by any respective subtenant or assignee of Tenant.

SECTION 10.11. LANDLORD'S EXPENSES RE CONSENTS. Tenant shall reimburse Landlord promptly on demand for all reasonable legal and other expenses incurred by Landlord in connection with all requests by Tenant for consent or approval hereunder.

SECTION 10.12. RULES AND REGULATIONS. Tenant shall comply with such reasonable Rules and Regulations as may be adopted from time to time by Landlord to provide for the beneficial operation of the Lot and Building.

SECTION 10.13 HOLDING OVER. Tenant shall vacate the Premises immediately upon the expiration or sooner termination of this Lease. If Tenant retains possession of the Premises or any part thereof after the termination of the term without Landlord's express consent, Tenant shall pay Landlord rent at double the monthly rate specified in Section 1 for the time Tenant thus remains in possession and, in addition thereto, shall pay Landlord for all damages, consequential as well as direct, sustained by reason of Tenant's retention of possession. The provisions of this Section do not exclude Landlord's rights of re-entry or any other right hereunder, including without limitation, the right to refuse double the monthly rent and instead to remove Tenant through summary proceedings for holding over beyond the expiration of the term of this Lease.

SECTION 10.14 ASSIGNMENT AND SUBLETTING. Tenant shall not assign, transfer, mortgage or pledge this Lease or grant a security interest in Tenant's rights hereunder or sublease (which term shall be deemed to include the granting of concessions and licenses and the like) all or any part of the Premises or suffer or permit this Lease or the leasehold estate hereby created or any other rights arising under this Lease to be assigned, transferred or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law, or permit the occupancy of the Premises by anyone other than Tenant without prior written approval thereof from Landlord, provided, however, that Landlord shall not unreasonably withhold its consent to a request by Tenant to sublet all or portions of the Premises or to an assignment to an entity having a net worth, at the time of such request for Landlord's approval of such assignment, at least equal to-that of Tenant's net worth as of the date of this Lease. In connection with any request by Tenant for such approval to assignment or subletting, Tenant shall submit to Landlord in writing (i) the name of the proposed assignee or subtenant, (ii) such information as to its reputation, financial responsibility and standing as Landlord may reasonably require, including, without limitation, business references and references from prior landlords, and (iii) all of the terms and provisions upon which the proposed assignment or subletting is to be made.

No assignment, transfer, mortgage, grant of security interest, sublease or other encumbrance, whether or not approved, and no indulgence granted by Landlord to any assignee or sublessee, shall in any way impair the continuing primary liability (which after an assignment shall be joint and several with the assignee) of Tenant hereunder, and no approval

in a particular instance shall be deemed to be a waiver of the obligation to obtain Landlord's approval in any other case.

Landlord shall not be deemed to be unreasonable in withholding approval to an assignment, or sublease of all or any portion of the Premises if, without limitation, any ascertained debt of Tenant to Landlord is unpaid, any default by Tenant exists hereunder or under any other agreement between Landlord and Tenant.

If for any assignment or sublease Tenant shall receive rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the rent called for hereunder (or in the case of the sublease of part, in excess of such rent allocable to the part) after appropriate adjustments to assure that all other payments called for hereunder are taken into account, Tenant shall pay to Landlord, as Additional Rent, 90% of such excess of such payment of rent or other consideration received by Tenant, promptly after its receipt.

SECTION 10.15 OVERLOADING AND NUISANCE. Tenant shall not injure, overload, deface or otherwise harm the Premises, commit any nuisance, permit the emission of any objectionable noise, vibration or odor, make, allow or suffer any waste or make any use of the Premises which is improper, offensive or contrary to any law or ordinance or which will invalidate any of Landlord's insurance.

SECTION 11
CASUALTY OR TAKING

SECTION 11.1 TERMINATION. In the event that greater than twenty-five (25) percent of the Building or the Lot shall be taken by any public authority or for any public use or destroyed by the action of any public authority (a "Taking") then this Lease may be terminated by either Landlord or Tenant effective on the effective date of the Taking provided that such election, which may be made notwithstanding the fact that Landlord's entire interest may have been divested, shall be made by the giving of notice by Landlord or Tenant to the other within thirty (30) days after Landlord or Tenant, as the case may be, shall receive notice of the Taking. In the event that the Premises shall be destroyed or damaged by fire or casualty (a "Casualty") and if Landlord's architect, engineer or contractor shall determine that it will require in excess of 150 days from the date of the Casualty to restore the Premises, this Lease may be terminated by either Landlord or Tenant by notice to the other within thirty days after the casualty.

SECTION 11.2 RESTORATION. In the event of a Taking or a Casualty, if neither Landlord nor Tenant exercises the election to terminate provided in Section 11.1, this Lease shall continue in force and a just proportion of the Fixed Rent and other charges hereunder, according to the nature and extent of the damages sustained by the Premises, shall be abated until the Premises, or what may remain thereof, shall be put by Landlord in proper condition for use subject to zoning and building laws or ordinances then in existence, which, unless Landlord or Tenant has exercised its option to terminate pursuant to Section 11.1, Landlord

covenants to do with reasonable diligence at Landlord's expense. Landlord's obligations with respect to restoration shall not require Landlord to expend more than the net proceeds of insurance recovered or damages awarded for such Casualty or Taking and made available for restoration by Landlord's mortgagees. "Net proceeds of insurance recovered or damages awarded" refers to the gross amount of such insurance or damages less the reasonable expenses of Landlord in connection with the collection of the same, including without limitation, fees and expenses for legal and appraisal services.

SECTION 11.3 AWARD. Irrespective of the form in which recovery may be had by law, all rights to damages or compensation, except for awards attributable to Tenant's personal property (which Tenant shall have the right to institute a separate claim for), shall belong to Landlord in all cases. Tenant hereby grants to Landlord all of Tenant's rights to such damages and compensation and covenants to deliver such further assignments thereof as Landlord may from time to time request.

SECTION 12
DEFAULT

SECTION 12.1 EVENTS OF DEFAULT. If:

(a) Tenant shall default in the performance of any of its obligations to pay the Fixed Rental, Additional Rent or any other sum payable hereunder and if such default shall continue for seven (7) days after notice from Landlord designating such default;

(b) if within thirty (30) days after notice from Landlord to Tenant specifying any other default or defaults Tenant has not commenced diligently to correct the default or defaults so specified or has not thereafter diligently pursued such correction to completion;

(c) if any assignment for the benefit of creditors shall be made by Tenant;

(d) if Tenant's leasehold interest shall be taken on execution or other process of law in any action against Tenant;

(e) if a lien or other involuntary encumbrance is filed against Tenant's leasehold interest, and is not discharged within thirty (30) days thereafter;

(f) if a petition is filed by Tenant for liquidation, or for reorganization or an arrangement or any other relief under any provision of the Bankruptcy Code as then in force and effect; or

(g) if an involuntary petition under any of the provisions of said Bankruptcy Code is filed against Tenant and such involuntary petition is not dismissed within sixty (60) days thereafter,

then, and in any of such cases, Landlord and the agents and servants of Landlord lawfully may, in addition to and not in derogation of any remedies for any preceding breach of covenant, immediately or at any time thereafter and without demand or notice and with or without process of law (forcibly, if necessary) enter into and upon the Premises or any part thereof in the name of the whole, or mail a notice of termination addressed to Tenant, and repossess the same as of Landlord's former estate and expel Tenant and those claiming through or under Tenant and remove its and their effects without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or prior breach of covenant, and upon such entry or mailing as aforesaid this Lease shall terminate, Tenant hereby waiving all statutory rights (including, without limitation, rights of redemption, if any) to the extent such rights may be lawfully waived. Landlord, without notice to Tenant, may store Tenant's effects, and those of any person claiming through or under Tenant at the expense and risk of Tenant, and, if Landlord so elects, may sell such effects at public auction or private sale and apply the net proceeds to the payment of all sums due to Landlord from Tenant, if any, and pay over the balance, if any, to Tenant.

SECTION 12.2 REMEDIES. In the event that this Lease is terminated under any of the provisions contained in Section 12.1(i) Landlord shall use reasonable efforts to relet the Premises, and (ii) Tenant shall pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the fair market rental value of the Premises for the residue of the term, such excess to be discounted to present value at 10% per annum. In calculating the rent reserved there shall be included, in addition to the Fixed Rental and Additional Rent, the value of all other considerations agreed to be paid or performed by Tenant during the residue. As additional and cumulative obligations after any such termination, Tenant shall also pay punctually to Landlord all the sums and shall perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant pursuant to the preceding sentence, Tenant shall be credited with any amount paid to Landlord pursuant to the first sentence of this Section 12.2 and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's reasonable expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the term hereof and may grant such concessions and free rent as Landlord in its reasonable judgment considers advisable or necessary to relet the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its reasonable judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance

with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid.

SECTION 12.3 REMEDIES CUMULATIVE. Except as otherwise expressly provided herein, any and all rights and remedies which Landlord may have under this Lease and at law and equity shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time to the greatest extent permitted by law.

SECTION 12.4 LANDLORD'S RIGHT TO CURE DEFAULTS. At any time following ten (10) days' prior notice to Tenant (except in cases of emergency when no notice shall be required), Landlord may (but shall not be obligated to) cure any default by Tenant under this Lease, and whenever Landlord so elects, all costs and expenses incurred by Landlord, including reasonable attorneys' fees, in curing a default shall be paid by Tenant to Landlord as Additional Rent on demand, together with interest thereon at the rate provided in Section 12.7 from the date of payment by Landlord to the date of payment by Tenant.

SECTION 12.5 EFFECT OF WAIVERS OF DEFAULT. Any consent or permission by Landlord to any act or omission which otherwise would be a breach of any covenant or condition herein, or any waiver by Landlord of the breach of any covenant or condition herein, shall not in any way be held or construed (unless expressly so declared) to operate so as to impair the continuing obligation of any covenant or condition herein, or otherwise operate to permit the same or similar acts or omissions except as to the specific instance. The failure of Landlord to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed to have been a waiver of such breach by Landlord or of any of Landlord's remedies on account thereof, including its right of termination for such default.

SECTION 12.6 NO ACCORD AND SATISFACTION. No acceptance by Landlord of a lesser sum than the Fixed Rental, Additional Rent or any other charge then due shall be deemed to be other than on account of the earliest installment of such rent or charge due, unless Landlord elects by notice to Tenant to credit such sum against the most recent installment due. Any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge shall not be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy under this Lease or otherwise.

SECTION 12.7 INTEREST ON OVERDUE SUMS. If Tenant fails to pay Fixed Rental, Additional Rent or any other sum payable by Tenant to Landlord by the due date thereof (i,e,, the due date disregarding any requirement of notice from Landlord or any period of grace allowed to Tenant), the amount so unpaid shall bear interest at a variable rate (the

"Delinquency Rate") equal to three percent (3%) in excess of the base rate (prime rate) of The First National Bank of Boston from time to time in effect commencing with the due date and continuing through the day on which payment of such delinquent payment with interest thereon is paid. If such rate is in excess of any maximum interest rate permissible under applicable law, the Delinquency Rate shall be the maximum interest rate permissible under applicable law.

SECTION 13
MORTGAGES

SECTION 13.1 RIGHTS OF MORTGAGE HOLDERS. No Fixed Rental, Additional Rent or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee in possession or in the process of foreclosing its mortgage) be a nullity as against such mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

In the event of any act or omission by Landlord which would give Tenant the right to terminate this Lease or to claim a partial or total eviction, Tenant shall not exercise any such right (a) until it shall have given notice, in the manner provided in Section 14.1, of such act or omission to the holder of any mortgage encumbering the Premises whose name and address shall have been furnished to Tenant in writing, at the last address so furnished, and (b) until a reasonable period of time for remedying such act or omission shall have elapsed following the giving of such notice, provided that following the giving of such notice, Landlord or such holder shall, with reasonable diligence, have commenced and continued to remedy such act or omission or to cause the same to be rendered.

In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage now or hereafter encumbering the Premises, Tenant shall attorn to the purchaser upon such foreclosure or sale or upon any grant of a deed in lieu of foreclosure and recognize such purchaser as Landlord under this Lease.

SECTION 13.2 SUPERIORITY OF LEASE; OPTION TO SUBORDINATE. Unless Landlord exercises the option set forth below in this Section 13.2, this Lease shall be superior to and shall not be subordinate to any mortgage on the Premises. Landlord shall have the option to subordinate this Lease to any mortgage of the Premises provided that the holder of record thereof enters into an agreement with Tenant, in such form as is reasonably satisfactory to Tenant, by the terms of which such holder will agree to (a) recognize the rights of Tenant under this Lease, (b) perform Landlord's obligations hereunder arising after the date of such holder's acquisition of title and (c) accept Tenant as tenant of the Premises under the terms and conditions of this Lease in the event of acquisition of title by such holder through foreclosure proceedings or otherwise and Tenant will agree to recognize the holder of such mortgage as Landlord in such event, which agreement shall be made expressly to bind and inure to the benefit of the successors and assigns of Tenant and of the holder and upon anyone purchasing

the Premises at any foreclosure sale. Tenant agrees to execute and deliver any appropriate instruments necessary to carry out the agreements contained in this Section 13.2.

