

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended December 31, 1997 Commission File Number 0-23599

MERCURY COMPUTER SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

MASSACHUSETTS 04-2741391
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

199 RIVERNECK ROAD 01824
CHELMSFORD, MA (Zip Code)
(Address of principal executive offices)

978-256-1300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO X
----- -----

Number of shares outstanding of the issuer's classes of common stock as of February 28, 1998:

Class	Number of Shares Outstanding
-----	-----
Common Stock, par value \$.01 per share	9,906,761

Total number of pages 47

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MERCURY COMPUTER SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1997	JUNE 30, 1997
	----- (UNAUDITED)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,196	\$ 15,193
Trade accounts receivable, net of allowances of \$168 and \$119 at December 31, 1997 and June 30, 1997, respectively	10,306	12,816
Contracts in progress	3,247	1,096
Inventory	10,001	8,314
Deferred income taxes, net	1,152	926
Prepays and other current assets	1,459	728
	-----	-----
Total current assets	41,361	39,073
Property and equipment, net	6,253	4,984
Capitalized software costs, net	294	483
Deferred income taxes, net	144	39
Other assets	307	269
	-----	-----
Total assets	\$ 48,359 =====	\$ 44,848 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,791	\$ 2,801
Accrued expenses	3,089	1,903
Accrued compensation	2,562	2,316
Billings in excess of revenues and customer advances	2,599	2,877
Income taxes payable	1,166	1,629
	-----	-----
Total current liabilities	11,207	11,526
Commitments and contingencies (Note D)		
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
Common stock, \$.01 par value: 25,000,000 shares authorized; 5,315,181 and 5,202,231 shares issued and outstanding at December 31, 1997 and June 30, 1997, respectively	53	52
Additional paid-in capital	5,954	5,703
Retained earnings	30,331	26,752
Cumulative translation adjustment	(61)	(60)
Subscriptions and related parties notes receivable	(325)	(325)
	-----	-----
Total stockholders' equity	37,152	33,322
	-----	-----
Total liabilities and stockholders' equity	\$ 48,359 =====	\$ 44,848 =====

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)
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31		SIX MONTHS ENDED DECEMBER 31,	
	1997	1996	1997	1996
	-----		-----	
Net Revenue	\$20,624	\$15,106	\$39,663	\$28,144
Cost of Revenue	7,283	5,128	13,944	9,666
	-----		-----	
Gross profit	13,341	9,978	25,719	18,478
Operating expenses:				
Selling, general and administrative	6,846	5,577	13,491	10,303
Research and development	3,405	3,420	6,786	5,825
	-----		-----	
Total operating expenses	10,251	8,997	20,277	16,128
	-----		-----	
Income from operations	3,090	981	5,442	2,350
Interest income, net	219	142	450	278
Other income (expenses), net	(125)	2	(43)	(21)
	-----		-----	
Income before income taxes	3,184	1,125	5,849	2,607
Provision for income taxes	1,210	437	2,270	1,013
	-----		-----	
Net income	\$ 1,974	\$ 688	\$ 3,579	\$ 1,594
	=====		=====	
Net income per share:				
Basic	\$ 0.24	\$ 0.09	\$ 0.44	\$ 0.20
	=====		=====	
Diluted	\$ 0.23	\$ 0.08	\$ 0.43	\$ 0.20
	=====		=====	
Weighted average shares outstanding:				
Basic	8,118	7,910	8,073	7,986
	=====		=====	
Diluted	8,667	8,144	8,419	8,170
	=====		=====	

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

MERCURY COMPUTER SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED DECEMBER 31,	
	1997	1996
Cash flows provided from operating activities:		
Net income	\$ 3,579	\$ 1,594
Adjustments to reconcile net income to net cash		
Provided by (used in) operating activities:		
Depreciation and amortization	1,645	1,318
Deferred income taxes	(331)	-
Changes in assets and liabilities:		
Trade accounts receivable	2,428	(934)
Trade notes receivable	-	312
Contracts in progress	(2,151)	-
Inventory	(1,633)	(746)
Prepaid expenses and other current assets	(764)	(86)
Other assets	(15)	(65)
Accounts payable	(1,007)	513
Accrued expenses and compensation	1,430	1,316
Billings in excess of revenues and customer advances	(263)	-
Income taxes payable	(449)	650
	2,469	3,872
Cash flows from investing activities:		
Purchases of property and equipment	(2,696)	(1,533)
Capitalized software development costs	(51)	(240)
	(2,747)	(1,773)
Cash flows from financing activities:		
Proceeds from issuance of common stock	252	183
	252	183
Effect of exchange rate change on cash and cash equivalents	29	(21)
Net change in cash and cash equivalents	3	2,261
Cash and cash equivalents at beginning of period	15,193	9,704
Cash and cash equivalents at end of period	\$15,196	\$11,965
Cash paid during the year for:		
Interest	\$ -	\$ 28
Income taxes	3,064	390

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

MERCURY COMPUTER SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

These consolidated financial statements should be read in conjunction with the Company's financial statements and footnotes included in the Company's Form S-1 registration statement (File No. 333-41139) which was declared effective by the Securities and Exchange Commission on January 29, 1998. In the opinion of management, the accompanying unaudited financial statements include all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows of Mercury Computer Systems, Inc. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been or omitted pursuant to the Securities and Exchange Commission rules and regulations.

