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

FORM 10-K

(Mark One)

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

For the fiscal year ended August 30, 2012
OR

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

For the transition period from to
Commission file number 1-10658

Micron Technology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**75-1618004**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8000 S. Federal Way, Boise, Idaho	**83716-9632**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(208) 368-4000

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.10 per share	NASDAQ Global Select Market

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

None
(Title of Class)

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

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

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

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

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

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

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of such stock on March 1, 2012, as reported by the NASDAQ Global Select Market, was approximately $5.7 billion. Shares of common stock held by each executive officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock as of October 18, 2012, was 1,017,560,523.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Proxy Statement for the registrant's Fiscal 2012 Annual Meeting of Shareholders to be held on January 22, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those made in "Products" regarding growth in demand for NAND Flash products and solid-state drives and regarding volume production of DDR4 in 2013; and in "Manufacturing" regarding the transition to smaller line-width process technologies. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 1A. Risk Factors." All period references are to our fiscal periods unless otherwise indicated.

Corporate Information

Micron Technology, Inc., a Delaware corporation, was incorporated in 1978. As used herein, "we," "our," "us" and similar terms include Micron Technology, Inc. and its subsidiaries, unless the context indicates otherwise. Our executive offices are located at 8000 South Federal Way, Boise, Idaho 83716-9632 and our telephone number is (208) 368-4000. Information about us is available on the internet at www.micron.com. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to these reports, are available through our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"). Materials filed by us with the SEC are also available at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling (800) SEC-0330. Also available on our website are our: Corporate Governance Guidelines, Governance Committee Charter, Compensation Committee Charter, Audit Committee Charter and Code of Business Conduct and Ethics. Any amendments or waivers of our Code of Business Conduct and Ethics will also be posted on our website at www.micron.com within four business days of the amendment or waiver. Copies of these documents are available to shareholders upon request. Information contained or referenced on our website is not incorporated by reference and does not form a part of this Annual Report on Form 10-K.

Overview

We are a global manufacturer and marketer of semiconductor devices, principally NAND Flash, DRAM and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, automotive, industrial, embedded and mobile products. In addition, we manufacture semiconductor components for CMOS image sensors and other semiconductor products. We market our products through our internal sales force, independent sales representatives and distributors primarily to original equipment manufacturers ("OEMs") and retailers located around the world. Our success is largely dependent on the market acceptance of our diversified portfolio of semiconductor products, efficient utilization of our manufacturing infrastructure, successful ongoing development of advanced process technologies and the return on research and development ("R&D") investments.

We obtain products from three primary sources: (1) production from our wholly-owned manufacturing facilities, (2) production from our joint venture manufacturing facilities, and (3) to a lesser degree, from third party manufacturers. In recent years, we have increased our manufacturing scale and product diversity through strategic acquisitions and various partnering arrangements, including joint ventures, which have helped us to attain lower costs than we could otherwise achieve through internal investments alone.

We make significant investments to develop the proprietary product and process technologies that are implemented in our worldwide manufacturing facilities and through our joint ventures. These investments enable our production of semiconductor products with increasing functionality and performance at lower costs. We generally reduce the manufacturing cost of each generation of product through advancements in product and process technology such as our leading-edge line-width process technology and innovative array architecture. We continue to introduce new generations of products that offer improved performance characteristics, such as higher data transfer rates, reduced package size, lower power consumption, improved read/write reliability and increased memory density. To leverage our significant investments in R&D, we have formed, and may continue to form, strategic joint ventures that allow us to share the costs of developing memory product and process technologies with joint venture partners. In addition, from time to time, we also sell and/or license technology to other parties. We continue to pursue additional opportunities to monetize our investment in intellectual property through partnering and other arrangements. On July 2, 2012, we entered into a Sponsor Agreement with the trustees of Elpida Memory, Inc. and Elpida's wholly-owned subsidiary, Akita Elpida Memory, Inc. The Elpida Companies filed petitions for corporate reorganization proceedings with the Tokyo District Court under the Corporate Reorganization Act of Japan on February 27, 2012. (See "Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations – Overview.")

Business Segments

We have the following four reportable segments:

NAND Solutions Group ("NSG"): Includes high-volume NAND Flash products sold into data storage, personal music players and the high-density computing market, as well as NAND Flash products sold to Intel Corporation ("Intel") through IM Flash.

DRAM Solutions Group ("DSG"): Includes DRAM products sold to the PC, consumer electronics, networking and server markets.

Wireless Solutions Group ("WSG"): Includes DRAM, NAND Flash and NOR Flash products, including multi-chip packages, sold to the mobile device market.

Embedded Solutions Group ("ESG"): Includes DRAM, NAND Flash and NOR Flash products sold into automotive and industrial applications, as well as NOR and NAND Flash sold to consumer electronics, networking, PC and server markets.

Our other operations do not meet the quantitative thresholds of a reportable segment and are reported under All Other.

Products

NAND Flash Memory

NAND Flash products are electrically re-writeable, non-volatile semiconductor memory devices that retain content when power is turned off. NAND Flash sales were 44%, 36% and 30% of our total net sales in 2012, 2011 and 2010, respectively. NAND Flash products are sold by our NSG, WSG and ESG segments. NAND Flash is ideal for mass-storage devices due to its fast erase and write times, high density and low cost per bit relative to other solid-state memories. Removable storage devices, such as USB and Flash memory cards, are used with applications such as PCs, digital still cameras, MP3/4 players and mobile phones. Embedded NAND Flash-based storage devices are utilized in mobile phones, MP3/4 players, computers, solid-state drives ("SSDs"), tablets and other personal and consumer applications. The market for NAND Flash products has grown rapidly and we expect it to continue to grow due to demand for these and other removable and embedded storage devices.

Our NAND Flash products feature a small cell structure that enables higher densities for demanding applications. We offer Single-Level Cell ("SLC") NAND Flash products as well as Multi-Level Cell ("MLC") and Triple-Level Cell ("TLC") NAND Flash products, which have two and three times, respectively, the bit density of SLC NAND Flash products. In 2012, we offered SLC NAND products in 1 gigabit ("Gb") to 64Gb densities. In addition, we offered 8Gb to 128Gb 2-bit-per-cell MLC NAND Flash products and 32Gb to 128Gb 3-bit-per-cell TLC NAND Flash products. We offer high-speed NAND Flash products that are compatible with advanced interfaces. Additionally, our multichip packages ("MCPs") incorporate NAND Flash with other memory products to create a single package that simplifies design while improving performance and functionality.