SECTION 14
MISCELLANEOUS PROVISIONS

SECTION 14.1 NOTICES FROM ONE PARTY TO THE OTHER. All notices required or permitted hereunder shall be in writing and addressed, if to Tenant, at the Original Address of Tenant or such other address as Tenant shall have last designated by notice in writing to Landlord and, if to Landlord, at the original Address of Landlord or such other address as Landlord shall have last designated by notice in writing to Tenant. Any notice shall be deemed duly given when delivered or tendered for delivery (via certified mail, return receipt requested or via a nationally recognized overnight courier service) at such address.

SECTION 14.6 QUIET ENJOYMENT. Landlord agrees that upon Tenant's paying the rent and performing and observing the terms, covenants, conditions and provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the term without any manner of hindrance or molestation from Landlord or anyone claiming under Landlord, subject, however, to the terms of this Lease.

SECTION 14.3 LEASE NOT TO BE RECORDED; NOTICE OF LEASE. Tenant agrees that it will not record this Lease. If the Term of this Lease, including options, exceeds seven years, Landlord and Tenant agree that, on the request of either, they will enter and record a notice of lease in form reasonably acceptable to Landlord.

SECTION 14.4 BIND AND INURE: LIMITATION OF LANDLORD'S LIABILITY. The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No owner of the Premises shall be liable under this Lease except for breaches of Landlord's obligations occurring while owner of the Premises. The obligations of Landlord shall be binding upon the assets of Landlord which comprise the Premises but not upon other assets of Landlord, No individual partner, trustee, stockholder, officer, director, employee or beneficiary of Landlord shall be personally liable under this Lease and Tenant shall look solely to Landlord's interest in the Premises in pursuit of its remedies upon an event of default hereunder, and the general assets of Landlord and its partners, trustees, stockholders, officers, employees or beneficiaries of Landlord shall not be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Tenant.

SECTION 14.5 ACTS OF GOD. In any case where either party hereto is required to do any act, delays caused by or resulting from acts of God, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather, or other causes beyond such party's reasonable control shall not be counted in determining the time during which work shall be completed, whether

such time be designated by a fixed date, a fixed time or a "reasonable time", and such time shall be deemed to be extended by the period of such delay.

SECTION 14.6 LANDLORD'S DEFAULT. Landlord shall not be deemed to be in default in the performance of any of its obligations hereunder unless it shall fail to perform such obligations and unless within thirty (30) days after notice from Tenant to Landlord specifying such default Landlord has not commenced diligently to correct the default so specified or has not thereafter diligently pursued such correction to completion. Tenant shall have no right, for any default by Landlord, to offset or counterclaim against any rent due hereunder.

SECTION 14.7 BROKERAGE. Each party (i) warrants and represents to the other party that it has had no dealings with any broker or agent in connection with this Lease other than the Broker(s) set forth in Section 1 and (ii) covenants to defend with counsel reasonably approved by the non-breaching party, hold harmless and indemnify the non-breaching party from and against any claim, loss, damage, cost or liability for any brokerage commission or fee which may be asserted against the non-breaching party as a result of the breaching party's breach of the warranty set forth in this sentence.

SECTION 14.8 MISCELLANEOUS. This Lease shall be governed by and construed in accordance with the laws of the commonwealth of Massachusetts. There are no prior oral or written agreements between Landlord and Tenant affecting this Lease.

SECTION 14.9 RIGHT OF OFFER. Landlord shall not offer the Building for sale without first complying with the provisions of this Section. The following provisions shall not apply to any sale or transfer of the Building to any affiliate of Landlord or to any partner of Landlord or any affiliate of such partner or if Landlord shall desire to offer the Building for sale as part of a package which includes one or more other properties. For the purpose of the preceding sentence, an affiliate shall mean an entity which, directly or indirectly, controls, is controlled by, or is under control with, a party. Prior to offering the Building for sale, Landlord shall give Tenant notice of Landlord's desire to sell the Building, stating a price and the other terms and conditions on which Landlord desires to sell ("Landlord"s Initial Offer"), Landlord's notice shall include a date and time for the closing of such purchase and sale. If during the thirty (30) day period following Landlord's notice, Tenant shall give notice to Landlord that Tenant desires to purchase the Building, Landlord shall sell and Tenant shall purchase the Building at the price and upon the other terms and conditions set forth in Landlord's notice. If Tenant shall not exercise its right to purchase set forth in the preceding sentence or if Tenant shall exercise such right but shall fail to complete such purchase pursuant to such terms and conditions after it shall have exercised such right, Landlord shall be free thereafter to sell the Building to any party at any price and on any terms and conditions, without again complying with the provisions of this section, provided, however, that if Landlord is willing to accept a price (the "Reduced Price") for the Building that is 90% or less than the price set forth in Landlord's Initial Offer, Landlord shall reoffer (the "Reduced offer") the Building to Tenant at the Reduced Price and on the other terms and conditions upon which

Landlord is willing to sell the Building, whereupon Tenant shall have five (5) business days to accept the Reduced Offer.

WITNESS the execution hereof under seal as of the day and year first above written.

TENANT:

MERCURY COMPUTER SYSTEMS, INC.

By: /s/

Its:

LANDLORD:

EQUITABLE VARIABLE LIFE
INSURANCE COMPANY

By: /s/

Its:

EXHIBIT B
PRELIMINARY SPACE PLAN

Plans Chelmf-1 and Chelmf-2 dated 7/22/92 prepared by Susan Tosi

Note: Approval of preliminary space plan is subject to review by Landlord's structural and HVAC engineers.

EXHIBIT 10.7

PURCHASE AND SALE AGREEMENT

1. PARTIES	This 8th day of November, 1996 Corcoran Chelmsford B Associates, a Massachusetts limited partnership with a principal place of business at 100 Grandview Road, Braintree, MA 02184 (the "the SELLER"), agrees to sell and Northland Development Corporation, a Delaware corporation with a principal place of business at 2150 Washington Street, Newton, Massachusetts (the "the BUYER" or the "PURCHASER") agrees to buy, upon the terms hereinafter set forth, the following described premises:
2. DESCRIPTION	A certain parcel of land comprising approximately 9.26 acres of land located on Riverneck Road, Chelmsford, Massachusetts identified on the Town of Chelmsford Tax Assessor's Map 110 as Lot 32 and all as shown on Exhibit A attached hereto (the "Premises" or the "Property"). The Premises are shown on a plan of land entitled "Site Plan, 495/3 Tech Center Building B, Chelmsford Mass." prepared by H.W. Moore Associates, Inc. and dated December 19, 1984, revised 3/12/86 (the "Plan"). The SELLER's title is derived under a Deed recorded with the Middlesex County (Northern District) Registry of Deeds in Book 3818, Page 249 and Certificate of Title No. 27533.
3. APPURTENANCES	The Premises to be conveyed shall include all other assignable rights, easements, privileges, licenses or appurtenances benefiting, affecting or relating to the Premises as held by the SELLER and running with the land and including without limitation all rights in adjoining private ways and any assignable permit rights held by the SELLER. The BUYER shall be entitled to such rights as the SELLER may have and which are assignable by SELLER and are appurtenant to the Premises, but SELLER makes no representations that SELLER has any such rights or that any such rights held by SELLER are assignable to or exercisable by BUYER. In addition, at the time set for Closing, the SELLER shall deliver to the BUYER an easement agreement from the owner and any mortgagee of adjacent Lot 3 shown on the Plan in recordable form for the purposes of allowing drainage and/or discharge to flow from the Premises onto Lot 3 abutting the Premises substantially in the manner shown on the Plan.

4. TITLE

DEED The Property shall be conveyed by a good and sufficient quitclaim deed running to the BUYER or to the nominee designated by the BUYER by written notice to the SELLER at least 10 days prior to closing, and said deed shall convey good and clear record and marketable title thereto free from encumbrances, except:

a. provisions of existing building and zoning laws;

b. such taxes for the then current year as are not due and payable as of the date of the delivery of the deed; and,

c. a presently outstanding betterment lien for sewer installation and any other liens for municipal betterments assessed and recorded after the date of this Agreement.

d. Matters which BUYER is deemed to have accepted pursuant to the terms of this Agreement.

e. Matters which in BUYER's reasonable judgment do not impair BUYER's Proposed Project (as hereinafter defined). Except as to matters which the BUYER is deemed to have accepted pursuant to the terms hereof the SELLERS title hereunder shall not be deemed good and marketable unless:

i. such title is insurable at standard rates by a recognized company of the BUYER's choice which shall affirmatively insure each of the appurtenances to be conveyed pursuant to paragraph 3 hereof and without exceptions except as to matters permitted or waived under this paragraph 4 and standard printed exceptions on the policy jacket;

ii. the BUYER'S survey discloses no new encroachments, including without limitation encroachments of structures, easements or rights of way from adjacent properties onto the Property arising after December 15, 1996;

iii. Appurtenant to the Property is the right to use a driveway shown on the Plan leading to Riverneck Road in common with the owner of Lot I shown on the Plan.

BUYER agrees that promptly upon execution of this Agreement BUYER will cause title to the Property to be reviewed in the manner deemed appropriate by Buyer as of December 15, 1996 and a survey to be prepared. On or before the end of the Inspection Period BUYER will notify SELLER of any manner in which the title to the Property as of December 15, 1996 does not comply with the standards of this Agreement. If BUYER does not terminate this Agreement pursuant to Paragraph 24 then any such objections to title as of December 15, 1996 shall be subject to Paragraph 10 hereof, and the SELLER shall notify the BUYER within 10 days of BUYER's notice of title objections as to the actions which SELLER intends to take to cure title defects in BUYER's notice. BUYER will be deemed to have waived any objections to the status of record title as of December 15, 1996 to the extent such objection is not noted in BUYER's title notice to SELLER. The standards of subparagraphs (i) through (iii) of this Paragraph 4 shall apply to any matters of record title or of survey first recorded or occurring after December 15, 1996.

5. REGISTERED TITLE

In addition to the foregoing, said deed shall be in form sufficient to entitle the BUYER to a Certificate of Title, and the SELLER shall deliver with said deed all instruments, including without limitation the SELLER'S Owner's Duplicate Certificate, necessary to enable the BUYER to obtain such Certificate of Title.

6. PURCHASE

The Purchase Price for the Property is Six Hundred Thousand and NO/100 Dollars ($600,000.00) which, less the Deposit referred to in Paragraph 7, shall be paid to the Seller at the delivery and recording of the deed in certified, bank, or treasurer's funds or by wire transfer.

7. DEPOSIT

Upon the execution hereof, the BUYER shall deliver to Goodwin, Proctor and Hoar, LLP, as escrow agent, an amount of Sixty Thousand ($60,000.00) Dollars to be held in accordance with Paragraph 32 as a deposit applicable to the purchase price and to be accounted for at the delivery of the deed or delivered (i) to the SELLER if the sale either closes or does not close because of a default of the BUYER or (ii) to the BUYER if the sale does not close for any other reason.

8. TIME AND PLACE FOR PERFORMANCE

Such deed is to be delivered (the "Closing") on or before the 30th day after the expiration of all appeal periods for the approvals as described in Paragraph 26 hereof provided that this Agreement shall not sooner have been terminated under any clause of this Agreement allowing for such termination. The Deed shall be delivered at the office of BUYER's counsel Schlesinger and Buchbinder 1200 Walnut Street Newton, MA 02161. BUYER may, at BUYER's option, advance the closing to any earlier date and/or change the location of the closing within Greater Boston upon at least five (5) business days' notice to SELLER. It is agreed that time is of the essence of this Agreement.

9. POSSESSION AND CONDITION OF PREMISES

Full possession of said premises free of all tenants and occupants is to be delivered at the time of the delivery of the deed, said premises to be:

a. in the same condition as they now are, and

b. in compliance with the requirements referred to in paragraphs 3 and 4.

10. EXTENSION PERFECT TITLE OR MAKE PREMISES CONFORM

TO If the SELLER shall be unable to give title or to make conveyance, or to deliver possession of the Premises, all as herein stipulated, or if at the time of the delivery of the deed the Premises do not conform with the provisions hereof the SELLER shall use reasonable efforts to remove any defects in title, or deliver possession as provided herein, or make the Premises conform to the provisions hereof as the case may be and the time for performance hereof shall be extended for such period as may be reasonably necessary but not more than thirty (30) days for the SELLER to correct any such cure; provided that the SELLER shall not be obligated to spend more than $5,000.00 to remove non-monetary defects, deliver possession as provided herein or make the Premises conform to the provisions hereof but provided further that the SELLER shall be obligated to remove all voluntary monetary encumbrances and shall be obligated to bond or offer to pay up to the net sale proceeds into court with respect to involuntary monetary encumbrances

11. FAILURE TO PERFECT TITLE OR MAKE PREMISES CONFORM, ETC.

If at the expiration of any such extended time the SELLER shall have failed to remove any defects in title, deliver possession, or make the Premises conform, as the case may be all as herein agreed then, at the BUYER's sole option, except as provided in Paragraph 12, the deposits made under this Agreement shall be forthwith refunded and all other obligations of the parties hereto shall cease and this Agreement shall be void without recourse to the parties, except for BUYER's indemnification and reimbursement obligations hereunder which shall survive any such termination.

12. BUYERS ELECTION TO ACCEPT TITLE

The BUYER shall have the election, at either the original or any extended time for performance, to accept such title as the SELLER can deliver to the Premises in their then condition and to pay therefor the purchase price without deduction, in which case the SELLER shall convey such title.