B. INVENTORY

	DECEMBER 31, 1997	JUNE 30, 1997
	-----	-----
Raw materials	\$ 3,330	\$2,925
Work in process	5,475	3,084
Finished goods	1,196	2,305
	-----	-----
Total	\$10,001	\$8,314
	=====	=====

C. NET INCOME PER COMMON SHARE

The Company has adopted Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings Per Share," which specifies the computation, presentation and disclosure requirements for net income per common share. Basic net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share gives effect to all diluted potential common shares outstanding during the period. Under SFAS No. 128, the computation of diluted earnings per share does not assume the issuance of common shares that have an antidilutive effect on net income per common share.

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	1997	1996	1997	1996
	----	----	----	----
Net income	\$1,974	\$ 688	\$3,579	\$1,594
Shares used in computation:				
Weighted average common shares				
outstanding used in computation of				
basic net income per share	8,118	7,910	8,073	7,986
Dilutive effect of stock options	549	234	346	184
	-----	-----	-----	-----
Shares used in computation of diluted				
net income per share	8,667	8,144	8,419	8,170
	=====	=====	=====	=====
Basic net income per share	\$ 0.24	\$ 0.09	\$ 0.44	\$ 0.20
	=====	=====	=====	=====
Dilutive net income per share	\$ 0.23	\$ 0.08	\$ 0.43	\$ 0.20
	=====	=====	=====	=====

D. INTERNAL REVENUE SERVICE AUDIT

On December 12, 1997, the Internal Revenue Service concluded an audit of the Company's tax returns for the years ended June 30, 1992 through June 30, 1995, and issued a formal report reflecting proposed adjustments with respect to the years under audit. These adjustments relate to the disallowance of research and development tax credits claimed by the Company, as well as treatment of certain other items. The total deficiency attributable to the proposed adjustments is \$4,181,000, including penalties and interest, through the date of the report. The Company is in the process of appealing the proposed adjustments to the Appeals Division of the IRS. While the Company does not believe that the final outcome of the IRS audit will have a material adverse effect on the Company's financial condition or results of operations, no assurance can be given as to the final outcome of the audit, the amount of any final adjustments or the potential impact of such adjustments on the Company's financial condition or results of operations.

E. INITIAL PUBLIC OFFERING

On January 29, 1998, 3,500,000 shares of the Company's common stock were sold in the Company's initial public offering ("IPO") of which 2,000,000 shares were sold by the Company and 1,500,000 shares were sold by certain stockholders of the Company. The Company received \$18,780,000 in net proceeds from the IPO after deducting underwriting discounts and commissions of \$1,470,000 and approximately \$750,000 in offering expenses.

E. NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards board (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, the Company does not expect the statement to have a material impact on its financial position or results of operations because the statement requires only additional disclosure.

In June of 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement supercedes 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, the Company does not expect the statement to have a material impact on its financial position or results of operations because the statement requires only additional disclosure.

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 fiscal 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.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, information provided by the Company, statements made by its employees or information included in its filings with the Securities and Exchange Commission may contain statements which are not historical facts but which are "forward-looking statements" which involve risks and uncertainties. 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, result of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which there can be no firm assurance given. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. As it is not possible to predict every new factor that may emerge, forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. Important factors that may cause the Company's actual results to differ from forward-looking statements are referenced in the Company's registration statement on Form S-1 (File No. 333-41139) and in the Company's prospectus dated January 29, 1998 included as part of such registration statement including the section thereof entitled "Risk Factors".

RESULTS OF OPERATIONS

REVENUES

The Company's total revenues increased 37% from \$15.1 million during the three months ended December 31, 1996 to \$20.6 million during the three months ended December 31, 1997. The Company's total revenues increased 41% from \$28.1 million during the six month period ended December 31, 1996 to \$39.7 million during the six month period ended December 31, 1997. These increases in revenues reflect volume increases in all lines of businesses except for the other revenue category that reported a decline in revenues quarter over quarter as discussed below.

Defense electronics revenues increased 49% from \$10.5 million or 70% of total revenues during the three months ended December 31, 1996 to \$15.7 million or 76% of total revenues during the three months ended December 31, 1997. Defense electronics revenues increased 43% from \$21.6 million or 77% of total revenues during the six months ended December 31, 1996 to \$30.8 million or 78% of total revenues during the six months ended December 31, 1997. The increase in revenues was due primarily to increased unit demand for defense electronics products.