We offer next-generation RealSSD™ SSDs for enterprise server and notebook applications which feature higher performance, reduced power consumption and enhanced reliability as compared to typical hard disk drives. Using our SLC and MLC NAND Flash process technology, these SSDs are offered in 2.5-inch and 1.8-inch form factors, with densities up to 512 gigabytes ("GB"). We also offer embedded USB devices with densities up to 16GB. We are sampling enterprise PCIe SSDs with capacities up to 700GB. We expect that demand for SSDs will continue to increase significantly over the next several years.

Through our Lexar® brand, we sell high-performance digital media products and other flash-based storage products through retail and OEM channels. Our digital media products include a variety of flash memory cards and JumpDrive™ products with a range of speeds, capacities and value-added features. We offer flash memory cards in a variety of speeds and capacities and in all major media formats, including: CompactFlash, Memory Stick and Secure Digital ("SD"). CompactFlash and Memory Stick products sold by us incorporate our patented controller technology. Other products, including SD memory cards and some JumpDrive products, incorporate third party controllers. We also manufacture products that are sold under other brand names and resell flash memory products that are purchased from other NAND Flash suppliers.

Dynamic Random Access Memory ("DRAM")

DRAM products are high-density, low-cost-per-bit, random access memory devices that provide high-speed data storage and retrieval. DRAM sales products were 39%, 41% and 60% of our total net sales in 2012, 2011 and 2010, respectively. DRAM products are sold by our DSG, WSG and ESG segments. We offer DRAM products with a variety of performance, pricing and other characteristics including high-volume DDR3 and DDR2 products as well as specialty DRAM memory products including Mobile Low Power DRAM ("LPDRAM"), DDR, SDRAM, Reduced Latency DRAM ("RLDRAM") and Pseudo-static DRAM ("PSRAM").

***DDR3 and DDR2*:** DDR3 and DDR2 are standardized, high-density, high-volume, DRAM products that are sold primarily for use as main system memory in computers and servers. DDR3 and DDR2 products offer high speed and high bandwidth at a relatively low cost. DDR3 sales were 20%, 21% and 22% of our total net sales in 2012, 2011 and 2010, respectively. DDR2 sales were 9%, 10% and 24% of our total net sales in 2012, 2011 and 2010, respectively. We expect to begin volume production of DDR4 products in 2013.

We offer DDR3 products in 1Gb, 2Gb and 4Gb densities and DDR2 products in 512 megabit ("Mb"), 1Gb and 2Gb densities. These densities enable us to meet customer demands for a broad array of products and we offer these products in multiple configurations, speeds and package types.

***Specialty DRAM products*:** We also offer DRAM memory products including DDR and DDR2 Mobile LPDRAM, DDR, SDRAM, RLDRAM and PSRAM in densities ranging from 64Mb to 4Gb. LPDRAM products are used primarily in laptop computers, tablets and other consumer devices that require low power consumption. Our other specialty DRAM products are used primarily in networking devices, servers, consumer electronics, communications equipment and computer peripherals as well as computer memory upgrades. Aggregate sales of LPDRAM and our other specialty DRAM products were 10%, 10% and 14% of our total net sales in 2012, 2011 and 2010, respectively.

NOR Flash Memory

NOR Flash products are electrically re-writeable, non-volatile semiconductor memory devices that retain content when power is turned off, offer fast read times due to random access capability and have execute-in-place ("XiP") capability that enables processors to read NOR Flash without first accessing RAM. These capabilities make NOR ideal for storing program code in wireless and embedded applications. Our NOR Flash sales originated from the May 7, 2010 acquisition of Numonyx and were 12%, 18% and 5% of our total net sales for 2012, 2011 and 2010, respectively. NOR Flash products are sold by our WSG and ESG segments.

We offer both parallel and serial interface NOR Flash products in a broad range of densities, packages and features. Our parallel NOR Flash products are constructed to meet the needs of the consumer electronics, industrial, wired and wireless communications, computing and automotive applications. These products offer high densities, XiP performance, architectural flexibility and proven reliability in rigorous industrial settings. Our serial NOR Flash products are designed to meet the needs of consumer electronics, industrial, wired communications and computing applications. These products offer industry-standard packaging, pinouts, command sets and chipset compatibility.

Partnering Arrangements

The following is a summary of our partnering arrangements as of August 30, 2012:

		Member or Partner(s)	Approximate Micron Ownership Interest	Formed/ Acquired	Product Market
Consolidated Entities					
IMFT	(1)	Intel Corporation	51%	2006	NAND Flash
MP Mask	(2)	Photronics, Inc.	50%	2006	Photomasks
Equity Method Investments					
Inotera	(3)	Nanya Technology Corporation	40%	2009	DRAM
Aptina	(4)	Riverwood Capital LLC and TPG Partners VI, L.P.	35%	2009	CMOS Image Sensors

(1) ***IMFT:*** We partner with Intel for the design, development and manufacture of NAND Flash and certain emerging memory products. In connection therewith, we formed a joint venture with Intel, IM Flash Technologies, LLC ("IMFT"), to manufacture NAND Flash memory products for the exclusive benefit of the members. The members share the output of IMFT generally in proportion to their investment. We sell NAND Flash products to Intel through IMFT at long-term negotiated prices approximating cost. We generally share product design and other research and development costs for NAND Flash and certain emerging memory technologies equally with Intel. In April 2012, we acquired Intel's remaining interests in a separate NAND Flash joint venture, IM Flash Singapore, LLP ("IMFS"). (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – IM Flash" note.)

(2) ***MP Mask:*** We produce photomasks for leading-edge and advanced next generation semiconductors through MP Mask Technology Center, LLC ("MP Mask"), a joint venture with Photronics, Inc. ("Photronics"). We and Photronics also have supply arrangements wherein we purchase a substantial majority of the reticles produced by MP Mask. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – MP Mask" note.)