13. ACCEPTANCE OF DEED

The acceptance of a deed by the BUYER or its nominee, as the case may be, shall be deemed to be a full performance and discharge of every agreement and obligation herein contained or expressed, except such as are, by the express terms hereof, to be performed after the delivery of the deed.

14. USE OF PURCHASE MONEY TO CLEAR TITLE

To enable the SELLER to make conveyance as herein provided, the SELLER may, at the time of the Closing use the purchase money or any portion thereof to clear the title of any or all encumbrances or interests, provided that all instruments so procured from institutional lenders are recorded reasonably promptly after the delivery of the deed in the usual and customary manner and all other instruments are recorded simultaneously with the recording of said deed

15. ADJUSTMENTS

Any applicable municipal use charges, assessments and taxes for the then current year shall be apportioned as of the Closing, and the net amount thereof shall be added to or deducted from, as the case may be, the purchase price payable by the BUYER at the Closing.

16. ADJUSTMENT OF UNASSESSED AND ABATED TAXES

If the amount of said taxes is not known at the time of the delivery of the deed, they shall be apportioned on the basis of the taxes assessed for the preceding year with a reapportionment as soon as the new tax rate and valuation can be ascertained; and, if the taxes which are to be apportioned shall thereafter be reduced by abatement, the amount of such abatement, less the reasonable cost of obtaining the same shall be apportioned between the parties, provided that neither party shall be obligated to institute or prosecute proceedings for an abatement unless herein otherwise agreed.

17. BROKERAGE

Each party represents that neither has engaged the services of a real estate broker in the consummation of this transaction except that the SELLER has engaged The Miles Company, Inc. pursuant to a separate agreement, and that except for the commission to The Niles Company, Inc., which SELLER agrees to pay, no commission is due to any person from this sale. Each party indemnifies the other from and against all costs, loss and damage incurred by the other resulting from any other claim or right to a brokerage commission arising out of the failure of its representation. This provision shall survive delivery of the deed.

18. TITLE INSURANCE

At the Closing the SELLER shall execute usual and customary title insurance company affidavits in form and substance reasonably satisfactory to SELLER to the effect that there are no parties in possession affecting the Premises and that no work has been performed upon the Premises by SELLER which would entitle any person to a mechanic's or materialman's lien upon any portion of the Premises. The SELLER shall provide certificates or affidavits reasonably satisfactory to the BUYER's title insurance company as to the existence of the SELLER and the identity and authority of the general partners acting on behalf of SELLER. The SELLER shall further execute a foreign person certificate pursuant to Internal Revenue Code Section 1445 and provide BUYER with information sufficient for IRS form 1099 if required.

19. ACCESS

The SELLER hereby agrees that the BUYER and the BUYER'S representatives, consultants, engineers and/or agents shall have the right of access to the Premises at all reasonable times on reasonable prior notice from the date of this Agreement up to and including the Closing all at the sole risk and responsibility of the BUYER, to conduct surveys, engineering, hazardous materials and other construction or development tests, or to inspect the Property. Tests anticipated by BUYER to be undertaken under this paragraph as set forth in Exhibit B attached. Prior to any such access BUYER or BUYER's contractors or agents shall provide SELLER with certificates of insurance evidencing liability insurance coverage of at least $1,000,000, property damage of at least $1,000,000 and, to the extent applicable worker's compensation insurance in at least statutory limits and naming SELLER, its agents, partners and employees and The Equitable Life Insurance Company of America as additional insurers. The BUYER agrees to indemnify and hold the SELLER, its agents, partners and employees harmless from and against any damage, claims, loss or liability arising out of any activity of BUYER, its representatives, consultants, engineers and/or agents on the Premises. The SELLER acknowledges that the BUYER's hazardous materials testing or other tests may require the digging of one or more borings or test pits on the Property, and surveys may cause usual and customary holes, clearing of sight fines, or digging. The BUYER agrees promptly to re-grade and re-store reasonably the Property upon the taking of any borings; or test pits and to undertake such tests using appropriate caution. BUYER's obligations under this paragraph 19 to indemnify Seller shall survive the delivery of the deed or termination of this Agreement, and BUYER's obligations under this paragraph 19 to restore the Property shall survive termination of this Agreement.

20. BUYERS DEFAULT

In the event the BUYER shall default in the performance of the BUYER'S obligations hereunder all deposits made by the BUYER and all interest earned thereon shall be retained by the SELLER as liquidated damages and shall constitute the SELLER's sole remedy at law or in equity.

21. PLANS AND PERMITS

SELLER agrees to assign to the BUYER at the Closing all of the SELLER'S right, title and interest in such plans, surveys, engineering reports, licenses, permits and governmental or quasi governmental permits as exist as of the date of the Closing including without limitation SELLER's rights if any under a previous MEPA approval for the Property, but only to the extent such rights, plans, licenses, or permits (i) relate to the Premises, (ii) are assignable at no cost to SELLER and without the necessity of obtaining any third party's consent, and (iii) are otherwise useful or necessary in Buyer's reasonable judgment for development, construction or operation of the BUYER'S proposed development similar to that previously permitted by SELLER and shown on the Plan (the "Proposed Project")

22. MUTUAL COOPERATION

Prior and subsequent to delivery of the deed the SELLER agrees at BUYER's expense to cooperate with the BUYER'S filings for all governmental permits usual, customary or necessary for the Proposed Project. The SELLER'S cooperation shall include, without limitation, the signing of such applications as are required to be in the name of the owner of the land while the SELLER is the owner and the submission to regulatory authorities of letters of approval and support by the SELLER. In exercising its cooperation under this paragraph, the SELLER shall not be obligated to expend any monies but each shall lend such reasonable support as is reasonably requested to applications or requests of the BUYER without the expenditure of money. SELLER agrees that Lot C shown on the Plan will not be developed with a project of more than 59,000 gross square feet, and BUYER agrees that the Proposed Project will not exceed 97,000 gross square feet, it being the intention of this paragraph that each of Lot B and Lot C have the right pursuant to previously granted MEPA authorizations to construct the projects shown in such authorizations. In the event either BUYER or SELLER desires to construct or develop a project of more than the respective aforesaid gross square footage and as described and shown in such authorizations, such party may seek the required approvals, including without limitation any changes to the MEPA authorizations previously granted, provided the other party's rights under such previously granted MEPA authorizations are not affected The mutual covenants contained in this Paragraph shall survive delivery of the deed.

23. DUE DILIGENCE

Notwithstanding any other provision hereof the BUYER shall for sixty (60) days after the date of this Agreement (the "Inspection Period") have the right subject to the provisions of paragraph 19 to conduct a "due diligence" review of the Property and of the feasibility of BUYER's proposed development and such other matters as BUYER may deem appropriate in BUYER's judgment including but not limited to:

(A) OIL AND HAZARDOUS MATERIALS: The BUYER may engage an engineering consultant at the BUYER's expense to conduct a so-called "21E study" environmental report on the Property with a view towards determining whether any portion of the Property contains or is subject to a release or threat of release of oil or hazardous materials as defined in M.G.L. c 21E. The BUYER's environmental report may at the BUYER's election include soils and groundwater testing at the Property.

(B) BUILDABILITY. The BUYER may review whether the Property is buildable in view of ledge, site conditions or access, unavailability or expense of providing utilities, existence of wetlands or floodplains, zoning, subdivision, MEPA or other regulatory constraints or any other reason the BUYER may deem appropriate. BUYER is specifically authorized to review the development potential of the Property with governmental officials in order to estimate and evaluate the risk or likelihood of success in obtaining necessary governmental approvals for development of the Property.

(C) TITLE AND SURVEY: The BUYER may have the record title to the Property investigated as of the date hereof and may have such surveys or other plans or information relative to title prepared in order to ascertain whether the Property conforms to the conveyancing standards of this Agreement, whether all necessary rights appurtenant run with the Property and is otherwise suitable for the BUYER's development.

BUYER agrees that it will promptly and diligently seek to satisfy itself with respect to its due diligence review of the Property within the Inspection Period, exerting reasonable efforts to that end. BUYER agrees that it will keep SELLER reasonably informed concerning the progress of its due diligence review.

24. RIGHT TO TERMINATE

On or before the end of the Inspection Period the BUYER shall have the right to terminate this Agreement with or without any reason. The BUYER may exercise its right under this Paragraph by a notice to the SELLER in the BUYER's sole discretion no later than 5:00 P.M. on the last day of the Inspection Period in which event this Agreement shall be terminated, the deposit described in Paragraph 7 hereof together with any interest accrued thereon shall be returned to the BUYER and the parties shall have no further obligations to each other hereunder, except that BUYER's obligation to indemnify and reimburse SELLER and to restore the Property pursuant to paragraph 19 and SELLER's obligation to return the deposit with accrued interest shall survive any such termination. Upon any termination of this Agreement under this paragraph BUYER shall promptly deliver to SELLER, but not as a condition of such termination copies of any plans, reports or other investigatory data obtained by BUYER in the course of BUYER's due diligence investigation. BUYER shall not warrant or represent the accuracy of any factual matters or legal conclusions contained in any such reports, nor shall BUYER be required to provide that any such reports shall run to or for the benefit of SELLER. Further BUYER may withhold reports prepared by its counsel or other reports, plans or documents given in confidence or subject to non-disclosure provisions binding on BUYER. It is expressly understood and agreed that BUYER's failure to give timely notice of termination as aforesaid shall be conclusively deemed to constitute BUYER's waiver of BUYER's right to terminate this Agreement under this Paragraph.

25. HAZARDOUS MATERIALS

In the event BUYER does not terminate this Agreement as provided in Paragraph 25 and in the further event that BUYER's investigation of the Premises indicates that oil or hazardous materials are present in, on or under the Premises that would require removal or remediation under the Massachusetts Contingency Plan then BUYER may, by a notice given within the Inspection Period, require that SELLER remove or remediate such condition or take such other steps as are required by law and further that Seller provide documentation and approvals as required by the Massachusetts Contingency Plan, if any; provided that in undertaking such remediation and documentation SELLER shall not be required to expend more than $50,000.00. In the event that SELLER provides reasonable evidence that the removal, remediation and documentation required under this Paragraph will cost in excess of $50,000.00 then SELLER may at SELLER's option decline to undertake such removal or remediation and may instead determine that the Premises as delivered would not conform to the requirements hereof and SELLER may terminate this Agreement by a notice to BUYER within fifteen (15) days of the end of the Inspection Period subject to the provisions of Paragraph 12.

26. PERMITS AND APPROVALS

In the event the BUYER does not terminate this Agreement during the Inspection Period pursuant to Paragraph 24 the BUYER shall, at the BUYER's sole cost and expense, during or promptly after the end of the Inspection Period prepare plans and applications as necessary for such zoning permits, variances, wetlands orders, Army Corps permits, sewer and water connection permits, NPDES permits, MEPA review or other governmental or quasigovernmental permits, licenses, orders and approvals as the BUYER may reasonably determine are usual, customary or necessary to construct the Proposed Project. The BUYER shall use good faith diligent efforts to submit to the Chelmsford Planning Board or other appropriate permit granting authority an application for a Special Permit or Site Plan Review or such other relief as the BUYER shall reasonably deem appropriate on or before February 15, 1997. In the event that after employing reasonable efforts, the BUYER is unable to obtain all such permits, licenses, orders and approvals including without limitation utility services, but in any event not including a building permit, on or before the date six months after the end of the Inspection Period and all appeal periods related thereto have not expired within such time, then the BUYER shall have the right either to (i) terminate this Agreement by a notice given within seven days after the end of the period of six (6) months after the end of the Inspection Period in which event all deposits made hereunder together with any interest accrued thereon shall be refunded to the BUYER and the parties shall have no further obligations to each other under this Agreement or (ii) upon one, two or three further notices to the SELLER each given prior to expiration of the applicable extension period, and provided that the BUYER is diligently seeking such approvals, extend the time for obtaining such approvals and expiration of any such appeals period(s) for up to three (3) three extension periods of thirty (30) days each, or (iii) proceed to close the purchase herein contemplated.

In the event BUYER shall elect to extend the time for obtaining such approvals and/or running of the appeals period then Buyer's right to terminate this Agreement for failure to obtain such permits or approvals final beyond appeal shall be likewise extended, provided, however, for each thirty (30) day extension exercised by BUYER under this paragraph the amount of the deposit which SELLER is obligated to return to BUYER in the event of BUYER's termination shall be reduced by $20,000, with all interest on the deposit that is non-refundable accruing to SELLER. FOR EXAMPLE: If BUYER shall exercise two thirty (30) day extensions under this paragraph and then during the second extension terminate this Agreement on account of a failure to obtain permits final beyond appeal then the amount of the deposit to which BUYER would be entitled to have returned to BUYER would be ($60,000.00 less (2 x $20,000 = $40,000)) $20,000.

27. REPRESENTATIONS

A. THE BUYER'S REPRESENTATIONS AND WARRANTIES. The BUYER hereby represents and warrants that the following representations and warranties are true and accurate as of the date hereof and shall be deemed renewed by the BUYER on the date of the Closing as if made at such time and shall survive the Closing:

(i) the BUYER is a duly organized legally existing Delaware corporation qualified to do business in Massachusetts with full legal authority to enter into this transaction and to fulfill its obligations hereunder, and,

(ii) the BUYER and the persons signing on its behalf have been authorized by all necessary corporate action of the BUYER's directors to enter into and deliver this Agreement and carry out the transaction contemplated hereby.