Medical imaging revenues increased 47% from \$2.0 million or 13% of total revenues during the three months ended December 31, 1996 to \$2.9 million or 14% of total revenues during the three months ended December 31, 1997. Medical imaging revenues increased 51% from \$3.4 million or 12% of total revenues during the six months ended December 31, 1996 to \$5.1 million or 13% of total revenues during the six months ended December 31, 1997. The increase in revenues was due primarily to increased unit demand for medical imaging products.

Other revenues decreased 20% from \$2.6 million or 17% of total revenues during the three months ended December 31, 1996 to \$2.1 million or 10% of total revenues during the three months ended December 31, 1997. Other revenues increased 18% from \$3.2 million or 11% of total revenues during the six months ended December 31, 1996 to \$3.8 million or 10% of total revenues during the six months ended December 31, 1997. The decrease in revenues quarter over quarter was primarily due to one large shared storage order recorded during the three months ended December 31, 1996 which did not recur during the three months ended December 31, 1997. The increase in revenues during the six months ended December 31, 1997 as compared to the corresponding period ended December 31, 1996 was primarily due to an increase in unit demand by new and existing commercial customers.

COST OF REVENUES

Cost of revenues increased 42% from \$5.1 million during the three months ended December 31, 1996 to \$7.3 million during the three months ended December 31, 1997. Cost of revenues increased 44% from \$9.7 million during the six months ended December 31, 1996 to \$13.9 million during the six months ended December 31, 1997. As a percent of total revenues, cost of revenues increased from 34% for the three months ended December 31, 1996 to 35% for the three months ended December 31, 1997. Cost of revenues as a percent of total revenues increased from 34% for the six months ended December 31, 1996 to 35% for the six months ended December 31, 1997. This increase in cost of revenues as a percentage of total revenues was due primarily to the inclusion of a domestic defense electronics development contract which yielded lower gross margins than gross margins historically achieved by the Company as a whole.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general, and administrative expenses increased 23% from \$5.6 million during the three months ended December 31, 1996 to \$6.8 million during the three months ended December 31, 1997. Selling, general, and administrative expenses increased 31% from \$10.3 million during the six months ended December 31, 1996 to \$13.5 million during the six months ended December 31, 1997. These increases reflect the hiring of additional sales and administrative personnel, increased commissions and costs related to the expansion of European operations.

RESEARCH AND DEVELOPMENT

Research and development expenses remained constant at \$3.4 million for the three months ended December 31, 1997 and 1996. Research and Development expenses increased 16% from \$5.8 million during the six months ended December 31, 1996 to \$6.8 million during the six months ended December 31, 1997. 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 increased 215% from \$1.0 million during the three months ended December 31, 1996 to \$3.1 million during the three months ended December 31, 1997. Included in income from operations during the three months ended December 31, 1997 were \$46,000 in hardware and software revenues and \$820,000 in direct expenses related to the shared storage business. Included in income from operations during the three months ended December 31, 1996 were \$2.1 million in hardware and software revenues and \$2.1 million in direct expenses related to the shared storage business. The direct expenses include 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.

Income from operations increased 132% from \$2.4 million during the six months ended December 31, 1996 to \$5.4 million during the six months ended December 31, 1997. Included in income from operations during the six months ended December 31, 1997 were \$84,000 in hardware and software revenues and \$1.5 million in direct expenses related to the shared storage business. Included in income from operations during the six months ended December 31, 1996 were \$2.1 million in hardware and software revenues and \$2.1 million in direct expenses related to the shared storage business.

INTEREST INCOME, NET

Interest income, net increased 54% from \$142,000 during the three months ended December 31, 1996 to \$219,000 during the three months ended December 31, 1997. Interest income, net increased 62% from \$278,000 during the six months ended December 31, 1996 to \$450,000 during the six months ended December 31, 1997. The increase in interest income, net was due to the increase in average balances of cash and investments.

PROVISION FOR INCOME TAX

The Company recorded a tax provision of \$1.2 million during the three months ended December 31, 1997 reflecting a 38% tax rate as compared to a \$437,000 tax provision during the three months ended December 31, 1996, reflecting a 39% tax rate. During the six months ended December 31, 1997, the Company recorded a tax provision of \$2.3 million as compared to a \$1.0 million tax provision recorded during the six months ended December 31, 1996. The tax rate for both six month periods was 39%.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1997, the Company had cash and cash equivalents of approximately \$15.2 million. During the six months ended December 31, 1997, the Company generated approximately \$2.5 million in cash from operations compared to \$3.9 million generated during the six months ended December 31, 1996. The decrease in cash generated from operations was due to a number of factors, including the investment of Company resources in a defense electronics development project and increases in inventory which were partially offset by the Company's increased profitability and improved management of accounts receivable. Days sales outstanding decreased from 67 days at December 31, 1996 to 45 days at December 31, 1997.