(3) ***Inotera:*** We partner with Nanya Technology Corporation ("Nanya") for the design, development and manufacture of DRAM products, including the joint development of DRAM process technology. In connection therewith, we have partnered with Nanya in a DRAM memory company in Taiwan, Inotera Memories, Inc. ("Inotera"). We have a supply agreement with Inotera and Nanya which gives us the right and obligation to purchase 50% of Inotera's semiconductor memory capacity subject to specific terms and conditions. Under the formula for this supply agreement, all parties' manufacturing costs related to wafers supplied by Inotera, as well as our and Nanya's revenue for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers purchased by us from Inotera. In connection with the partnering agreement, we have also deployed and licensed certain intellectual property related to the manufacture of DRAM products to Nanya and licensed certain intellectual property from Nanya. We also partner with Nanya to jointly develop process technology and designs to manufacture DRAM products. Under a cost-sharing arrangement effective beginning in April 2010, we generally share DRAM development costs with Nanya. In addition, in 2010 we began receiving royalties from Nanya for sales of DRAM products manufactured by or for Nanya with technology developed prior to April 2010. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Inotera" note.)

(4) ***Aptina:*** We manufacture CMOS image sensor products for Aptina under a wafer supply agreement. We own 64% of Aptina’s common stock and none of their preferred stock resulting in a total ownership interest in Aptina of 35%. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Other" note.)

On August 30, 2012, we had a 50% interest in Transform Solar Pty Limited ("Transform"), a joint venture with Origin Energy Limited ("Origin"). Transform developed and manufactured photovoltaic solar panels. As a result of the ongoing challenging global environment in the solar industry and unfavorable worldwide supply and demand conditions, on May 25, 2012, the Board of Directors of Transform approved a liquidation plan. As of August 30, 2012, the operations of Transform were substantially discontinued. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Transform" note.)

Manufacturing

Our manufacturing facilities are located in the United States, China, Israel, Italy, Malaysia, Puerto Rico and Singapore. Our Inotera joint venture also has a wafer fabrication facility in Taiwan. In 2011, we sold our wafer fabrication facility in Japan to Tower Semiconductor Ltd. ("Tower") and entered into a supply agreement for Tower to manufacture products for us in the facility through approximately May 2014. Our manufacturing facilities generally operate 24 hours per day, 7 days per week. Semiconductor manufacturing is extremely capital intensive, requiring large investments in sophisticated facilities and equipment. A significant portion of our semiconductor equipment is replaced every three to five years with increasingly advanced equipment. NAND Flash, DRAM and NOR Flash products share common manufacturing processes, enabling us to leverage our product and process technologies and manufacturing infrastructure across these product lines.

Our process for manufacturing semiconductor products is complex, involving a number of precise steps, including wafer fabrication, assembly and test. Efficient production of semiconductor products requires utilization of advanced semiconductor manufacturing techniques and effective deployment of these techniques across multiple facilities. The primary determinants of manufacturing cost are process line-width, number of mask layers, number of fabrication steps and number of good die produced on each wafer. Other factors that contribute to manufacturing costs are wafer size, cost and sophistication of manufacturing equipment, equipment utilization, process complexity, cost of raw materials, labor productivity, package type and cleanliness of the manufacturing environment. We continuously enhance our production processes, reducing die sizes and transitioning to higher density products. In 2012, most of our NAND Flash memory products were manufactured on our 25nm line-width process technology. We expect that for the second half of 2013 a majority of our NAND Flash production will be manufactured on our 20nm line-width process technology. In 2012, the majority of our DRAM production was manufactured on 42nm line-width process technology. We expect that for 2013 the majority of our DRAM production will be manufactured on 30nm line-width process technology. Our NOR Flash memory products in 2012 were manufactured on our 65nm and 45nm line-width process technologies. In 2012, we manufactured all of our high-volume NAND Flash and DRAM products on 300mm wafers. We manufactured NOR Flash, some specialty DRAM and CMOS image sensor products on 200mm wafers in 2012.

Wafer fabrication occurs in a highly controlled, clean environment to minimize dust and other yield- and quality-limiting contaminants. Despite stringent manufacturing controls, equipment errors, minute impurities in materials, defects in photomasks, circuit design marginalities or defects and dust particles can lead to wafers being scrapped and individual circuits being nonfunctional. Success of our manufacturing operations depends largely on minimizing defects to maximize yield of high-quality circuits. In this regard, we employ rigorous quality controls throughout the manufacturing, screening and testing processes. We are able to recover certain devices by testing and grading them to their highest level of functionality.

After fabrication, most silicon wafers are separated into individual die. We sell semiconductor products in both packaged and unpackaged (i.e. "bare die") forms. For packaged products, functional die are sorted, connected to external leads and encapsulated in plastic packages. We assemble products in a variety of packages, including TSOP (thin small outline package), TQFP (thin quad flat package) and FBGA (fine pitch ball grid array). Bare die products address customer requirements for smaller form factors and higher memory densities and provide superior flexibility for use in packaging technologies such as system-in-a-package ("SIPs") and MCPs, which reduce the board area required.

We test our products at various stages in the manufacturing process, perform high temperature burn-in on finished products and conduct numerous quality control inspections throughout the entire production flow. In addition, we use our proprietary AMBYX™ line of intelligent test and burn-in systems to perform simultaneous circuit tests of semiconductor memory die during the burn-in process, capturing quality and reliability data and reducing testing time and cost.

We assemble a significant portion of our memory products into memory modules. Memory modules consist of an array of memory components attached to printed circuit boards that insert directly into computer systems or other electronic devices. We also contract with independent foundries and assembly and testing organizations to manufacture NAND Flash media products such as memory cards and USB devices.

We utilize subcontractors to perform a portion of our assembly and module assembly services. Outsourcing these services enables us to reduce costs and minimize our capital investment.

In recent years, we have produced an increasingly broad portfolio of products, which enhances our ability to allocate resources to our most profitable products but also increases the complexity of our manufacturing process. Although our product lines generally use similar manufacturing processes, our overall cost efficiency can be affected by frequent conversions to new products, the allocation of manufacturing capacity to more complex, smaller-volume parts and the reallocation of manufacturing capacity across various product lines.

Availability of Raw Materials

Our operations require raw materials that meet exacting standards. We generally have multiple sources of supply for our raw materials. However, only a limited number of suppliers are capable of delivering certain raw materials that meet our standards. In some cases, materials are provided by a single supplier. Various factors could reduce the availability of raw materials such as silicon wafers, photomasks, chemicals, gases, photoresist, lead frames and molding compound. Shortages may occur from time to time in the future. In addition, disruptions in transportation lines could delay our receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. If our supply of raw materials is disrupted or our lead times extended, our business, results of operations or financial condition could be materially adversely affected.