B. THE SELLER'S REPRESENTATIONS AND WARRANTIES: The SELLER hereby warrants and represents that the following representations and warranties are true and accurate as of the date hereof and shall be deemed renewed by the SELLER on the date of the Closing as if made at such time and shall survive the Closing:

(i) the SELLER is a duly organized legally existing Massachusetts limited partnership with full legal authority to enter into this transaction and to fulfill its obligations hereunder

(ii) The Seller and those persons signing on its behalf have been authorized by all necessary partnership action, if any is so required to enter into and deliver this Agreement and to carry out the transaction contemplated hereby.

(iii) Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation of or be in conflict with or constitute a default under any term or provision of any order, agreement or lease to which SELLER is a party.

28. CAPTIONS

The captions herein are used only as a matter of convenience and are not to be considered a part of this Agreement or to be used in determining the intent of the parties to it.

29. NOTICES — Notices hereunder shall be deemed properly sent three days after posting if mailed, certified United States Mail, return receipt requested, postage prepaid or on the date of delivery if delivered by courier (including overnight courier services) or served in hand to the BUYER at its address first set forth herein with a copy to Alan J. Schlesinger, Schlesinger and Buchbinder, 1200 Walnut Street, Newton, Massachusetts 02161 and to the SELLER at its address first set forth herein with a copy to Kim M. Rubin, Goodwin, Procter & Hoar LLP, Exchange Place, Boston, MA 02109

30. ASSIGNMENT — This Agreement may be assigned by the BUYER to any affiliate or nominee of the BUYER without the prior written consent of the SELLER, provided that upon any assignment of the BUYER's rights hereunder Northland Development Corporation shall remain liable for performance of the obligations of the BUYER hereunder including those surviving delivery of the deed or termination of this Agreement, otherwise this Agreement may not be assigned without SELLER's prior written consent.

31. TITLE STANDARDS — In matters respecting title to the Premises, standards of the Massachusetts Conveyancers Association shall be determinative.

32. DEPOSITS, ESCROW AGENT

All deposits referred to in Section 7 are to be held in an interest bearing escrow account, and any interest is to be accounted for and allocated to the BUYER at the Closing; provided, however, that if all or any of the deposit is retained by the SELLER under the provisions of this agreement upon the default of the BUYER, then the entire amount of interest earned shall be paid to the SELLER.

All deposits made hereunder shall be held by Goodwin, Procter & Hoar LLP, as Escrow Agent, subject to the terms of this Agreement and shall be duly accounted for at the Closing. In the event of any disagreement, however, the Escrow Agent may elect, at its sole discretion, either (a) to retain said deposit, and all interest thereon, pending instructions mutually given by the SELLER and the BUYER, or by final order, decree or judgment by a court of competent jurisdiction (and no such decree or judgment shall be deemed to be "final", unless and until the time of appeal has expired and no appeal has been perfected) or (b) to transfer the entire deposit, together with all accrued interest thereon, either to a party mutually agreeable to the BUYER and the SELLER to serve as a substitute escrow agent to hold the deposit and such interest pending the resolution of dispute between the BUYER and the SELLER, or into a court of competent jurisdiction. In the event of either of the foregoing elections, Goodwin, Procter & Hoar LLP shall thereafter be entitled to represent the SELLER in such dispute as fully and completely as though Goodwin, Procter & Hoar had never been the escrow agent holding the deposit. The Escrow Agent shall not be liable for any action taken or omitted in good faith and believed by it to be authorized or within the rights or powers conferred upon it by this Agreement and it may rely, and shall be protected in acting or refraining from acting in reliance, upon an opinion of counsel and upon any directions, instructions, notice, certificate, instrument, request, paper or other document believed by it in good faith to be genuine and to have been made, sent, signed or presented by the proper party or parties. Notwithstanding any other provisions of this Agreement, the BUYER and the SELLER jointly indemnify and hold harmless the Escrow Agent against any loss, liability or reasonable expense incurred without bad faith or gross negligence on its part arising out of or in connection with its services under the terms of this agreement, including the reasonable cost and expense of defending itself against any claim or liability.

33. AMENDMENTS

The BUYER and the SELLER have the right to mutually amend, modify, extend or terminate their obligations under this Agreement without first having to obtain the consent of the Escrow Agent, except in the case of amendments or modifications of Section 34.

34. MISCELLANEOUS

(a) Warranties and Representations: The BUYER acknowledges that the BUYER has not been influenced to enter into this transaction nor has BUYER relied upon any warranty or representations not expressly set forth in this Agreement. The BUYER hereby acknowledges that BUYER is purchasing the Property "AS IS" without any representations or warranties express or implied and that BUYER is being given the opportunity to inspect fully the Property. BUYER is not relying upon any statement or representation of SELLER or the Brokers, express or implied, with respect to the condition of the Property or the feasibility or developability of the Proposed Project. The provisions of this paragraph shall survive delivery of the deed.

(b) Construction of Agreement: This Instrument, executed in multiple counterparts, be construed as a Massachusetts contract, is to take effect as a sealed instrument, sets forth the entire contract between the parties, is binding upon and inures to the benefit of the parties hereto and their respective heirs, devisees, executors, administrators, successors and assigns, and may be canceled, modified or amended only by a written instrument executed by both the SELLER and the BUYER. If two or more persons are named herein as BUYER their obligations hereunder shall be joint and several. The captions and marginal notes are used only as a matter of convenience and are not to be considered a part of this AGREEMENT or to be used in determining the intent of the parties to it.

- ---

Executed this date first set forth above.

SELLER	BUYER
CORCORAN CHELMSFORD B ASSOCIATES LIMITED PARTNERSHIP	NORTHLAND DEVELOPMENT CORPORATION
By: /s/ ----------	By: /s/ ---------- Its
	ESCROW AGENT GOODWIN, PROCTER AND HOAR LLP
	By: /s/ ----------

Exhibit 10.8

Seller TPA No._____
Buyer TPA No._____

TERM PURCHASE AGREEMENT

AGREEMENT made this 7/25/95 between ANALOG DEVICES, INC. having a principal place of business at Norwood, MA (hereinafter Seller) and MERCURY COMPUTER SYSTEMS, INC., Chelmsford, MA (herein-after Buyer).

1. TERM

Unless earlier terminated as provided herein, this Agreement shall commence on the effective date hereof and continue thereafter for a period of three (3) years. During the term, Buyer will exert its best efforts to purchase and Seller agrees to sell the quantity of semiconductor devices set forth on the attached Schedule. Purchases credited against this Agreement will be only those entered during the effective term with shipment scheduled according to the acknowledged Market Leadtime.

2. PRICES

The prices for the applicable quantity of all devices purchased hereunder shall be set forth on the Schedule attached hereto and made a part hereof Said prices shall remain firm for the term of three years. Seller reserves the right to renegotiate pricing should Buyer fail to meet the scheduled shipments as detailed in Section 4.

If this Agreement is renewed beyond three (3) years, the devices, quantities and prices on the attached Schedule shall be subject to review, adjustment or renegotiation for each succeeding period. Any changes shall be negotiated within thirty (30) days before or after the expiration of each period.

3. CANCELLATION/TERMINATION

Buyer may cancel orders placed in accordance with the provisions of this Agreement subject to the following restrictions and the SHIPMENT SCHEDULE detailed in Item 4.

STANDARD PRODUCT

Cancellation of standard product (resalable in its original condition) without charge back requires written notice to Seller sixty (60) days or more prior to the scheduled ship date.

If Buyer terminated individual orders in whole or in part because of Seller's failure to deliver acceptable units in accordance with the requirements and terms of this Agreement,

STANDARD PRODUCT (Continued)

the undelivered quantity shall be applied against the total quantities of this Agreement in the same manner as if the purchase transaction had actually been completed.

4. SCHEDULED SHIPMENTS

Buyer agrees to place orders and accept shipments, contingent upon Buyer's written acceptance of the semiconductor devices to Seller's production design specifications, for a minimum of the following, as further described in the attached Schedule of Pricing:

1. * units within one (1) year of Buyer's written acceptance.
2. * additional units (or * cumulative units) within two (2) years of Buyer's written acceptance.
3. * additional units (or * cumulative units) within three (3) years of Buyer's written acceptance.

Written notice shall be given sixty (60) days or more prior to rescheduling orders. Seller will accommodate pull-ins on a best effort basis

5. MINIMUM ORDER

The minimum order or release hereunder shall be * units per purchase order. Preproduction quantities may be released in smaller increments based on Buyer's needs.

6. MARKET LEADTIME

Leadtimes for product covered in the Schedule will be eight (8) weeks.

7. FORECAST

Buyer will provide Seller each month with a forecast of unit demand, on a best effort basis, for a rolling six month window.

8. ADDITIONS

By mutual agreement of Buyer and Seller, additional quantities, devices and schedules may be added during the term of this Agreement.

*Information omitted for confidential treatment.

9. AUTHORIZED PURCHASES

Only bonafide divisions, wholly-owned or majority owned subsidiaries of Buyer, may enter purchase orders with Seller under the terms of this Agreement. Such purchases shall be credited against this Agreement.

10. CONDITION OF SALE OR PURCHASE

Conditions governing purchases hereunder shall be this Agreement, together with Analog's standard terms of sale modified herein as follows:

Item IA:	Price adjustment, is nullified by the Purchase Agreement since prices will remain fixed for 3 years.
Item 2.	Delete the requirement for a finance charge on overdue payments.
Item 3B:	Delete the requirement that the Buyer grants to Analog Devices security interest.
Item 3E:	Second sentence is deleted. Buyer shall have the right to terminate the contract should shipments be delayed by more than 30 days.
Item 7b:	Table I modified as follows: 0-30 days *% charge 31-60 days *% charge 61 and over *%
Item 7d.	Restocking fee modified to *%

Other applicable conditions shall be those mutually agreed upon as they relate to specific orders at the time of entry and acknowledgment. Additional or superseding conditions to this Agreement shall be incorporated only be amendment or a separate agreement duly executed.

11. TERMS OF SALE

All deliveries will be made F.O.B. Seller's point of shipment. Each such delivery will be separately invoiced and payment shall be due and payable without regard to other deliveries.

12. EXPORT/REEXPORT

Buyer agrees that it will not in any form export, re-export, resell, ship or divert or cause to be exported, re-exported, resold, shipped or diverted, directly or indirectly, any product or technical data or software furnished hereunder or the direct product of such technical data or software to any country for which the United States Government or any agency thereof at the time of export or re-export requires an export license or other governmental approval without first obtaining such license or approval.

*Information omitted for confidential treatment.

13. DISTRIBUTOR PARTICIPATION

When the Buyer has critical and urgent need and Seller unable to accept Buyer's purchase order(s) for standard product incorporated within this Agreement, Buyer will have the option of placing required order(s) through Seller's authorized distributor outlet(s) at prices negotiated with such outlet(s) to cover service rendered. Such quantities so purchased shall be accrued against this Agreement. This provision shall apply to Buyer's domestic divisions and subsidiaries only. Non-USA distributor participation shall be subject to negotiation and mutual agreement of the respective international buying and selling locations.

14. PRODUCT CHANGE NOTIFICATION

If during the term of this Agreement, Seller proposes to change any product covered by this Agreement which would materially affect form, fit or function or supersede the current die revision, Seller shall notify Buyer in writing sixty (60) days prior to implementation of such change. Further, Seller shall not ship such product until authorized by Buyer in writing. In the event that it is determined that the change is not acceptable to Buyer, then the item will be dispositioned in accordance with Item 15, Product Discontinuance.

15. PRODUCT DISCONTINUANCE

If, during the term of this Agreement, Seller deems it necessary to withdraw on a product offering, any of the products specified in this Agreement, Seller shall notify Buyer in writing a minimum of one hundred and eighty (I 80) days prior to such withdrawal. Buyer, within such one hundred and eighty (I 80) day period, shall then have the option to place additional noncancelable orders for such products with delivery up to one (1) year from date of order.

16. NOTICES

Written notices hereunder are deemed to be given when telexed, faxed or air mailed first class, postage prepaid to the addresses of the parties set forth herein, or such other addresses shall be furnished in writing, by either party.

This Agreement supersedes any previous agreements, either oral or written, relating to the subject matter herein. No alterations or modifications to this Agreement shall be binding upon either Buyer or Seller unless made in writing and signed by an authorized representative of each.

IN WITNESS WHEREOF, the parties hereto have cause this Agreement to be executed by their duly authorized representatives as of the day and year first written herein.

SELLER: BUYER:

ANALOG DEVICES, INC.

By /s/
(authorized signature

TITLE: Senior Sales Engr.

DATE: 7/25/95

MERCURY COMPUTER SYSTEMS, INC.