From June 30, 1997 to December 31, 1997, inventory increased due to anticipation of new product introductions and an increase in customer orders.

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 December 31, 1997, there was no outstanding borrowing on this line of credit.

During the six months ended December 31, 1997, the Company's investing activities used cash of \$2.7 million which consisted of \$1.7 million for computers, furniture and equipment, \$920,000 for the acquisition of a parcel of land and related expenditures for development of additional office space, and \$51,000 for capitalized software. This compared to a cash use of \$1.8 million during the six months ended December 31, 1996 which consisted of \$1.5 million for computers, furniture and equipment and \$240,000 for capitalized software.

During the six months ended December 31, 1997, the Company's financing activities provided approximately \$252,000 in cash from the issuance of stock options as compared to \$183,000 during the six months ended December 31, 1996.

The Company believes that its available cash, cash generated from operations, and the Company's line of credit, will be sufficient to provide for the Company's working capital and capital expenditure requirements for the foreseeable future and any final adjustments resulting from the IRS audit described in the notes to the financial statements. 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.

MERCURY COMPUTER SYSTEMS, INC.
PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(a) Internal Revenue Service audit - refer to Note D under Notes to Consolidated Financial Statements on page 7.

ITEM 2. RECENT SALES OF UNREGISTERED SECURITIES; USES OF PROCEEDS FROM REGISTERED SECURITIES

(a-e) Recent Sales of Unregistered Securities

During the three months of October, November and December of 1997, the Company issued the following securities, none of which has been registered under the Securities Act of 1933:

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

1. On December 31, 1997, the Company issued 500 shares of Common Stock at a price of \$4.00 per share upon exercise of a stock option.
2. On December 30, 1997, the Company issued 3,000 shares of Common Stock at a price of \$1.50 per share upon exercise of a stock option.
3. On December 29, 1997, the Company issued 250 shares of Common Stock at a price of \$4.00 per share upon exercise of a stock option.
4. On October 28, 1997, the Company issued 8,000 shares of Common Stock at a price of \$2.00 per share upon exercise of two stock options.
5. On October 17, 1997, the Company issued 4,450 shares of Common Stock at a price of \$4.00 per share upon the exercise of two stock options.
6. 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.
7. 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.
8. On October 3, 1997, the Company issued 26,000 shares of Common Stock at a price of \$2.00 per share upon the exercise of three stock options.

(f) Use of Proceeds from Registered Securities. None

ITEM 6. EXHIBITS AND REPORTS FILED ON FORM 8-K

(a) Exhibits. See exhibit index on page 13.

(b) Reports on Form 8-K. None.

MERCURY COMPUTER SYSTEMS, INC.
SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERCURY COMPUTER SYSTEMS, INC.
(REGISTRANT)

Date: March 12, 1998

By: /s/ G. MEAD WYMAN

G. Mead Wyman
Vice President, Chief Financial Officer
and Treasurer
(Principal Financial and Accounting Officer)

MERCURY COMPUTER SYSTEMS, INC.
EXHIBIT INDEX

Exhibit
Item #
- - - - -

1.1 Underwriting Agreement dated January 29, 1998 by and among the
Company and Prudential Securities Incorporated and Cowen & Company.

MERCURY COMPUTER SYSTEMS, INC.

3,500,000 Shares(1)

Common Stock

UNDERWRITING AGREEMENT

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"). The Selling Stockholders propose to sell, severally, to the several Underwriters not more than 294,350 additional shares of Common Stock, in the aggregate, if requested by the Representatives as provided in Section 3 of this Agreement, in the respective amounts set forth opposite the names of the Selling Stockholders in Column (b) of SCHEDULE I and SCHEDULE II hereto, as the case may be. The Company proposes to sell to the several Underwriters not more than 230,650 additional shares of Common Stock if requested by the Representatives and if the Representatives have already exercised in full their options with respect to the shares identified in the previous sentence, all as provided in Section 3 of 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 represents and warrants to, and agrees with, each of the several Underwriters that:

-
- (1) Plus options to purchase (i) from the Selling Stockholders up to 294,350 additional shares to cover over-allotments and (ii) from the Company up to 230,650 additional shares to cover over-allotments. The options shall be exercised FIRST with respect to the shares subject to such options offered by the Selling Stockholders on a PRO RATA basis until all of the 294,350 shares have been exercised and SECOND with respect to the shares subject to such options offered by the Company.

(a) A registration statement on Form S-1 (File No. 333-41139) 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 has no subsidiaries other than those listed in SCHEDULE IV hereto. 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 would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) The Company and each of its subsidiaries have full power (corporate or limited liability company) 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 corporate or limited liability company power 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's authorized, issued and outstanding capitalization is set forth in the Prospectus or, if the Prospectus is not in existence, the most recent Preliminary Prospectus. All of the issued and outstanding 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) After giving effect to the amendment to the Company's Articles of Organization described in the Prospectus, 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 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, taken as a whole, 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, taken as a whole, 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 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.