Marketing and Customers

Our products are sold into computing, consumer, networking, telecommunications, automotive, industrial, and mobile markets. Market concentrations from 2012 net sales were approximately as follows: computing (including desktop PCs, servers, notebooks and workstations), 25%; consumer electronics, 20%; mobile, 15%; networking and storage, 10%; and SSDs, 10%. Sales to Intel, primarily NAND Flash products through IM Flash, were 12% of our net sales in 2012, 10% of our net sales in 2011, and 9% of our net sales in 2010. Sales to Hewlett-Packard Company, primarily of DRAM, were 8% of our net sales in 2012, 9% of our net sales in 2011 and 13% of our net sales in 2010.

Our semiconductor memory products are offered under the Micron, Lexar®, Crucial™, SpecTek® and Numonyx® brand names and private labels. We market our semiconductor memory products primarily through our own direct sales force and maintain sales or representative offices in our primary markets around the world. We sell Lexar-branded NAND Flash memory products primarily through retail channels and our Crucial-branded products through a web-based customer direct sales channel as well as channel and distribution partners. Our products are also offered through independent sales representatives and distributors. Independent sales representatives obtain orders subject to final acceptance by us and are compensated on a commission basis. We make shipments against these orders directly to the customer. Distributors carry our products in inventory and typically sell a variety of other semiconductor products, including competitors' products. We maintain inventory at locations in close proximity to certain key customers to facilitate rapid delivery of products. Many of our customers require a thorough review or qualification of semiconductor products, which may take several months.

Backlog

Because of volatile industry conditions, customers are reluctant to enter into long-term, fixed-price contracts. Accordingly, new order volumes for our semiconductor products fluctuate significantly. We typically accept orders with acknowledgment that the terms may be adjusted to reflect market conditions at the date of shipment. For these reasons, we do not believe that our order backlog as of any particular date is a reliable indicator of actual sales for any succeeding period.

Product Warranty

Because the design and manufacturing process for semiconductor products is highly complex, it is possible that we may produce products that do not comply with customer specifications, contain defects or are otherwise incompatible with end uses. In accordance with industry practice, we generally provide a limited warranty that our products are in compliance with our specifications existing at the time of delivery. Under our general terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items or return of, or a credit with respect to, amounts paid for such items. Under certain circumstances, we provide more extensive limited warranty coverage than that provided under our general terms and conditions.

Competition

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Samsung Electronics Co., Ltd.; SanDisk Corporation; SK Hynix Inc.; Spansion Inc. and Toshiba Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs resulting in significantly increased worldwide supply and downward pressure on prices. Many of our high-volume memory products are manufactured to industry standard specifications and as such have similar performance characteristics to those of our competitors. For these high-volume memory products, the principal competitive factors are generally price and performance characteristics including: operating speed, power consumption, reliability, compatibility, size and form factors. For our other memory products, the aforementioned performance characteristics generally take precedence to pricing.

Research and Development

Our process technology R&D efforts are focused primarily on development of successively smaller line-width process technologies which are designed to facilitate our transition to next generation memory products. Additional process technology R&D efforts focus on the enablement of advanced computing and mobile memory architectures, the investigation of new opportunities that leverage our core semiconductor expertise and the development of new manufacturing materials. Product design and development efforts include our high density DDR3 and DDR4 DRAM and Mobile Low Power DDR DRAM products as well as high density and mobile NAND Flash memory (including MLC and TLC technologies), NOR Flash memory, specialty memory, phase-change memory, SSDs and other memory technologies and systems.

Our R&D expenses were $918 million, $791 million and $624 million in 2012, 2011 and 2010, respectively. We generally share R&D process and design costs for NAND Flash with Intel and for DRAM with Nanya. We also share R&D costs for certain emerging memory technologies with Intel. As a result of reimbursements under our Intel and Nanya cost-sharing arrangements, our overall R&D expenses were reduced by $225 million, $236 million and $155 million in 2012, 2011 and 2010, respectively.

To compete in the semiconductor memory industry, we must continue to develop technologically advanced products and processes. We believe that expansion of our semiconductor product offerings is necessary to meet expected market demand for specific memory solutions. Our process development center and largest design center are located at our corporate headquarters in Boise, Idaho. In 2012, we commenced operation of our new R&D facility in Boise, which was designed to accommodate 450mm wafer manufacturing. We have several additional product design centers in other strategic locations around the world. In addition, we develop photolithography mask technology at our MP Mask joint venture facility in Boise.

R&D expenses vary primarily with the number of development wafers processed, the cost of advanced equipment dedicated to new product and process development, and personnel costs. Because of the lead times necessary to manufacture our products, we typically begin to process wafers before completion of performance and reliability testing. We deem development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. R&D expenses can vary significantly depending on the timing of product qualification.

Geographic Information

Sales to customers outside the United States totaled $7.0 billion for 2012 and included $2.9 billion in sales in China, $1.0 billion in sales in Taiwan, $827 million in sales in Europe, $546 million in sales in Malaysia and $1.2 billion in sales in the rest of the Asia Pacific region (excluding China, Malaysia and Taiwan). Sales to customers outside the United States totaled $7.4 billion for 2011 and $7.1 billion for 2010. As of August 30, 2012, we had net property, plant and equipment of $3.3 billion in Singapore, $3.2 billion in the United States, $328 million in China, $163 million in Italy, $59 million in Israel, and $37 million in other countries. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Geographic Information" note and "Item 1A. Risk Factors.")

Patents and Licenses

In recent years, we have been recognized as a leader in per capita and quality of patents issued. As of August 30, 2012, we owned approximately 16,900 U.S. patents and 3,300 foreign patents. In addition, we have numerous U.S. and foreign patent applications pending. Our patents have various terms expiring through 2032.

We have a number of patent and intellectual property license agreements. Some of these license agreements require us to make one-time or periodic payments. We may need to obtain additional patent licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

In recent years, we have recovered some of our investment in technology through sales or licenses of intellectual property rights to joint venture partners and other third parties. We are pursuing additional opportunities to recover our investment in intellectual property through additional sales or licenses of intellectual property and potential partnering arrangements.

Employees

As of August 30, 2012, we had approximately 27,400 employees, of which approximately 16,000 were outside the United States, including approximately 7,800 in Singapore, 3,400 in Italy, 2,200 in China, 1,100 in Israel and 1,000 in Malaysia. Our employees include approximately 1,600 in our IMFT joint venture, primarily located in the United States. Our employment levels can vary depending on market conditions and the level of our production, research and product and process development. Many of our employees are highly skilled and our continued success depends in part upon our ability to attract and retain such employees. The loss of key personnel could have a material adverse effect on our business, results of operations or financial condition.