By /s/
(authorized signature

TITLE: Vice President & CFO

DATE: 7/25/95

SCHEDULE OF PRICING

Quantity	Item	Unit Price
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
	[*]	[*]

*Information omitted for confidential treatment

Exhibit 10.9

RISK PREPRODUCTION PURCHASE AGREEMENT

TERMS AND CONDITIONS

CUSTOMER understands that LSI Logic Corporation's recommended procedure is to manufacture product only after the design has been successfully prototyped and approved in writing by CUSTOMER. For this Risk Preproduction order, LSI Logic, agrees to manufacture product without such approval at the CUSTOMER'S request subject to the terms and conditions below as modified by the attached Addendum. This form will process product through to plant clearance. LSI Logic cannot ship product until a signed customer purchase order is received by Customer Order management and reconciled against backlog. However, CUSTOMER'S obligation under Item B below shall not be affected by an failure to furnish a signed purchase order.

A. RSK/PRE must be on order 48 hours prior to CDR signoff and WFR 2 weeks prior to CDR signoff. PRE line item will be booked unreleased unless customer indicates product is released by initialing the CUSTOMER RELEASE column of the form. WFR and RSK is always considered released. To release product previously ordered as unreleased the original form can be changed and initialed to indicate the change to release status. Upon receipt of the updated form, LSI Logic Customer Order Management will change the release status as indicated.

B. CUSTOMER agrees to pay for work-in-process, as outlined below ("Qty" refers to quantity ordered by customer, "Unit ASP" refers to Risk Preproduction Unit ASP):

[*]	[*]		
[*]		[*]	
[*]		[*]	
[*]		[*]	

C. CUSTOMER requests LSI Logic to manufacture enough Risk Preproduction to support the quantity of finished product indicated on the attached Order Form. Upon successful wafer sort, LSI Logic will hold die (RSK) or wafers (WFR) in inventory until CUSTOMER authorizes LSI Logic in writing to release product and ship as finished goods.

D. CUSTOMER agrees to provide written instruction for the disposition of the "Risk die" ("RSK") or "Risk wafers" ("WFR") within six (6) months after receipt of the "Risk Service Charge" Invoice. LSI Logic reserves the right to dispose of the material after this 6 month period.

* Information omitted for confidential treatment.

E. CUSTOMER accepts that yields for the Risk Preproduction build of a design is difficult to predict. If this build does not provide sufficient product to deliver the quantity shown on this form and the balance is less than 20% of the order quantity, CUSTOMER agrees to, if requested by LSI Logic:

(a) Cancel the balance of this quantity; or
(b) Allow LSI Logic to reschedule this balance to ship with future production orders.

F. CUSTOMER acknowledges the inherent risk in building products prior to prototype approval. CUSTOMER acknowledges financial responsibility for risk product as described in Section B (above) on a design which passes design test and is free of manufacturing defects, but does not function in the customer system. LSI Logic Corporation's standard terms (attached) are incorporated by this agreement in full. Any additional or inconsistent terms of any purchase order are void.

MERCURY COMPUTER SYSTEMS, INC. (Customer) has read this agreement and understands and accepts LSI Logic Corporation's Risk Preproduction Policy. LSI Logic Corporation will consider this document as Authorization to Proceed and build the product as specified above.

/s/

AUTHORIZED SIGNATURE	PURCHASE ORDER/REQUISITION NO.
NAME AND TITLE (Please Print)	DATED

ACCEPTED BY LSI LOGIC CORPORATION:

/s/

LSI LOGIC AUTHORIZED SIGNATURE	
NAME AND TITLE (Please Print)	DATED

ACCEPTED BY HAMILTON HALLMARK:

/s/

HAMILTON HALLMARK AUTHORIZED SIGNATURE	
NAME AND TITLE (Please Print)	DATED

ADDENDUM TO RISK PREPRODUCTION PURCHASE AGREEMENT

SECTION B

Before Metal Start - [*]

Before Assembly Start - [*]

After Assembly - [*]

SECTION C

Quantity of RISK-PRE Units is indicated on RISK-PREPRODUCTION PURCHASE AGREEMENT Order Form.

SECTION E

a) Cancel the balance of this quantity without any further payment for units not received.

b) Allow LSI Logic to reschedule this balance to ship with future production orders at RSK/PRE prices and best available lead time.

* Information omitted for confidential treatment.

Exhibit 10.10

PURCHASE OFFER AGREEMENT FOR OEM MANUFACTURER

Customer:

Agreement #: JV1201

Mercury Computer Systems, Inc.
199 Riverneck Road
Chelmsford, MA 01824-2820

Date: February 16, 1995

Thank you for doing business with IBM Microelectronics Division. This is a master purchase offer agreement between you, the buyer, and us, International Business Machines Corporation. You sign this Agreement only once after that, this Agreement will govern your purchases of eligible IBM products (Products) from us on an ongoing basis. Your IBM sales representative can give you a list of the eligible IBM Products. You may order Products under this Agreement by sending us a written request or by fax. If we can fill your order, we will send you an acknowledgment, referencing this Agreement, for the Products IBM will ship to you. We will provide Products under IBM's then current prices, charges, and warranty periods, unless otherwise negotiated between us. Your IBM sales representative can also give you information about IBM's prices, charges, and warranty periods.

This Agreement, its front and back, and any acknowledgment IBM issues under it, together called POA, are the complete agreement on this subject and replace all prior oral or written communications between us about it. The POA cannot be changed unless each of us signs a written modification.

Agreed to: for and on behalf of
MERCURY COMPUTER SYSTEM INC.

Signed: /s/ Rebecca M. Dowse

Print Name: Rebecca M. Dowse
Manager of Contracts

Agreed to:
INTERNATIONAL BUSINESS
MACHINES CORPORATION

Microelectronics Division

Signed: /s/ Frederick J. Glasgow

Print Name: Frederick J. Glasgow
Director of Marketing
and Sales Operations

1. USE OF PRODUCTS

You represent that Products will be: A) integrated or incorporated in your systems or Subsystems or as specified by IBM in an acknowledgment: or B) distributed in incidental additional quantities for integration or incorporation in systems or subsystems you have sold. You may also use up to 10% of the Products internally.

2. SHIPMENT, TITLE, AND RISK OF LOSS

IBM Will Schedule each Product under IBM's applicable shipment schedule. We may not ship Product if you cannot give us satisfactory assurances that you have complied and can comply with any of the POA terms, including payment and use of Products. Title to and risk of loss for a Product Pass to you when we deliver the Product to the carrier. IBM keeps title to any software or other code under the POA.

3. PRICES, INVOICING, PAYMENT TERMS AND TAXES

The prices Shown in Exhibit A hereto will apply to the Products.[*] We will invoice you for the Products, including related taxes and any other charges under this POA. Terms of payment are [*]. You will also pay a late charge of [*] of the balance due for each month you are late in paying IBM.

4. CANCELLATION

You may cancel an order before we ship it. If you do so at your convenience, for standard Product you shall pay the following charges unless otherwise mutually negotiated.

Days before Acknowledged Shipment Dates	Percent of Purchase Price
90 days or more	[*]
60-89 days	[*]
30-59 days	[*]
0-29 days	[*]

* Information omitted for confidential treatment.

Charges for the cancellation of customized Product will be mutually negotiated and set forth in Exhibit A hereto.

5. CHANGES

It is our objective to fill an order acknowledged by us. In situations such as supply constraints, we may not be able to fill your order; we will inform you of this, and you may cancel the order without charge. We may withdraw a Product from the list on 60 days' notice. We may change a Product's specifications at any time. Customer's prior approval is required for any change which affects the form, fit, function, or reliability of a Product.

6. MANUALS AND DISKETTES

You can modify manuals and diskettes we provide under this POA as needed to support your use of Products. Distributed manuals and diskettes must not include anything that suggests we are the source of the manuals or diskettes or Products. You can distribute modified manuals and diskettes only for use with Products. You must make diskettes available subject to a license agreement acceptable to us. You must include a copyright notice in distributed manuals and diskettes. The copyright notice must comply with the copyright law and must identify the owner as you "and others". You must also include a U.S. Government user Restricted Rights notice.

7. PATENTS AND COPYRIGHTS

If a third party claims that a Product we provide under this POA infringes that party's patent or copyright, we will defend you against that claim at our expense and pay all costs, damages, and attorney's fees that a court finally awards, provided that you: 1) promptly notify us in writing of the claim: and 2) allow us to control, and cooperate with us in, the defense and any related settlement negotiations. If such a claim is made or appears likely to be made, about a Product in your inventory, you agree to permit us to either enable you to continue to market and use the Product, or to modify and replace it. If IBM determines that none of these alternatives is reasonably available, you will return the Product to us on our written request for an appropriate credit or refund as IBM decides. This is IBM's entire obligation to you regarding any claim of infringement.

IBM has no obligation regarding any claim based on any of the following: A) modification of a Product by you or at your direction or its use in other than its specified operating environment; B) the combination, operation, or use of a Product with any product, data, or apparatus that IBM did not provide; or C) infringement by a non-IBM Product alone, as opposed to its combination as part of a system of Products that IBM provides.

8. LIMITED WARRANTIES

IBM warrants a Product to be free from defects in material and workmanship, in the U.S.A., for one year from the date of shipment.

Products shipped outside of the U.S.A., samples, prototypes, and test vehicles, and any IBM services provided under this POA are AS IS. IBM manufactures Products from new or serviceable used parts. Exchanged parts become the property of IBM.

If you believe that a Product is not as warranted, you will: A) promptly notify us in writing; B) at our request, return the Product freight prepaid to our designated location. If IBM decides the Product does not meet its warranty, we will, at our option, repair or replace the Product, or issue a credit or refund of the purchase price. This warranty will not include credit, repair, or replacement of a Product which has a defect due to your, or another's, actions or omissions.

THE FOREGOING WARRANTIES REPLACE ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS OR USE FOR A PARTICULAR PURPOSE.

9. LIABILITIES

Circumstances may arise where, because of a default or other liability, you are entitled to recover damages from us. In each such instance, regardless of the basis on which damages can be claimed, the following terms apply. IBM is responsible for: 1) payments referred to in our patent and copyright terms described above; and 2) bodily injury (including death), and damage to real property and tangible personal property caused by the Product; and 3) the amount of any other actual loss or damage, up to the greater of $100,000 or the charge for the Product subject to the claim.

Under no circumstances is IBM liable for any of the following: A) third-party claims against you for losses or damages other than those in items 1) and 2), in this Section 9; B) loss of, or damage to your or another's records or data; or C) economic consequential damages (including lost profits or savings) or incidental damages, even if we are informed of their possibility.

10. SOFTWARE

If IBM provides you software or other code ("software") under this POA, the software will be subject to this POA and any license agreement provided with the software. If you object to a license agreement, you must return the software within 10 days of when you receive it. If IBM does not provide a license agreement, the software will be subject to this POA and all copyright laws.

11. ENGINEERING CHANGES

We may issue mandatory engineering changes, such as those required for safety. You will install those engineering changes as directed by us, subject to the provisions of Section 5 of this Agreement.

12. ENDING THE AGREEMENT

Either of us may end this POA by a 30 day written notice. All clauses and acknowledgments which by their nature extend beyond the end of this POA remain in effect until they have been fulfilled, and they apply to respective successors and assigns.

13. GENERAL

All information exchanged under this POA is nonconfidential. Any exchange of confidential information must be made under a separate signed confidentiality agreement.

Except for your obligation to pay, neither of us will be responsible for failing to perform under this POA for acts of God, natural disasters, embargoes and similar causes beyond its reasonable control.

Neither this POA, nor the sale of Products under it, will be deemed to give either of us any licenses, immunities or other rights, directly or by implication, under the trademarks, trade names, patents, copyrights or any other intellectual property rights of the other.

You will keep suitable records to show you have complied with the terms of this POA. At IBM's request, you will demonstrate to us that you have fully complied with the terms of this POA.

Neither of us will bring a legal action against the other more than two years after the cause of action arose, except for actions for nonpayment and enforcement of intellectual property rights. Each of us waives the right to a jury trial in a dispute under this POA.

Failure by either of us to demand performance or to exercise a right, when entitled, does not prevent us from doing so later for that default or any other one.

Each of us will comply with all applicable United States, European Economic Commission, and other country or country group laws and regulations, including those relating to exports. You represent that you do not intend now, or in the future, to ship, directly or indirectly, any IBM Product, data, or information, to a prohibited country or country group or its nationals.

The headings in this POA are for reference only. They will not affect the meaning or interpretation of the POA.

You will not assign your rights or delegate your duties under this POA without our written consent.

The substantive laws of the Commonwealth of Massachusetts govern this Agreement.

14. Exhibit A hereto sets forth the part numbers of Products under this Agreement, and applicable prices, volume commitments, cancellation and reschedule schedule, and requirements for good die.

EXHIBIT A

1. SCOPE OF WORK

1.1 IBM will provide assembly services for Mercury's printed circuit cards. These require Surface Mount Technology (SMT) or wave solder assembly processes. Mercury will order the assembly services from IBM by issuing its Purchase Order for up to [*] cards of any one particular part number.

These services also include soldering in accordance with Mercury's Drawings and BOMs.

IBM will perform these assembly and solder services in accordance with the schedule in Section 2 below. There will be no electrical costing provided by IBM. Assembled and soldered cards will be shipped to Mercury. Technical requirements are set forth in Section 3.3 below. Mercury will provide all components and printed circuit cards ("Items").

Mercury is responsible for the quality of the cards and components which IBM will assemble. IBM will not perform services which include incorporating any items which have obvious or readily ascertainable defects. In the event IBM identifies any such items, they will be returned freight collect to Mercury for repair or replacement. The delivery schedule will be offset by the amount of time between the date the items are returned to Mercury to the date the items are received by IBM.