(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, taken as a whole.

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 James R. Bertelli and R. Schorr Berman 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 Hutchins, Wheeler & Dittmar, A Professional Corporation, 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 known to such Selling Stockholder 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 which such Selling Stockholder or any of its subsidiaries is a party or by which such Selling Stockholder or, if applicable, by which such Selling Stockholder or 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 or any officer of 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.

2(C). ADDITIONAL REPRESENTATIONS AND WARRANTIES OF THE PRINCIPAL SELLING STOCKHOLDERS. Each Principal Selling Stockholder represents and warrants to, and agrees with, each of the several Underwriters, severally and not jointly, that nothing has come to the attention of such Principal Selling Stockholder that would cause such Principal Selling Stockholder to believe that:

(a) any of the Company's representations and warranties set forth in Section 2(A) hereof was untrue as of the date any such representation or warranty was made; or

(b) (1) when any Preliminary Prospectus was filed with the Commission it (i) did not contain all statements required to be stated therein in accordance with, or did not comply in all material respects with the requirements of, the Act and the rules and regulations of the Commission thereunder or (ii) included any untrue statement of a material fact or omitted 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;

(2) when the Registration Statement or any amendment thereto was or is declared effective, it (i) did not contain or will not contain all statements required to be stated therein in accordance with, or did not comply or will not comply in all material respects with the requirements of, the Act and the rules and regulations of the Commission thereunder or (ii) included or will include any untrue statement of a material fact or omitted or will omit to state any material fact necessary to make the statements therein not misleading;

(3) 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, the Prospectus, as amended or supplemented at any such time, (i) did not or will not contain all statements required to be stated therein in accordance with, or did not or will not comply in all material

respects with the requirements of, the Act and the rules and regulations of the Commission thereunder or (ii) included or will include any untrue statement of a material fact or omitted or will 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;

unless, in the case of (b) above, any such statements or omissions made in any Preliminary Prospectus, the Registration Statement or any amendment thereto or the Prospectus or any amendment or supplement thereto were made in reliance upon and in conformity with written information furnished to the Company or any Principal Selling Stockholder by any Underwriter through the Representatives specifically for use therein.

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 \$9.765 per share, the number of Firm Securities set forth opposite the name of such Underwriter in Column (a) of SCHEDULE III hereto and (B) each of the Selling Stockholders, severally and not jointly, agrees to sell to the Underwriters, severally and not jointly, the number of Firm Securities set forth opposite the name of such Selling Stockholder in Column (a) of SCHEDULE I or SCHEDULE II hereto, as the case may be, and each of the Underwriters, severally and not jointly, agrees to purchase from the Selling Stockholders, severally and not jointly, 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 Hutchins, Wheeler & Dittmar, A Professional Corporation, 101 Federal Street, Boston, Massachusetts 02110 at 9:30 A.M., New York time, on February 4, 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, the Company and each Selling Stockholder, severally and not jointly, hereby grant to the several Underwriters options 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 with respect to the Selling Stockholders and in Column (d) of SCHEDULE III hereto with respect to the Company. The options granted hereby (i) shall be exercised FIRST as to the shares subject to such options which are offered by the Selling Stockholders as set forth opposite the name of such Selling Stockholder in Column (b) of SCHEDULE I or SCHEDULE II hereto, as the case may be, PRO RATA among the Selling Stockholders based upon the percentage obtained for each Selling Stockholder by computing a fraction the numerator of which is the number of shares so offered by a Selling Stockholder as set forth opposite the name of such Selling Stockholder in Column (b) of SCHEDULE I or SCHEDULE II hereto, as the case may be, and the denominator of which is the total number of shares so offered by all Selling Stockholders (calculated by figuring the sum of the "total" rows of Column (b) in each of SCHEDULE I and SCHEDULE II hereto) and SECOND as to the shares subject to such options which are offered by the Company and (ii) subject to the preceding clause (i), 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 (and the Attorneys-in-Fact) and/or the Company, as the case may be, 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 (and the Attorneys-in-Fact) and/or the Company, as the case may be, 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 and/or the Company, as the case may be, 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 and/or the Company, as the case may be, the number of Option Securities set forth opposite the name of Underwriter in Column (c) of SCHEDULE III hereto with respect to the Selling Stockholders and Column (d) of SCHEDULE III hereto with respect to the Company, 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 and its employee stock purchase plan 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 use all commercially reasonable efforts to 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 and with our consent (which consent shall not be unreasonably withheld or delayed), 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 use its best efforts to ensure that the Securities remain included for quotation on the Nasdaq National Market or are included for quotation on another national quotation system or listed on a national securities exchange 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; PROVIDED, HOWEVER, that notwithstanding the foregoing restrictions on transfer (collectively, the "Restrictions"), such Selling Stockholder shall be permitted to make the following transfers: (i) transfers of shares of Common Stock made by gift, provided the donee thereof agrees in writing to be bound by the Restrictions; (ii) transfers of shares of Common Stock to members of such Selling Stockholder's immediate family or to a trust or similar estate planning entity established for the benefit of such Selling Stockholder or a member of such Selling Stockholder's immediate family, provided that each transferee