Environmental Compliance

Government regulations impose various environmental controls on raw materials and discharges, emissions and solid wastes from our manufacturing processes. In 2012, our wholly-owned wafer fabrication facilities continued to conform to the requirements of ISO 14001 certification. To continue certification, we met annual requirements in environmental policy, compliance, planning, management, structure and responsibility, training, communication, document control, operational control, emergency preparedness and response, record keeping and management review. While we have not experienced any material adverse effects to our operations from environmental regulations, changes in the regulations could necessitate additional capital expenditures, modification of our operations or other compliance actions.

Directors and Executive Officers of the Registrant

Our officers are appointed annually by the Board of Directors and our directors are elected annually by our shareholders. Any directors appointed by the Board of Directors to fill vacancies on the Board serve until the next election by the shareholders. All officers and directors serve until their successors are duly chosen or elected and qualified, except in the case of earlier death, resignation or removal.

As of August 30, 2012, the following executive officers and directors were subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

Name	Age	Position
Mark W. Adams	48	President
D. Mark Durcan	51	Director and Chief Executive Officer
Thomas T. Eby	51	Vice President of Embedded Solutions
Ronald C. Foster	62	Vice President of Finance and Chief Financial Officer
Glen W. Hawk	50	Vice President of NAND Solutions
Roderic W. Lewis	57	Vice President of Legal Affairs, General Counsel and Corporate Secretary
Patrick T. Otte	50	Vice President of Human Resources
Brian J. Shields	50	Vice President of Worldwide Operations
Brian M. Shirley	43	Vice President of DRAM Solutions
Steven L. Thorsen, Jr.	47	Vice President of Worldwide Sales and Corporate Marketing
Robert L. Bailey	55	Director
Patrick J. Byrne	51	Director
Mercedes Johnson	58	Director
Lawrence N. Mondry	52	Director
Robert E. Switz	65	Chairman

Mark W. Adams joined us in June 2006 and served as our Vice President of Digital Media and Vice President of Worldwide Sales before being appointed our President in February 2012. From January 2006, until he joined us, Mr. Adams was the Chief Operating Officer of Lexar Media, Inc. Mr. Adams served as the Vice President of Sales and Marketing for Creative Labs, Inc. from December 2002 to January 2006. From March 2000 to September 2002, Mr. Adams was the Chief Executive Officer of Coresma, Inc. Mr. Adams holds a BA in Economics from Boston College and an MBA from Harvard Business School.

D. Mark Durcan joined us in June 1984 and has served in various positions since that time. Mr. Durcan was appointed our Chief Operating Officer in February 2006, President in June 2007 and Director and Chief Executive Officer in February 2012. Mr. Durcan has been an officer since 1996. Mr. Durcan holds a BS and MChE in Chemical Engineering from Rice University. Mr. Durcan has served on our Board of Directors since February 2012.

Thomas T. Eby joined us in September 2010 and serves as our Vice President of Embedded Solutions. Mr. Eby was with Spansion Inc. from October 2005 to September 2010 where he held leading roles in strategy and communications, sales and marketing, and integration. He was also the General Manager and Executive Vice President of Spansion's embedded group. Mr. Eby previously held a variety of positions in sales and marketing and strategy with AMD. Mr. Eby holds a BS degree in Electrical Engineering and Computer Science from Princeton University.

Ronald C. Foster joined us in April 2008 and is the Chief Financial Officer and Vice President of Finance. In this position, Mr. Foster has oversight responsibilities of the financial aspects of worldwide operations. He was appointed to his current position in 2008 after serving as a member of the Board of Directors from June 2004 to April 2005. Before joining Micron, Mr. Foster was the Chief Financial Officer of FormFactor, Inc. He previously served as the Chief Financial Officer for JDS Uniphase, Inc., and Novell, Inc., and has held senior financial management positions at Hewlett-Packard and Applied Materials. He is currently a member of the Board of Directors of Luxim, Inc. Mr. Foster holds an MBA from the University of Chicago and a BA in Economics from Whitman College.

Glen W. Hawk joined us in May 2010 and serves as our Vice President of NAND Solutions. Mr. Hawk served as the Vice President and General Manger of the Embedded Business Group for Numonyx from 2008 to May 2010. Prior to Numonyx, Mr. Hawk served as General Manager of the Flash Product Group for Intel Corporation. Mr. Hawk holds a BS in Chemical Engineering from the University of California, Berkeley.

Roderic W. Lewis joined us in August 1991 and has served in various capacities since that time. Mr. Lewis has served as our Vice President of Legal Affairs, General Counsel and Corporate Secretary since July 1996. Mr. Lewis holds a BA in Economics and Asian Studies from Brigham Young University and a JD from Columbia University School of Law.

Patrick T. Otte joined us in 1987 and has served in various positions of increasing responsibility, including production and operations manager in several of our fabrication facilities and site director for our facility in Manassas, Virginia. Mr. Otte has served as our Vice President of Human Resources since March 2007. Mr. Otte holds a BS degree from St. Paul Bible College.

Brian J. Shields joined us in November 1986 and has served in various operational positions with us. Mr. Shields first became an officer in March 2003 and was Vice President of Wafer Fabrication starting December 2005 and has served as Vice President of Worldwide Operations from June 2010.

Brian M. Shirley joined us in August 1992 and has served in various positions since that time. Mr. Shirley became Vice President of Memory in February 2006 and has served as Vice President of DRAM Solutions from June 2010. Mr. Shirley holds a BS in Electrical Engineering from Stanford University.

Steven L. Thorsen, Jr. joined us in September 1988 and has served in various leadership positions since that time including Vice President and Chief Procurement Officer. Mr. Thorsen became Vice President of Worldwide Sales and Corporate Marketing in April 2012. Mr. Thorsen holds a BA in Business Administration from Washington State University.

Robert L. Bailey was the Chairman of the Board of Directors of PMC-Sierra ("PMC") from 2005 until May 2011 and also served as PMC's Chairman from February 2000 until February 2003. Mr. Bailey has served as a director of PMC since October 1996. He also served as the President and Chief Executive Officer of PMC from July 1997 until May 2008. PMC is a leading provider of broadband communication and semiconductor storage solutions for the next-generation Internet. Mr. Bailey currently serves on the Board of Directors of Entropic Communications. Mr. Bailey holds a BS degree in Electrical Engineering from the University of Bridgeport and an MBA from the University of Dallas. He has served on our Board of Directors since 2007.