1.2 The Deliverables are:

From Mercury to IBM:

A. Hardware:

Selected quantity of printed circuit cards (up to *)
Components required for assembly

B. Data and Setup Drawings:

Bill of Materials (BOMs)
Assembly prints and drawings sufficient for solder stencil fabrication and placement machine programing
Component placement (centroid) data
Gerber data

From IBM to Mercury:

The selected quantity of completed card assemblies (up to *)

1.3 Changes to Statement of Work

Mercury may, at any time and from time to time, by written notice to IBM, request changes to the part numbers, specifications, or work scope. IBM shall submit a written report to Mercury setting forth the probable effect, if any, of the requested change in regard to the work and the effort on any change in prices or delivery. IBM shall not proceed with any change until authorized in writing by Mercury. The parties shall promptly amend this Agreement to incorporate any agreed changes.

2. DELIVERY

*Information omitted for confidential treatment.

2.1 To order the assembly services, Mercury will notify IBM at least 2 weeks prior to its required shipment date by issuing its Purchase Order for a particular part number or part numbers. This Purchase Order will contain selected quantity of circuit cards to be assembled and the shipment date. For new part numbers, Mercury will furnish its Data and Setup Drawing and Deliverables at least 3 weeks prior to the shipment date. Mercury will furnish the Hardware Deliverables at least two weeks prior to the shipment date.

2.2 All completed assemblies will be shipped to Mercury FOB Collect, using Mercury's specified carrier, from Endicott, New York. Any risk of loss shall pass to Mercury upon delivery to the carrier for shipment.

3. SPECIAL ITEMS

3.1 Damage to Items

IBM shall be liable to Mercury for any loss or damage to Mercury's consigned parts or components due to the negligence of IBM while in IBM's custody. Excluded from this responsibility is reasonable wear and tear, or loss, damage, or destruction caused by circumstances beyond IBM's control while in IBM's care, custody and control. All replacement parts or components shall become Mercury's property and shall be subject to all the terms and conditions of this Agreement. In such event, IBM's maximum liability shall be the lesser of the actual cost of the part or component damaged (substantiation to be provided by Mercury) or the price charged IBM for the service performed (associated with that part) hereunder.

3.2 Acceptance and Rejection

3.2.1 Acceptance

Acceptance or rejection of Product shall be determined by Mercury comparing the output produced by IBM for conformance to the Specifications attached as Attachment 2 to the Supplement (dated May 5, 1995) to POA No. JV1201, Section 1 above. Mercury will notify IBM whether the Product is accepted or rejected within thirty (30) calendar days from the date of shipment. Any Product not expressly rejected by Mercury within this time period shall be deemed accepted.

3.2.2 Rejection

In the case of rejection Mercury shall: (i) promptly notify IBM in writing of the basis for such rejection, (ii) follow IBM's instructions for the return of the Product, and (iii) return such Product freight collect to IBM's designated facility. If IBM agrees the Product is defective, IBM will repair the rejected Product or issue a credit for the purchase price applicable to the rejected Product.

If IBM uses Items and these Items fail to meet specifications, Mercury will waive its right of rejection.

3.3 Technical Requirements

a. The following are technical requirements for Mercury:
[*]

* Information omitted for confidential treatment.

b. The following are IBM practices to be followed:

1) IBM will build assemblies to IPC 610 workmanship standards.

ATTACHMENT 1 - STATEMENT OF WORK

SCOPE OF WORK
1 IBM will perform manufacturing services as follows:

RFS 3916001

IBM will provide prototype assembly services for Customer's [*][*][*].

Customer will order the assembly services from IBM by issuing its Purchase Order for up to [*] boards.

These services will include soldering in accordance with Customer's assembly prints and drawings for [*][*][*], which are now in IBM's possession.

These assembly services will require a first order NRE (Non Recurring Expense) set-up and tooling charge.

The purchase of one NRE will cover assembly of the first three Part Numbers stated above. The purchase of another NRE will cover assembly of the next four Part Numbers stated above. The purchase of another NRE will cover the assembly of the next two Part Numbers stated above. The purchase of another NRE will cover the assembly of the last four Part Numbers stated above.

IBM will perform these prototype assembly and soldering services in accordance with the schedule below. There will be no electrical testing provided by IBM. Assembled and soldered prototype boards will be shipped to Customer. Customer will provide all components and printed circuit boards.

A. Hardware:

Set-up hardware of two printed circuit boards and their components which need only be mechanically good
Selected quantities of printed circuit boards (up to 400 per Part Number)
Components required for assembly

B. Data and Set-up Drawings

RFS 3916001 SCHEDULES

To order the assembly services, Customer will notify IBM at least 1 week prior the Build Date by issuing its Purchase Order for a requested quantity [*][*][*].

Customer will furnish the Data, Set-up Drawings, and Set-up hardware at least 1 week prior to the Build Date.

Customer will furnish its Build Hardware Deliverables at least 2 working

* Information omitted for confidential treatment.

11
days prior to the Build Date.

Estimated Board Assembly ship date will be scheduled for 10 Business Days following the Build Start Date for 5 - 199 boards, and 15 Business days following the Build Start Date for 200 - 400 boards.

RFS 3916001 TECHNICAL EXCEPTIONS/ASSUMPTIONS

Parts will be supplied on tape and reel, or in tubes or trays.

1.2 The Deliverables are:

a. Items from Customer to IBM:

A. Hardware:

Set-up hardware of two printed circuit boards and their components which need only be mechanically good
Selected quantities of printed circuit boards (up to [*] per Part Number)
Components required for assembly

B. Data and Set-up Drawings

Bill of Materials
Assembly prints and drawings sufficient for solder stencil fabrication and placement machine programming
Component placement (centroid) data
Gerber data

b. Products from IBM to Customer:

The selected quantity of completed board assemblies (up to 400 per Part Number)

1.3 Changes to Statement of Work

Customer may, at any time and from time to time, by written notice to IBM, request changes to the part numbers, specifications, or work scope. IBM shall submit a written report to Customer setting forth the probable effect, if any, of the requested change in regard to the work and the effect on any change in prices, payments or delivery. IBM shall not proceed with any change until authorized in writing by Customer. The parties shall promptly amend this Agreement to incorporate any agreed changes.

2. DELIVERY

2.1 Customer requests IBM to turnaround this work in 10 business days after IBM's receipt of all Items.

2.2 All Product will be shipped to Customer FOB Collect from Endicott, New York. Title to and risk of loss for products shall pass to Customer upon delivery to Customer's carrier except if product is given to Customer's carrier in Bromont, Canada, this will not be deemed to alter the passage of title in the United States. In the event of a dispute regarding passage of title to products, the parties agree title will be deemed to have passed in the United States as this is a transaction between two United States companies which title and sale takes place in the United States.

3. SPECIAL ITEMS.

3.1 Damage to Items

In case of damage to or deterioration, destruction or loss of any Items during the processing such that completion of the processing is rendered impracticable, IBM will repeat or continue the processing without charge provided Customer provides a replacement Item without cost to IBM. IBM shall have no other liability with respect to damaged or lost Items and shall not be responsible for the value of such Items.

3.2 Acceptance and Rejection

3.2.1 Acceptance

Acceptance or rejection of Product shall be determined by Customer comparing the output produced by IBM for conformance to Attachment A, Quality and/or Engineering Specifications or the requirements specified in

* Information omitted for confidential treatment.

the Scope of Work above in Section 1.1 Customer will notify IBM whether the Product is accepted or rejected within ten (10) calendar days from the date of shipment. Any Product not expressly rejected by Customer within this time period shall be deemed accepted.

2.2 Rejection

In the case of rejection Customer shall:

1. promptly notify IBM in writing of the basis for such rejection,
2. follow IBM's instructions for the return of the Product, and
3. return such Product freight collect to IBM's designated facility.

If IBM agrees the Product is defective, IBM will repair the rejected Product or issue a credit for the purchase price of the service performed by IBM applicable to the rejected Product.

If IBM uses Items and these Items fail to meet specifications, Customer will waive its right of rejection.

3.3 Warranties

IBM warrants that all Services performed or Products delivered hereunder to be free from defects in material and workmanship for a period thirty (30) days from the date of shipment by IBM to Customer. IBM shall, at its option, repair any defective Product, or issue a credit equal to the purchase price of the Service performed by IBM, provided that Customer complies with Section 3.2.2 above.

IBM makes no warranty or representation regarding the infringement of the intellectual property rights of third parties.

THE FOREGOING WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

3.4 Used Parts

Each IBM product is manufactured from new parts, or new and used parts. In some cases, the product may not be new and may have been previously installed. Regardless of the product's production status, our warranty terms apply. Where a type of services involves the exchange of a product or part, the item IBM or your reseller replaces becomes yours. The replacement may not be new, but will be in good working order.

4. NOTICES

Note to Customer - please insert the name and address of the individual who will be your contact for this agreement:

Customer Contact:

_____

_____

_____

_____

_____

IBM Contact:

Wade Hooker
IBM Microelectronics
D/U 13G
1701 North Street
Endicott, NY 13760

Please supply the name and addresses for the following:

Ship To Name and Address:

Mark Badeley
Mercury Customer Systems, Inc.
199 Riverneck Road
Chelmsford, MA 01824

Bill To Name and Address:

_____

_____

_____

_____

5. Term of Agreement

This Agreement shall begin on the date signed by IBM, and shall expire on 04/30/98.

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Attachments to Attachment 1:

If Terms and Conditions of this IBM Quotation 3916001 are in conflict with those of the existing Supplement to the Purchase Offer Agreement V1201, as amended, then Terms and Conditions of the Supplement to the Purchase Offer Agreement take precedence.

Attachment 2

*

* Information omitted for confidential treatment.

EXHIBIT 10.11

PROMISSORY NOTE

$100,000

Boston, Massachusetts
December 22, 1993

FOR VALUE RECEIVED, Albert P. Belle Isle, an individual residing at 3 Whispering Pines, Andover, Massachusetts (the "maker"), hereby promises to pay to Mercury Computer Systems, Inc, a Massachusetts corporation (the "Corporation"), or order, the principal amount of One Hundred Thousand Dollars ($100,000) in one (1) installment equal to the then outstanding principal balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, on December 22, 1996; PROVIDED, HOWEVER, that the full outstanding balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, shall become immediately due and payable upon written notice from the Corporation, issued pursuant to a vote of the Board of Directors of the Corporation, that the managing or co-managing underwriter engaged by the Corporation in connection with an initial public offering of the Corporation's common stock has recommended that the outstanding balance of this Note be repaid prior to such initial public offering. Interest on the unpaid principal amount hereof (computed on the basis of the actual number of days elapsed over a 360-day year) shall accrue at a rate equal to two percent (2%) per annum above the rate printed in the WALL STREET JOURNAL as the Prime Rate offered, based on corporate loans posted by at least 75% of the thirty largest banks in the United States, as of the date hereof, equal to eight percent (8%) per annum as of the date hereof (the "Prime Rate"); PROVIDED, HOWEVER, that in no event shall the amount contracted for and agreed to be paid by the maker as interest on this Note exceed the highest lawful rate permissible under any law applicable hereto. Interest on this Note shall be payable at maturity (whether by acceleration or otherwise).

Any payments received by the holder on account of this Note prior to demand or acceleration shall be applied first to any costs, expenses, or charges then owed the holder by the maker, second, to accrued and unpaid interest, and third, to the unpaid principal balance hereof. Any payments so received after demand or acceleration shall be applied in such manner as the holder may determine.

The occurrence of any one or more of the following events shall constitute an Event of default (each an "Event of Default") hereunder:

(a) The maker shall fail to make any payment of principal or interest in respect of this Note or to pay any other fee due hereunder after the same becomes due and payable whether at maturity or at a date fixed for the payment of any installment or prepayment hereof or by acceleration or otherwise; or

(b) The maker shall fail to perform or observe any covenant, agreement, term or provision contained in a certain Pledge Agreement of even date herewith from the maker to the Corporation (the "Pledge Agreement") with respect to the pledge of certain shares of the Corporation's stock owned by maker as security for this Note; or

(c) Any representation or warranty made by the maker shall prove to have been false, incorrect, incomplete or misleading in any material respect when made; or

(d) The maker shall discontinue his business or shall make an assignment for the benefit of creditors, or shall fail generally to pay debts as such debts become due, or shall have a meeting of creditors called, or shall enter into or propose a composition or extension agreement with creditors, or shall apply for or consent to the appointment of or taking possession by a committee of creditors, a trustee, receiver or liquidator (or other similar official) of maker or any substantial part of the property of maker or shall commence a case or have an order for relief entered against him under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; or

(e) If, within sixty (60) days after the commencement against the maker of a case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, such case shall have been consented to or shall not have been dismissed, or if within sixty (60) days after the entry of a decree appointing a trustee, receiver or liquidator (or other similar official) of the maker or any substantial part of the property of the maker, such appointment shall not have been vacated.

In addition, at the holder's option and without demand, notice or protest, the occurrence of any such Event of Default shall also constitute a default under all other agreements between the Corporation and the maker and under all other instruments and papers given the holder by the maker.