agrees in writing to be bound by the Restrictions; (iii) transfers of shares of Common Stock to the transferor's affiliates, as such term is defined in Rule 405 under the Act, provided that each transferee agrees in writing to be bound by the Restrictions; (iv) transfers of shares of Common Stock made with the prior written consent of Prudential Securities Incorporated on behalf of the Underwriters; and (v) transfers of shares of Common Stock pursuant to the Registration Statement.

(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) all expenses of the Company's officers in connection with any meetings with prospective investors in the Securities and (ix) advertising relating to the offering of the Securities which has been specifically requested by the Company and not 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(a)(i) or (ii) 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; PROVIDED, HOWEVER, that if the Closing of the sale of the Firm Securities has been consummated, reimbursement of expenses paid in accordance with this sentence shall be payable to the Underwriters severally upon demand (i) 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 Option Securities the sale of which has not been consummated for any of the reasons provided in this sentence and (ii) only if all Underwriters' discounts and commissions from the purchase and sale of the Firm Securities pursuant to Section 3 hereof have been paid in full to the Underwriters. 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, A Professional Corporation, counsel for the Company, to the effect that:

(i) the Company and each of its subsidiaries which is organized in the United States (the "U.S. Subsidiaries") have been duly organized and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation;

(ii) the Company and each of the U.S. 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 U.S. 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 knowledge of such counsel, any other security interests, liens, encumbrances, equities or claims;

(iv) after giving effect to the amendment to the Company's Articles of Organization described in the Prospectus, the Company's authorized, issued and outstanding capitalization is 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 Agreement 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 under the Articles of Organization or By-Laws, as in effect on the date of this opinion, of the Company, or under any statute, rule or regulation, or under any agreement known to such counsel; and no holders of securities of the Company are entitled to have such securities registered under the Registration Statement pursuant to any agreement known to such counsel, other than those holders whose Securities are included in the Registration Statement or who have waived such rights;

(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";

(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) to the knowledge of such counsel after due inquiry consisting solely of inquiry of the executive officers of the Company and a docket search in state courts in Massachusetts and federal courts sitting in Massachusetts, no legal or governmental proceedings are pending to which the Company or any of the U.S. Subsidiaries is a party or to which the property of the Company or any of the U.S. Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not described therein, and, to the knowledge of such counsel, no such proceedings have been threatened against the Company or any of the U.S. Subsidiaries or with respect to any of their respective properties and (B) no contract or other document known to such counsel 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) 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 all of which may be listed in an exhibit to such counsel's opinion, to which the Company or any of the U.S. Subsidiaries is a party or by which the Company or any of the U.S. Subsidiaries or any of their respective properties are bound, or the charter documents or by-laws of the Company or any of the U.S. 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 U.S. Subsidiaries;

(ix) such counsel has been informed by the Commission that 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); such counsel has been informed by the Commission that no stop order suspending the effectiveness of the Registration Statement or any amendment thereto has been issued, and, to such counsel's knowledge, no proceedings for that purpose have been instituted or threatened or, 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 (or such other counsel acceptable to the Representatives) substantially to the effect that:

(i) each Selling Stockholder has full corporate, partnership or trust power, as applicable, 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 have 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;

(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, the Selling Stockholders and representations and warranties of the Company and the Selling Stockholders contained herein, in the Custody Agreements and in the Powers of Attorney.

(b)(3) The Representatives shall have received opinions of counsel, dated the Firm Closing Date, from local counsel to each of the Company's subsidiaries organized outside of the United States in form and substance satisfactory to the Representatives and counsel to the Representatives.

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, 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 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 November 1, 1997 to such specified date there were any decreases, as compared with the corresponding period in the preceding year, 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 one of the Attorneys-in-Fact, 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 (subject to certain limited exceptions to be agreed upon by the Representatives) from each person who is a director or executive officer of the Company or who owns 5,000 shares of Common Stock or more 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; PROVIDED, HOWEVER, that notwithstanding the Restrictions, such person shall be permitted to make the following transfers: (i) transfers of shares of Common Stock made by gift, provided the donee thereof agrees in writing to be bound by the Restrictions; (ii) transfers of shares of Common Stock to members of such person's immediate family or to a trust or similar estate planning entity established for the benefit of such person or a member of such person's immediate family, provided that each transferee agrees in writing to be bound by the Restrictions; (iii) transfers of shares of Common Stock to the transferor's affiliates, as such term is defined in Rule 405 under the Act, provided that each transferee agrees in writing to be bound by the Restrictions; (iv) transfers of shares of Common Stock made with the prior written consent of Prudential Securities Incorporated on behalf of the Underwriters; and (v) transfers of shares of Common Stock pursuant to the Registration Statement. 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 agrees 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 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 based upon written information furnished by or on behalf of the Company 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 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 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 5A(d) and (e) of this Agreement. This indemnity agreement will be in addition to any liability which the Company may otherwise have. The Company will not, 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.