Patrick J. Byrne served as Director, President and Chief Executive Officer of Intermec, Inc. (“Intermec”) from 2007 to May 2012. Intermec develops and integrates products, services and technologies that identify, track and manage supply chain assets and information. Mr. Byrne was with Agilent Technologies, Inc. from 1999 to 2007 and served in various management positions, including as Senior Vice President and President of the Electronic Measurement Group from February 2005 to March 2007. Mr. Byrne is also a member of the Board of Directors of Flow International Corporation, a manufacturer of ultrahigh-pressure waterjet technology, and a leading provider of robotics and assembly equipment. Mr. Byrne holds a BS degree in Electrical Engineering from the University of California, Berkeley, and an MS degree in Electrical Engineering from Stanford University. Mr. Byrne joined our Board of Directors in April 2011.

Mercedes Johnson was the Senior Vice President and Chief Financial Officer of Avago Technologies Limited, a supplier of analog interface components for communications, industrial and consumer applications, from December 2005 to August 2008. She also served as the Senior Vice President, Finance, of Lam Research Corporation ("Lam") from June 2004 to January 2005 and as Lam's Chief Financial Officer from May 1997 to May 2004. Ms. Johnson holds a degree in Accounting from the University of Buenos Aires and currently serves on the Board of Directors for Intersil Corporation and Juniper Networks, Inc. Ms. Johnson is the Chairman of the Board's Audit Committee and has served on our Board of Directors since 2005.

Lawrence N. Mondry was the President and Chief Executive Officer of CSK Auto Corporation ("CSK"), a specialty retailer of automotive aftermarket parts, from August 2007 to July 2008. Prior to his appointment at CSK, Mr. Mondry served as the Chief Executive Officer of CompUSA Inc. from November 2003 to May 2006. Mr. Mondry joined CompUSA in 1990. Mr. Mondry is the Chairman of the Board's Governance Committee and Compensation Committee. He has served on our Board of Directors since 2005.

Robert E. Switz was the Chairman, President and Chief Executive Officer of ADC Telecommunications, Inc., ("ADC"), a supplier of network infrastructure products and services from August 2003 until December 2010, when Tyco Electronics Ltd. acquired ADC. Mr. Switz joined ADC in 1994 and throughout his career there held numerous leadership positions. Mr. Switz holds an MBA from the University of Bridgeport as well as a degree in Marketing/Economics from Quinnipiac University. Mr. Switz also serves on the Board of Directors for Broadcom Corporation, GT Advanced Technologies and Leap Wireless International, Inc. He has served on our Board of Directors since 2006 and was appointed Chairman of the Board in February 2012.

There are no family relationships between any of our directors or executive officers.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Form 10-K, the following are important factors which could cause actual results or events to differ materially from those contained in any forward-looking statements made by or on behalf of us.

We have experienced dramatic declines in average selling prices for our semiconductor memory products which have adversely affected our business.

If average selling prices for our memory products decrease faster than we can decrease per gigabit costs, our business, results of operations or financial condition could be materially adversely affected. We have experienced significant decreases in our average selling prices per gigabit in recent years as noted in the table below and may continue to experience such decreases in the future. In some prior periods, average selling prices for our memory products have been below our manufacturing costs and we may experience such circumstances in the future.

	DRAM	Trade NAND Flash*
	(percentage change in average selling prices)	
2012 from 2011	(45)%	(55)%
2011 from 2010	(39)%	(12)%
2010 from 2009	28 %	26 %
2009 from 2008	(52)%	(52)%
2008 from 2007	(51)%	(68)%

** Trade NAND Flash excludes sales to Intel from IM Flash.*

We may be unable to reduce our per gigabit manufacturing costs at the rate average selling prices decline.

Our gross margins are dependent upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes, including reducing the die size of our existing products. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to improve or maintain gross margins. Factors that may limit our ability to reduce costs include, but are not limited to, strategic product diversification decisions affecting product mix, the increasing complexity of manufacturing processes, difficulty in transitioning to smaller line-width process technologies, technological barriers and changes in process technologies or products that may require relatively larger die sizes. Per gigabit manufacturing costs may also be affected by the relatively smaller production quantities and shorter product lifecycles of certain specialty memory products.

The semiconductor memory industry is highly competitive.

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Samsung Electronics Co., Ltd.; SanDisk Corporation; SK Hynix Inc.; Spansion Inc. and Toshiba Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. Transitions to smaller line-width process technologies and product and process improvements have resulted in significant increases in the worldwide supply of semiconductor memory. Increases in worldwide supply of semiconductor memory also result from semiconductor memory fab capacity expansions, either by way of new facilities, increased capacity utilization or reallocation of other semiconductor production to semiconductor memory production. Our competitors may increase capital expenditures resulting in future increases in worldwide supply. Increases in worldwide supply of semiconductor memory, if not accompanied with commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations or financial condition.

The European financial crisis and overall downturn in the worldwide economy may harm our business.

The European financial crisis and the overall downturn in the worldwide economy have had an adverse effect on our business. A continuation or further deterioration of depressed economic conditions could have an even greater adverse effect on our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers, networking products and mobile devices. Reduced demand for these products could result in significant decreases in our average selling prices. A continuation of current negative conditions in worldwide credit markets would limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of loss on our accounts receivables due to credit defaults. As a result, our business, results of operations or financial condition could be materially adversely affected.

Inotera's financial situation may adversely impact the value of our interest and our supply agreement.

Due to significant market declines in the selling prices of DRAM, Inotera incurred net losses of $259 million for its six-month period ended June 30, 2012 and $737 million for its fiscal year ended December 31, 2011. Under generally accepted accounting principles in the Republic of China, Inotera reported a loss for its quarter ended September 30, 2012 of an additional New Taiwan dollars 4,390 million (approximately $150 million U.S. dollars). In addition, Inotera's current liabilities exceeded its current assets by $1.85 billion as of June 30, 2012, which exposes Inotera to liquidity risk. As of June 30, 2012 and December 31, 2011, Inotera was also not in compliance with certain loan covenants and had not been in compliance for the past several years, which may result in its lenders requiring repayment of such loans during the next year. Inotera obtained a waiver from complying with its financial covenants through June 30, 2012 and has requested an additional waiver from these requirements. Inotera's management has developed plans to improve its liquidity. There can be no assurance that Inotera will be successful in obtaining an additional waiver or improving its liquidity. If Inotera is unable to adequately improve its liquidity, we may have to impair our investment in Inotera, which had a net carrying value of $321 million as of August 30, 2012.