The entire indebtedness evidenced hereby may be prepaid in full or in part at any time without premium or penalty; PROVIDED that any partial prepayment shall be applied first to all collection costs and fees owing by the maker to the holder, next to accrued but unpaid interest hereunder and the balance, if any, to principal.

The maker hereof hereby waives presentment for payment, protest and demand, suretyship defenses and all other defenses in the nature thereof, notice of protest, demand and of dishonor and non-payment of this Note and the maker's liability hereunder shall remain unimpaired, notwithstanding any extension of the time of payment, changes in terms and conditions and all other indulgences granted by the holder hereof, or the release, surrender, substitution or exchange of all or any part of such security or the release from liability of any party which may assume the obligation to make payment of the indebtedness evidenced hereby or the performance of the obligations of the maker hereof.

The maker, for himself, his heirs, legal representatives, successors and assigns respectively, agrees to pay all costs and expenses of the holder, including, without limitation, reasonable attorneys' fees and expenses (which shall include all costs for administrative,

paralegal and other support staff) incurred in connection with collection and enforcement of the obligations of maker evidenced hereby and the rights of the holder under this or under any other instrument now or hereafter executed in connection herewith, whether or not suit is commenced.

The holder shall not, by any act, delay, omission or otherwise be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by the holder, and then only to the extent expressly set forth therein. A waiver on any such occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion.

If any provision(s) hereof or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, at the Corporation's options the remainder hereof, or the application of such provision(s) to persons or circumstances other than those as to which such provision(s) is (was) held invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and in force to the fullest extent permitted by law.

This Note, and the obligations evidenced hereby, may be assigned by the Corporation at any time, and the provisions of this Note shall be binding upon the maker and his heirs, executors, administrators, legal representatives, successors and assigns, and shall inure to the benefit of the holder and its successors and assigns.

This Note is being executed and delivered in Boston, Massachusetts, and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, to the maximum extent the parties may so lawfully agree. Notwithstanding any provision herein or any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of said Commonwealth.

Witness:

/s/ ----------

/s/ Albert P. Belle Isle

Albert P. Belle Isle

FIRST AMENDMENT TO

PROMISSORY NOTE

AGREEMENT made effective as of January 27, 1997, by and between Albert P. Belle Isle, an individual residing at 3 Whispering Pines, Andover, Massachusetts (the "Maker") and Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation").

WHEREAS, the Maker executed a promissory note in the principal amount of One Hundred Thousand Dollars ($100,000.00) dated December 22, 1993 (the "Note");

WHEREAS, the Board of Directors the Corporation has approved an extension of the due date of such Note;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises contained herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby agree as follows:

1. The date on which such Note shall become due is hereby extended from December 22, 1996 to the earlier of (i) December 31, 1999 or (ii) 181 days following the Corporation's initial public offering of Common Stock.

2. All other terms of such Note, other than the term referenced above, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties below have executed this Agreement under seal on the day and year first above written.

/s/ /s/ Albert P. Belle Isle

Witness Name: Albert P. Belle Isle, individually

MERCURY COMPUTER SYSTEMS, INC.

/s/ By: /s/ J. R. Bertelli

Witness Name: J. R. Bertelli
Title: Chief Executive Officer

EXHIBIT 10.12

PROMISSORY NOTE

$25,000

Boston, Massachusetts
July 15, 1994

FOR VALUE RECEIVED, Albert P. Belle Isle, an individual residing at 3 Whispering Pines, Andover, Massachusetts (the "maker"), hereby promises to pay to Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation"), or order, the principal amount of Twenty-Five Thousand Dollars ($25,000) in one (1) installment equal to the then outstanding principal balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, on July 15, 1997; PROVIDED, HOWEVER, that the full outstanding balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, shall become immediately due and payable upon written notice from the Corporation, issued pursuant to a vote of the Board of Directors of the Corporation, that the managing or co-managing underwriter engaged by the Corporation in connection with an initial public offering of the Corporation's common stock has recommended that the outstanding balance of this Note be repaid prior to such initial public offering. Interest on the unpaid principal amount hereof (computed on the basis of the actual number of days elapsed over a 360-day year) shall accrue at a rate equal to two percent (2%) per annum above the rate printed in the WALL STREET JOURNAL as the Prime Rate offered, based on corporate loans posted by at least 75% of the thirty largest banks in the United States, as of the date hereof, equal to eight percent (8%) per annum as of the date hereof (the "Prime Rate"); PROVIDED, HOWEVER, that in no event shall the amount contracted for and agreed to be paid by the maker as interest on this Note exceed the highest lawful rate permissible under any law applicable hereto, Interest on this Note shall be payable at maturity (whether by acceleration or otherwise).

Any payments received by the holder on account of this Note prior to demand or acceleration shall be applied first to any costs, expenses, or charges then owed the holder by the maker, second, to accrued and unpaid interest, and third, to the unpaid principal balance hereof. Any payments so received after demand or acceleration shall be applied in such manner as the holder may determine,

The occurrence of any one or more of the following events shall constitute an Event of default (each an "Event of Default") hereunder:

(a) The maker shall fail to make any payment of principal or interest in respect of this Note or to pay any other fee due hereunder after the same becomes due and payable whether at maturity or at a date fixed for the payment of any installment or prepayment hereof or by acceleration or otherwise; or

(b) The maker shall fail to perform or observe any covenant, agreement, term or provision contained in a certain Pledge Agreement of even date herewith from the maker to the Corporation (the "Pledge Agreement") with respect to the pledge of certain shares of the Corporation's stock owned by maker as security for this Note; or

(c) Any representation or warranty made by the maker shall prove to have been false, incorrect, incomplete or misleading in any material respect when made; or

(d) The maker shall discontinue his business or shall make an assignment for the benefit of creditors, or shall fail generally to pay debts as such debts become due, or shall have a meeting of creditors called, or shall enter into or propose a composition or extension agreement with creditors, or shall apply for or consent to the appointment of or taking possession by a committee of creditors, a trustee, receiver or liquidator (or other similar official) of maker or any substantial part of the property of maker or shall commence a case or have an order for relief entered against him under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; or

(e) If, within sixty (60) days after the commencement against the maker of a case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, such case shall have been consented to or shall not have been dismissed, or if within sixty (60) days after the entry of a decree appointing a trustee, receiver or liquidator (or other similar official) of the maker or any substantial part of the property of the maker, such appointment shall not have been vacated.

In addition, at the holder's option and without demand, notice or protest, the occurrence of any such Event of Default shall also constitute a default under all other agreements between the Corporation and the maker and under all other instruments and papers given the holder by the maker.

The entire indebtedness evidenced hereby may be prepaid in full or in part at any time without premium or penalty; PROVIDED that any partial prepayment shall be applied first to all collection costs and fees owing by the maker to the holder, next to accrued but unpaid interest hereunder and the balance, if any, to principal.

The maker hereof hereby waives presentment for payment, protest and demand, suretyship defenses and all other defenses in the nature thereof, notice of protest, demand and of dishonor and non-payment of this Note and the maker's liability hereunder shall remain unimpaired, notwithstanding any extension of the time of payment, changes in terms and conditions and all other indulgences granted by the holder hereof, or the release, surrender, substitution or exchange of all or any part of such security or the release from liability of any party which may assume the obligation to make payment of the indebtedness evidenced hereby or the performance of the obligations of the maker hereof.

The maker, for himself, his heirs, legal representatives, successors and assigns respectively, agrees to pay all costs and expenses of the holder, including, without limitation, reasonable attorneys' fees and expenses (which shall include all costs for administrative, paralegal and other support staff) incurred in connection with collection and enforcement of the

obligations of maker evidenced hereby and the rights of the holder under this or under any other instrument now or hereafter executed in connection herewith, whether or not suit is commenced.

The holder shall not, by any act, delay, omission or otherwise be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by the holder, and then only to the extent expressly set forth therein. A waiver on any such occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion.

If any provision(s) hereof or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, at the Corporation's option, the remainder hereof, or the application of such provision(s) to persons or circumstances other than those as to which such provision(s) is (was) held invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and in force to the fullest extent permitted by law.

This Note, and the obligations evidenced hereby, may be assigned by the Corporation at any time, and the provisions of this Note shall be binding upon the maker and his heirs, executors, administrators, legal representatives, successors and assigns, and shall inure to the benefit of the holder and its successors and assigns.

This Note is being executed and delivered in Boston, Massachusetts, and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, to the maximum extent the parties may so lawfully agree. Notwithstanding any provision herein or any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of said Commonwealth.

Witness:

/s/ Albert P. Belle Isle
- ----------

Albert P. Belle Isle

FIRST AMENDMENT TO

PROMISSORY NOTE

AGREEMENT made effective as of January 27, 1997, by and between Albert P. Belle Isle, an individual residing at 3 Whispering Pines, Andover, Massachusetts (the "Maker") and Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation").

WHEREAS, the Maker executed a promissory note in the principal amount of Twenty- Five Thousand Dollars ($25,000.00) dated July 15, 1994 (the "Note");

WHEREAS, the Board of Directors the Corporation approved an extension of the due date of such Note;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises contained herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby agree as follows:

1. The date on which such Note shall become due is hereby extended from July 15, 1997 to the earlier of (i) December 31, 1999 or (ii) 181 days following the Corporation's initial public offering of Common Stock.

2. All other terms of such Note, other than the term referenced above, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties below have executed this Agreement under seal on the day and year first above written.

/s/ /s/ Albert P. Belle Isle

- ---------- ----------

Witness Name: Albert P. Belle Isle, individually

MERCURY COMPUTER SYSTEMS, INC.

/s/ By: /s/ J. R. Bertelli

- ---------- ----------

Witness Name: J. R. Bertelli

Title: Chief Executive Officer

EXHIBIT 10.13

PROMISSORY NOTE

$150,000

Boston, Massachusetts
August 26, 1997

FOR VALUE RECEIVED, James R. Bertelli, an individual residing at 51 Green Heron Lane, Nashua, New Hampshire (the "maker"), hereby promises to pay to Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation"),, or order, the principal amount of One Hundred Fifty Thousand Dollars ($150,000) in one (1) installment equal to the then outstanding principal balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, on March 26, 1997; PROVIDED, HOWEVER, that the full outstanding balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, shall become immediately due and payable upon written notice from the Corporation, issued pursuant to a vote of the Board of Directors of the Corporation, that the managing or co-managing underwriter, engaged by the Corporation in connection with an initial public offering of the Corporation's common stock has recommended that the outstanding balance of this Note be repaid prior to such initial public offering. Interest on the unpaid principal amount hereof (computed on the basis of the actual number of days elapsed over a 360-day year) shall accrue at a rate equal to two percent (2%) per annum above the rate printed in the Wall Street Journal as the Prime Rate offered, based on corporate loans posted by at least 75% of the thirty largest banks in the United States, as of the date hereof, equal to eight percent (8%) per annum as of the date hereof (the "Prime Rate"); PROVIDED, HOWEVER, that in no event shall the amount contracted for and agreed to be paid by the maker as interest on this Note exceed the highest lawful rate permissible under any law applicable hereto, Interest on this Note shall be payable at maturity (whether by acceleration or otherwise).

Any payments received by the holder on account of this Note prior to demand or acceleration shall be applied first to any costs,, expenses, or charges then owed the holder by the maker, second, to accrued and unpaid interest, and third, to the unpaid principal balance hereof, Any payments so received after demand or acceleration shall be applied in such manner as the holder may determine.

The occurrence of any one or more of the following events shall constitute an Event of default (each an "Event of Default") hereunder:

(a) The maker shall fail to make any payment of principal or interest in respect of this Note or to pay any other fee due hereunder after the same becomes due and payable whether at maturity or at a date fixed for the payment of any installment or prepayment hereof or by acceleration or otherwise; or

(b) The maker shall fail to perform or observe any covenant, agreement, term or provision contained in a certain Pledge Agreement of even date herewith from the maker to the Corporation (the "Pledge Agreement") with respect to the pledge of certain shares of the Corporation's stock owned by maker as security for this Note; or

(c) Any representation or warranty made by the maker shall prove to have been false, incorrect, incomplete or misleading in any material respect when made; or

(d) The maker shall discontinue his business or shall make an assignment for the benefit of creditors, or shall fail generally to pay debts as such debts become due, or shall have a meeting of creditors called, or shall enter into or propose a composition or extension agreement with creditors, or shall apply for or consent to the appointment of or taking possession by a committee of creditors, a trustee, receiver or liquidator (or other similar official) of maker or any substantial part of the property of maker or shall commence a case or have an order for relief entered against him under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; or

(e) If, within sixty (60) days after the commencement against the maker of a case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, such case shall have been consented to or shall not have been dismissed, or if within sixty (60) days after the entry of a decree appointing a trustee, receiver or liquidator (or other similar official) of the maker or any substantial part of the property of the maker, such appointment shall not have been vacated.

In addition, at the holder's option and without demand, notice or protest, the occurrence of any such Event of Default shall also constitute a default under all other agreements between the Corporation and the maker and under all other instruments and papers given the holder by the maker,

The entire indebtedness evidenced hereby may be prepaid in full or in part at any time without premium or penalty; provided that any partial prepayment shall be applied first to all collection costs and fees owing by the maker to the holder, next to accrued but unpaid interest hereunder and the balance, if any, to principal.