(b) Each Principal Selling Stockholder, severally and not jointly, agrees 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 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 any untrue statement or alleged untrue statement made by such Principal Selling Stockholder in Section 2(B) or (C) of this Agreement, 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 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 5A(d) and (e) of this Agreement. This indemnity agreement will be in addition to any liability which such Principal Selling Stockholder may otherwise have. No 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.

(c) Each Additional Selling Stockholder, severally, and not jointly, 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 5A(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 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.

(d) 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. No Underwriter will, without the prior written consent of the Company, 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 the Company is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of the Company from all liability arising out of such claim, action, suit or proceeding.

(e) 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 reasonably 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 reasonably 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.

(f) 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 net proceeds from the offering (after discounts but 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.

(g) Notwithstanding anything in this Agreement to the contrary, the liability of each Principal Selling Stockholder under this Agreement shall not exceed the LESSER of (i) that percentage of the total amount of such losses, claims, damages or liabilities for which the Underwriters or any persons controlling such Underwriters are entitled to indemnity hereunder equal to the percentage obtained by dividing the total number of Securities sold by the Principal Selling Stockholder hereunder by the total number of Securities sold hereunder or (ii) an amount equal to the initial public offering price of the Securities (less underwriting discounts and commissions but not expenses) sold by the Principal Selling Stockholder to the Underwriters.

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 (other than such a suspension which includes a suspension covered by (iii) below);

(iii) 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; or 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 at least 10% 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 (telecopier: (212) 778-3621) with a copy to Testa, Hurwitz & Thibault, LLP, High Street Tower, 125 High Street, Boston, MA 02110, Attention: Timothy C. Maguire, Esq. (telecopier: (617) 248-7100); 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: (978) 256-0013) with a copy to Hutchins, Wheeler & Dittmar, A Professional Corporation, 101 Federal Street, Boston, MA 02110, Attention: Anthony J. Medaglia, Jr., Esq. (telecopier: (617) 951-1295); 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.

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.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

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: /s/ G. MEAD WYMAN

Name: G. Mead Wyman
Title: Vice President, Chief Financial
Officer and Treasurer

MD CO.
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
MASSMUTUAL CORPORATE INVESTORS
DATA GENERAL CORPORATION
FIRST STAGE CAPITAL LIMITED PARTNERSHIP
ROBERT FRISCH
JOHN NITZSCHE
KATHRYN BERTELLI
KATHRYN BERTELLI 1995 IRREVOCABLE TRUST,
KATHRYN BERTELLI TRUSTEE
SUSAN L. ANSIN
LAWRENCE J. ANSIN 1990 REVOCABLE TRUST --
TRUST A-2, PATRICK B. MARAGHY, TRUSTEE
GREGORY DAVID ANSIN 1992 REVOCABLE TRUST,
PATRICK B. MARAGHY, TRUSTEE
LISA ANSIN 1988 REVOCABLE TRUST, PATRICK B.
MARAGHY, TRUSTEE
BRUCE BECK
DAVID BERTELLI
PAUL BERTELLI
MARY CACCIATORE
DIMENSION ENTERPRISES
JOHN FREEBURN, JR.
BARRY ISENSTEIN
SCOTT ISRAEL
CRAIG LUND
CRAIG MAXEY
STEPHEN PATTERSON
ARLAN POOL
DENNIS RAKOCY
GRAHAM SMITH
MARIAN SONNENFELD
SEYMOUR STEIN
MARK TURNER
JAMES WESTRA

By: /s/ JAMES R. BERTELLI

James R. Bertelli, as Attorney-in-Fact, acting
on behalf of each of the above-named Selling
Stockholders

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: /s/ JEAN-CLAUDE CANFIN

Jean-Claude Canfin
Managing Director

For itself and on behalf of the Representatives.