In the second quarter of 2012, we contributed $170 million to Inotera, which increased our ownership percentage from 29.7% to 39.7%. We may not continue to make equity contributions to Inotera, which may further increase their liquidity risk. We have a supply agreement with Inotera, under which Nanya is also a party, for the rights and obligations to purchase 50% of Inotera's wafer production capacity (the "Inotera Supply Agreement"). As a result of our March 7, 2012 equity contribution to Inotera, we expect to receive a higher share of Inotera's 30-nanometer output when it becomes available as a result of Inotera capital investments enabled by our $170 million equity investment. In the fourth quarter of 2012, we purchased $170 million of DRAM products from Inotera and our supply from Inotera accounted for 47% of our aggregate DRAM gigabit production. As a result, if our supply of DRAM from Inotera is impacted, our business, results of operations or financial condition could be materially adversely affected.

Our Inotera Supply Agreement involves numerous risks.

Our Inotera Supply Agreement involves numerous risks including the following:

- we have experienced difficulties and delays in ramping production at Inotera on our technology and may continue to experience difficulties and delays in the future;
- we may experience continued difficulties in transferring technology to Inotera;
- costs associated with manufacturing inefficiencies resulting from underutilized capacity;
- difficulties in obtaining high yield and throughput due to differences in Inotera's manufacturing processes from our other fabrication facilities;
- uncertainties around the timing and amount of wafer supply we will receive under the supply agreement; and
- the cost of our product obtained from Inotera is impacted by Nanya's revenue and back-end manufacturing costs for product obtained from Inotera.

We may make future acquisitions and/or alliances, which involve numerous risks.

Acquisitions and the formation or operation of alliances, such as joint ventures and other partnering arrangements, involve numerous risks including the following:

- integrating the operations, technologies and products of acquired or newly formed entities into our operations;
- increasing capital expenditures to upgrade and maintain facilities;
- increased debt levels;
- the assumption of unknown or underestimated liabilities;
- the use of cash to finance a transaction, which may reduce the availability of cash to fund working capital, capital expenditures, research and development expenditures and other business activities;
- diverting management's attention from normal daily operations;
- managing larger or more complex operations and facilities and employees in separate and diverse geographic areas;
- hiring and retaining key employees;
- requirements imposed by governmental authorities in connection with the regulatory review of a transaction, which may include, among other things, divestitures or restrictions on the conduct of our business or the acquired business;
- inability to realize synergies or other expected benefits;
- failure to maintain customer, vendor and other relationships;
- inadequacy or ineffectiveness of an acquired company's internal financial controls, disclosure controls and procedures, and/or environmental, health and safety, anti-corruption, human resource, or other policies or practices; and
- impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements or worse-than-expected performance of the acquired business.

In recent years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices of DRAM, NAND Flash and NOR Flash products. Resulting operating losses have led to the deterioration in the financial condition of a number of industry participants, including the liquidation of Qimonda AG and the recent bankruptcy filing by Elpida Memory, Inc. These types of proceedings often lead to confidential court-directed processes involving the sale of related businesses or assets. We believe the global memory industry is experiencing a period of consolidation as a result of these market conditions and other factors, and we have engaged, and expect to continue to engage, in discussions regarding potential acquisitions and similar opportunities arising out of these industry conditions, such as our pending acquisition of Elpida. To the extent we are successful in completing any such transactions, we could be subject to some or all of the risks described above, including the risks pertaining to funding, assumption of liabilities, integration challenges and increases in debt that may accompany such transactions. Acquisitions of, or alliances with, high-technology companies are inherently risky and may not be successful and may materially adversely affect our business, results of operations or financial condition.

Our pending acquisitions of Elpida and Rexchip involve numerous risks.

On July 2, 2012, we entered into a sponsor agreement with the trustees of the Elpida Companies that provides for, among other things, our acquisition of 100% of the equity of Elpida. Under the sponsor agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments to the secured and unsecured creditors of the Elpida Companies in an aggregate amount of 200 billion yen (or approximately $2.5 billion), less certain expenses of the reorganization proceedings and certain other items. As a condition of the sponsor agreement, we deposited 1.8 billion yen (or approximately $23 million) into an escrow account in July 2012 which will be applied to the share acquisition payments at closing. Of the aggregate amount, we will fund 60 billion yen (or approximately $750 million) through a cash payment to Elpida at the closing, in exchange for 100% ownership of Elpida's equity. The remaining 140 billion yen (or approximately $1.75 billion) of payments will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in 2014, with payments of 20 billion yen (or approximately $250 million) in each of 2014 through 2017, and payments of 30 billion yen (or approximately $375 million) in each of 2018 and 2019.

On that same date, we entered into a share purchase agreement with Powerchip and certain of its affiliates, under which we will purchase approximately 714 million shares of the common stock of Rexchip, a manufacturing joint venture formed by Elpida and Powerchip, for approximately 10 billion New Taiwan dollars (or approximately $334 million). If the transactions contemplated by these two agreements are completed, we will own 100% of Elpida and, directly or indirectly through Elpida, approximately 89% of Rexchip.

There can be no assurance that these transactions will close when expected or at all, or that the acquisition of Elpida will ultimately be consummated on the terms and conditions set forth in the sponsor agreement. The transactions remain subject to bankruptcy and/or regulatory approval in various jurisdictions including the People's Republic of China. These regulatory authorities may not approve the transactions or may impose modifications, conditions or restrictions that adversely impact the value of the transactions to Micron. In addition, the proposed plan of reorganization of the trustees, which contemplates Micron's acquisition of Elpida pursuant to the sponsor agreement, remains subject to approval of both the court and the creditors of Elpida, neither of which can be assured. Various creditors are challenging the trustees' proposed plan of reorganization, and certain creditors have proposed an alternative plan of reorganization that does not contemplate Micron's acquisition of Elpida. If the requisite court and creditor approvals are not obtained, Micron will not be able to close the acquisitions.