The maker hereof hereby waives presentment for payment, protest and demand, suretyship defenses and all other defenses in the nature thereof, notice of protest, demand and of dishonor and non-payment of this Note and the maker's liability hereunder shall remain unimpaired, notwithstanding any extension of the time of payment, changes in terms and conditions and all other indulgences granted by the holder hereof, or the release, surrender, substitution or exchange of all or any part of such security or the release from liability of any party which may assume the obligation to make payment of the indebtedness evidenced hereby or the performance of the obligations of the maker hereof.

The maker, for himself, his heirs, legal representatives, successors and assigns respectively, agrees to pay all costs and expenses of the holder, including, without limitation, reasonable attorneys' fees and expenses (which shall include all costs for administrative, paralegal and other support staff) incurred in connection with collection and enforcement of the

obligations of maker evidenced hereby and the rights of the holder under this or under any other instrument now or hereafter executed in connection herewith, whether or not suit is commenced.

The holder shall not, by any act, delay, omission or otherwise be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by the holder, and then only to the extent expressly set forth therein. A waiver on any such occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion.

If any provision(s) hereof or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, at the Corporation's option, the remainder hereof, or the application of such provision(s) to persons or circumstances other than those as to which such provision(s) is (was) held invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and in force to the fullest extent permitted by law.

This Note, and the obligations evidenced hereby, may be assigned by the Corporation at any time, and the provisions of this Note shall be binding upon the maker and his heirs, executors, administrators, legal representatives, successors and assigns, and shall inure to the benefit of the holder and its successors and assigns.

This Note is being executed and delivered in Boston, Massachusetts, and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, to the maximum extent the parties may so lawfully agree. Notwithstanding any provision herein or any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of said Commonwealth.

Witness:

/s/ /s/ James R. Bertelli

James R. Bertelli

FIRST AMENDMENT TO

PROMISSORY NOTE

AGREEMENT made effective as of August 26, 1997, by and between James R. Bertelli, an individual residing at 51 Green Heron Lane, Nashua, New Hampshire (the "Maker") and Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation").

WHEREAS, the Maker executed a promissory note in the principal amount of One Hundred Fifty Thousand Dollars ($150,000) dated August 26, 1994 (the "Note");

WHEREAS, the Board of Directors the Corporation approved an extension of the due date of such Note;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises contained herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby agree as follows:

1. The date on which such Note shall become due is hereby extended from August 26, 1997 to the earlier of (i) December 31, 1999 or (ii) 181 days following the Corporation's initial public offering of Common Stock.

2. All other terms of such Note, other than the term referenced above, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties below have executed this Agreement under seal on the day and year first above written.

/s/ /s/ James R Bertelli

- ---------- ----------

Witness Name: James R Bertelli, individually

MERCURY COMPUTER SYSTEMS, INC.

/s/ By: /s/

- ---------- ----------

Witness Name:

Title:

EXHIBIT 10.14

PROMISSORY NOTE

$50,000

Boston, Massachusetts
June 24, 1997

FOR VALUE RECEIVED, James R. Bertelli, an individual residing at 51 Green Heron Lane, Nashua, New Hampshire (the "maker"), hereby promises to pay to Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation"), or order, the principal amount of Fifty Thousand Dollars ($50,000) in one (1) installment equal to the then outstanding principal balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, on August 26, 1997; PROVIDED, HOWEVER, that the full outstanding balance of this Note, plus all accrued but unpaid interest thereon and all charges in connection therewith, shall become immediately due and payable upon written notice from the Corporation, issued pursuant to a vote of the Board of Directors of the Corporation, that the managing or co-managing underwriter engaged by the Corporation in connection with an initial public offering of the Corporation's common stock has recommended that the outstanding balance of this Note be repaid prior to such initial public offering. Interest on the unpaid principal amount hereof (computed on the basis of the actual number of days elapsed over a 360-day year) shall accrue at a rate equal to two percent (2%) per annum above the rate printed in the Wall Street Journal as the Prime Rate offered, based on corporate loans posted by at least 75% of the thirty largest banks in the United States, as of the date hereof, equal to nine percent (9%) per annum as of the date hereof (the "Prime Rate"); PROVIDED, HOWEVER, that in no event shall the amount contracted for and agreed to be paid by the maker as interest on this Note exceed the highest lawful rate permissible under any law applicable hereto. Interest on this Note shall be payable at maturity (whether by acceleration or otherwise).

Any payments received by the holder on account of this Note prior to demand or acceleration shall be applied first to any costs, expenses, or charges then owed the holder by the maker, second, to accrued and unpaid interest, and third, to the unpaid principal balance hereof. Any payments so received after demand or acceleration shall be applied in such manner as the holder may determine.

The occurrence of any one or more of the following events shall constitute an Event of default (each an "Event of Default") hereunder:

(a) The maker shall fail to make any payment of principal or interest in respect of this Note or to pay any other fee due hereunder after the same becomes due and payable whether at maturity or at a date fixed for the payment of any installment or prepayment hereof or by acceleration or otherwise; or

(b) The maker shall fail to perform or observe any covenant, agreement, term or provision contained in a certain Pledge Agreement of even date herewith from the maker to the Corporation (the "Pledge Agreement") with respect to the pledge of certain shares of the Corporation's stock owned by maker as security for this Note; or

(c) Any representation or warranty made by the maker shall prove to have been false, incorrect, incomplete or misleading in any material respect when made; or

(d) The maker shall discontinue his business or shall make an assignment for the benefit of creditors, or shall fail generally to pay debts as such debts become due, or shall have a meeting of creditors called, or shall enter into or propose a composition or extension agreement with creditors, or shall apply for or consent to the appointment of or taking possession by a committee of creditors, a trustee, receiver or liquidator (or other similar official) of maker or any substantial part of the property of maker or shall commence a case or have an order for relief entered against him under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; or

(e) If, within sixty (60) days after the commencement against the maker of a case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, such case shall have been consented to or shall not have been dismissed, or if within sixty (60) days after the entry of a decree appointing a trustee, receiver or liquidator (or other similar official) of the maker or any substantial part of the property of the maker, such appointment shall not have been vacated.

In addition, at the holder's option and without demand, notice or protest, the occurrence of any such Event of Default shall also constitute a default under all other agreements between the Corporation and the maker and under all other instruments and papers given the holder by the maker,

The entire indebtedness evidenced hereby may be prepaid in full or in part at any time without premium or penalty; provided that any partial prepayment shall be applied first to all collection costs and fees owing by the maker to the holder, next to accrued but unpaid interest hereunder and the balance, if any, to principal.

The maker hereof hereby waives presentment for payment, protest and demand, suretyship defenses and all other defenses in the nature thereof, notice of protest, demand and of dishonor and non-payment of this Note and the maker's liability hereunder shall remain unimpaired, notwithstanding any extension of the time of payment, changes in terms and conditions and all other indulgences granted by the holder hereof, or the release, surrender, substitution or exchange of all or any part of such security or the release from liability of any party which may assume the obligation to make payment of the indebtedness evidenced hereby or the performance of the obligations of the maker hereof.

The maker, for himself, his heirs, legal representatives, successors and assigns respectively, agrees to pay all costs and expenses of the holder, including, without limitation, reasonable attorneys' fees and expenses (which shall include all costs for administrative,

paralegal and other support staff) incurred in connection with collection and enforcement of the obligations of maker evidenced hereby and the rights of the holder under this or under any other instrument now or hereafter executed in connection herewith, whether or not suit is commenced.

The holder shall not, by any act, delay, omission or otherwise be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by the holder, and then only to the extent expressly set forth therein. A waiver on any such occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion.

If any provisions) hereof or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, at the Corporation's option, the remainder hereof, or the application of such provisions) to persons or circumstances other than those as to which such provisions) is (was) held invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and in force to the fullest extent permitted by law.

This Note, and the obligations evidenced hereby, may be assigned by the Corporation at any time, and the provisions of this Note shall be binding upon the maker and his heirs, executors, administrators legal representatives, successors and assigns, and shall inure to the benefit of the holder and its successors and assigns.

This Note is being executed and delivered in Boston, Massachusetts, and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, to the maximum extent the parties may so lawfully agree. Notwithstanding any provision herein or any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of said Commonwealth.

Witness:

/s/ /s/ James R. Bertelli

James R. Bertelli

FIRST AMENDMENT TO

PROMISSORY NOTE

AGREEMENT made effective as of August 26, 1997, by and between James R. Bertelli, an individual residing at 51 Green Heron Lane, Nashua, New Hampshire (the "Maker") and Mercury Computer Systems, Inc., a Massachusetts corporation (the "Corporation").

WHEREAS, the Maker executed a promissory note in the principal amount of Fifty Thousand Dollars ($50,000) dated June 24, 1997 (the "Note");

WHEREAS, the Board of Directors the Corporation approved an extension of the due date of such Note;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises contained herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby agree as follows:

1. The date on which such Note shall become due is hereby extended from August 26, 1997 to the earlier of (i) December 31, 1999 or (ii) 181 days following the Corporation's initial public offering of Common Stock.

2. All other terms of such Note, other than the term referenced above, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties below have executed this Agreement under seal on the day and year first above written.

/s/ /s/ James R. Bertelli

- ---------- ----------

Witness Name: James R. Bertelli, individually

MERCURY COMPUTER SYSTEMS, INC.

/s/ By: /s/

- ---------- ----------

Witness Name:

Title:

EXHIBIT 11.1

MERCURY COMPUTER SYSTEMS, INC.

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

	FISCAL YEAR ENDED	
	PRIMARY	FULLY DILUTED
	JUNE 30, 1997	JUNE 30, 1997
Weighted average common stock outstanding during the period.....	5,141,250	5,141,250
Preferred Stock.....	2,556,792	2,556,792
Warrants.....	5,000	5,000
Shares issuable from the assumed exercise of stock options computed in accordance with the treasury stock method.....	193,738	200,029
Dilutive effect of cheap stock computed in accordance with the treasury stock method(1).....	253,758	253,758
Weighted average common and common equivalent shares outstanding...	8,150,538	8,156,829
Net income.....	$ 4,611,000	$ 4,611,000
Net income per share.....	$0.57	$0.57

	THREE MONTHS ENDED	
	PRIMARY	FULLY DILUTED
	SEP. 30, 1997	SEP. 30, 1997
Weighted average common stock outstanding during the period.....	5,217,147	5,217,147
Preferred Stock.....	2,556,792	2,556,792
Warrants.....	5,000	5,000
Shares issuable from the assumed exercise of stock options computed in accordance with the treasury stock method.....	140,810	140,810
Dilutive effect of cheap stock computed in accordance with the treasury stock method(1).....	253,758	253,758
Weighted average common and common equivalent shares outstanding...	8,173,507	8,173,507
Net income.....	$ 1,606,000	$ 1,606,000
Net income per share.....	$0.20	$0.20

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(1) Pursuant to SEC Staff Accounting Bulletin No. 83, all common and common equivalent shares issued at prices below the mid-point of the estimated initial public offering price range during the twelve-month period prior to the initial filing of the Registration Statement have been included in the calculation as outstanding for all periods presented using the treasury stock method.

Exhibit 21.1

Subsidiaries of The Company

Mercury Computer Systems B.V. (The Netherlands)

Mercury Computer Systems S.A.R.L. (France)

Mercury Computer Systems Ltd. (United Kingdom)

Mercury Computer Securities Corporation (Massachusetts)

Mercury Computer International Sales Corp. (Delaware)

Mercury Computer Systems Export, Inc. (Barbados)

Nihon Mercury Computer Systems K.K. (Japan)

Riverneck Road LLC (Delaware)

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 (File No.) of our report dated August 28, 1997, on our audits of the consolidated financial statements of Mercury Computer Systems, Inc. We also consent to the reference to our firm under the captions "Experts" and "Selected Consolidated Financial Data."

COOPERS & LYBRAND L.L.P.

BOSTON, MASSACHUSETTS
NOVEMBER 24, 1997

5
1,000
US DOLLARS

3-MOS	
JUN-30-1998	
JUL-01-1997	
SEP-30-1997	
1	
	16,035
	0
	12,370
	119
	8,905
	41,447
	15,683
	10,033
	47,905
	12,794
	0
	0
	1,200
	53
	33,858
	47,905
	19,039
	19,039
	6,661
	6,661
	9,710
	0
	2
	2,666
	1,060
	1,606
	0
	0
	0
	1,606
	0.20
	0.20

5
1,000
US DOLLARS

YEAR	
	JUN-30-1997
	JUL-01-1996
	JUN-30-1997
	1
	15,193
	0
	12,816
	119
	8,314
	39,073
	14,337
	9,353
	44,848
	11,526
	0
	0
	1,200
	52
	32,070
	44,848
	64,574
	64,574
	22,034
	22,034
	34,974
	40
	22
	7,544
	2,933
	4,611
	0
	0
	0
	4,611
	0.57
	0.57

5
1,000
US DOLLARS

YEAR	
	JUN-30-1996
	JUL-01-1995
	JUN-30-1996
	1
	9,704
	0
	10,548
	80
	7,188
	28,289
	15,048
	10,654
	33,264
	4,735
	0
	0
	1,200
	51
	27,278
	33,264
	58,300
	58,300
	24,688
	24,688
	26,219
	0
	13
	7,380
	2,952
	4,428
	0
	0
	0
	4,428
	0.54
	0.54