SCHEDULE I
PRINCIPAL SELLING STOCKHOLDERS

	(a) Number of Firm Securities to be sold to Underwriters -----	(b) Number of Option Securities to be sold to Underwriters -----
MD Co.	425,000	75,000
First Stage Capital Limited Partnership	318,750	56,250
Totals	----- 743,750	----- 131,250

SCHEDULE II
 ADDITIONAL SELLING STOCKHOLDERS

	(a) Number of Firm Securities to be Sold To Underwriters -----	(b) Number of Option Securities to be Sold To Underwriters -----
Massachusetts Mutual Life Insurance Company	106,250	18,750
MassMutual Corporate Investors	106,250	18,750
Data General Corporation	280,500	49,500
Robert Frisch	21,250	3,750
John Nitzsche	85,000	15,000
Kathryn Bertelli	1,700	300
Kathryn Bertelli 1995 Irrevocable Trust, Kathryn Bertelli Trustee	8,500	1,500
Susan L. Ansin	29,750	5,250
Lawrence J. Ansin 1990 Revocable Trust -- Trust A-2, Patrick B Maraghy, Trustee	76,500	13,500
Gregory David Ansin 1992 Revocable Trust, Patrick B Maraghy, Trustee	7,650	1,350
Lisa Ansin 1988 Revocable Trust, Patrick B. Maraghy, Trustee	7,650	1,350
Bruce Beck	399	2,601
David Bertelli	3,400	600
Paul Bertelli	2,550	450
Mary Cacciatore	320	2,080
Dimension Enterprises	800	5,200
John Freeburn, Jr	200	1,300
Barry Isenstein	266	1,734
Scott Israel	399	2,601
Craig Lund	666	4,334
Craig Maxey	333	2,167
Stephen Patterson	266	1,734
Arlan Pool	266	1,734
Dennis Rakocy	399	2,601
Graham Smith	266	1,734
Marian Sonnenfeld	6,970	1,230
Seymour Stein	6,800	1,200
Mark Turner	100	650
James Westra	850	150
	-----	-----
Totals	756,250	163,100

SCHEDULE III

UNDERWRITERS

Underwriter -----	(a) Number of Firm Securities to be Purchased From the Company -----	(b) Number of firm Securites to be Purchased from the Selling Stockholders -----	(c) Number of Option Securites to be Purchased from the Selling Stockholders -----	(d) Number of Option Securities to be Purchased from the Company -----
Prudential Securities Incorporated	674,285	505,715	99,238	77,762
Cowen & Company	674,285	505,715	99,238	77,762
BancAmerica Robertson Stephens	45,714	34,286	6,728	5,272
Bear, Stearns & Co. Inc.	45,714	34,286	6,728	5,272
BT Alex. Brown Incorporated	45,714	34,286	6,728	5,272
Donaldson, Lufkin & Jenrette Securities Corporation	45,714	34,286	6,728	5,272
A.G. Edwards & Sons, Inc.	45,714	34,286	6,728	5,272
Goldman, Sachs & Co.	45,714	34,286	6,728	5,272
Hambrecht & Quist LLC	45,714	34,286	6,728	5,272
NationsBanc Montgomery Securities, Inc.	45,714	34,286	6,728	5,272
PaineWebber Incorporated	45,714	34,286	6,728	5,272
Smith Barney Inc.	45,714	34,286	6,728	5,272
Advest, Inc.	22,857	17,143	3,364	2,636
Brean Murray & Co., Inc.	22,857	17,143	3,364	2,636
Needham & Company, Inc.	22,857	17,143	3,364	2,636
Raymond James & Associates, Inc.	22,858	17,142	3,364	2,636
Soundview Financial Group, Inc.	22,858	17,142	3,364	2,636
Tucker Anthony Incorporated	22,858	17,142	3,364	2,636

Branch, Cabell and Company	11,429	8,571	1,682	1,318
Moors & Cabot, Inc.	11,429	8,571	1,682	1,318
Nutmeg Securities, Ltd.	11,429	8,571	1,682	1,318
The Seidler Companies Incorporated	11,429	8,571	1,682	1,318
WIT Capital Corporation	11,429	8,571	1,682	1,318
Total	2,000,000 -----	1,500,000 -----	294,350 -----	230,650 -----

SCHEDULE IV
SUBSIDIARIES

Name - - - - -	Jurisdiction Of Organization -----
Mercury Computer Securities Corporation	Massachusetts
Riverneck Road LLC	Massachusetts
Mercury Computer International Sales Corp.	Delaware
Mercury Computer Systems B.V.	The Netherlands
Nihon Mercury Computer Systems K.K.	Japan
Mercury Computer Systems S.A.R.L.	France
Mercury Systems Ltd.	United Kingdom
Mercury Computer Systems Export, Inc.	Barbados

5
1,000
U.S. DOLLARS

3-MOS

	JUN-30-1998	OCT-01-1997	DEC-31-1997
		1	15,196
		0	0
		10,306	168
		10,001	41,361
		16,996	10,743
		48,359	11,207
		0	0
		1,200	53
48,359		35,899	20,624
		20,624	7,283
		7,283	10,157
		50	0
		0	3,184
		1,210	1,974
		0	0
		0	0
		1,974	0
		.24	.23
		.23	