In addition to the risks described in the immediately preceding risk factor relating to acquisitions generally and to Micron's ability to consummate the transaction described in the preceding paragraph, these acquisitions are expected to involve the following significant risks:

- continued deterioration of conditions in the semiconductor memory market threaten Elpida's ability to pay its obligations;
- we may incur losses in connection with our support, including guarantees, of the Elpida Company's debtor-in-possession financing and capital expenditures, which losses may arise even if the transactions do not close;
- we are unable to maintain customers, successfully execute our integration strategies, or achieve planned synergies;
- we are unable to accurately forecast the anticipated financial results of the combined business;
- our consolidated financial condition may be adversely impacted by the increased leverage resulting from the transactions;
- increased exposure to the DRAM market, which experienced significant declines in pricing during 2012 and 2011;
- further deterioration of Elpida's and Rexchip's operations and customer base during the period between signing and closing;
- increased exposure to operating costs denominated in yen and New Taiwan dollar;
- integration issues with Elpida's and Rexchip's primary manufacturing operations in Japan and Taiwan;
- integration issues of our product and process technology with Elpida and Rexchip;
- an overlap in customers; and
- restrictions on our ability to freely operate Elpida as a result of contractual commitments as well as continued oversight by the court and trustee during the pendency of the corporate reorganization proceedings of the Elpida Companies, which could last until all installment payments have been made.

Our pending acquisitions of Elpida and Rexchip are inherently risky, may not be successful and may materially adversely affect our business, results of operations or financial condition.

Our pending acquisitions of Elpida and Rexchip expose us to significant risks from changes in currency exchange rates.

Under the sponsor agreement, we committed to support plans of reorganization for Elpida that would provide for payments to the secured and unsecured creditors of Elpida in an aggregate amount of 200 billion yen. Also, under the share purchase agreement with Powerchip, we agreed to pay approximately 10 billion New Taiwan dollars to purchase approximately 714 million shares of Rexchip common stock. These payments in yen and New Taiwan dollars expose us to significant risks from changes in currency exchange rates.

On July 2, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 200 billion yen with a weighted-average strike price of 79.15 (yen per dollar). In addition, to reduce the cost of these call options, we sold put options to sell 100 billion yen with a strike price of 83.32 and we sold call options to buy 100 billion yen with a strike price of 75.57. The net cost of these call and put options, which expire on April 3, 2013, of $49 million is payable upon settlement. These currency options mitigate the risk of a strengthening yen for our yen-denominated payments under the sponsor agreement while preserving some ability for us to benefit if the value of the yen weakens relative to the U.S. dollar. On July 25, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 10 billion New Taiwan dollars with a weighted-average strike price of 29.21 (New Taiwan dollars per U.S. dollars). The net cost of these options, which expire on April 2, 2013, of $3 million is payable upon settlement. These currency options mitigate the risk of a strengthening New Taiwan dollar for our payments under the Rexchip Share Purchase Agreement. These yen and New Taiwan dollar option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations. Therefore, changes in the exchange rate between the U.S. dollar and the yen and the New Taiwan dollar could have a significant impact on our results of operations.

The acquisition of our ownership interest in Inotera from Qimonda has been legally challenged by the administrator of the insolvency proceedings for Qimonda.

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda AG ("Qimonda") insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda signed in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera Memories, Inc. and seeks an order requiring us to retransfer the Inotera shares purchased from Qimonda to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross license between us and Qimonda entered into at the same time as the share purchase agreement. A three-judge panel will render a decision after a series of hearings with pleadings, arguments and witnesses. A first hearing was held on September 25, 2012. The next hearing is scheduled for February 5, 2013. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross license, which could have a material adverse effect on our business, results of operation or financial condition. As of August 30, 2012, the Inotera shares purchased from Qimonda had a net carrying value of $177 million.

Our future success may depend on our ability to develop and produce competitive new memory technologies.

Our key semiconductor memory technologies of DRAM, NAND Flash and NOR Flash face technological barriers to continue to meet long-term customer needs. These barriers include potential limitations on the ability to shrink products in order to reduce costs, meet higher density requirements and improve power consumption and reliability. To meet these requirements, we expect that new memory technologies will be developed by the semiconductor memory industry. Our competitors are working to develop new memory technologies that may offer performance and/or cost advantages to our existing memory technologies and render existing technologies obsolete. Accordingly, our future success may depend on our ability to develop and produce viable and competitive new memory technologies. There can be no assurance of the following:

- that we will be successful in developing competitive new semiconductor memory technologies;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these technologies; and
- that margins generated from sales of these products will allow us to recover costs of development efforts.

If our efforts to develop new semiconductor memory technologies are unsuccessful, our business, results of operations or financial condition may be adversely affected.

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make significant capital investments in manufacturing technology, capital equipment, facilities, R&D and product and process technology. We estimate that capital spending for 2013 will be approximately $1.6 billion to $1.9 billion. As of August 30, 2012, we had cash and equivalents of $2,459 million and short-term investments of $100 million. Cash and investments included $157 million held by IMFT, which is generally not available to finance our other operations. In the past we have utilized external sources of financing when needed. As a result of our current debt levels, general economic conditions and adverse conditions in the credit markets, it may be difficult for us to obtain financing on terms acceptable to us. There can be no assurance that we will be able to generate sufficient cash flows, access capital markets or find other sources of financing to fund our operations, make adequate capital investments to remain competitive in terms of technology development and cost efficiency. Our inability to do the foregoing could have a material adverse effect on our business and results of operations.

Debt obligations could adversely affect our financial condition.

We are engaged in a capital intensive business subject to significant changes in supply and demand and product pricing and recent periods of consolidation, any of which could result in our incurrence or assumption of indebtedness. In recent periods, our debt levels have increased and are expected to continue to increase through 2013. As of August 30, 2012, we had $3.3 billion of debt, including $949 million principal amount of convertible senior notes due 2014. In September and October 2012, we entered into financing arrangements that allow for borrowings up to $469 million. In addition, if we are able to complete the Elpida acquisition, we will fund 60 billion yen (or approximately $750 million) through a cash payment to Elpida at the closing, in exchange for 100% ownership of Elpida's equity. The remaining 140 billion yen (or approximately $1.75 billion) of payments will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in 2014, with payments of 20 billion yen (or approximately $250 million) in each of 2014 through 2017, and payments of 30 billion yen (or approximately $375 million) in each of 2018 and 2019. We may need to incur additional debt in the future.

Our debt could adversely impact us. For example it could:

- require us to use a large portion of our cash flow to pay principal and interest on debt, including the convertible notes, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development expenditures and other business activities;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, research and development and other general corporate requirements;
- contribute to a future downgrade of our credit rating, which could increase future borrowing costs; and
- increase our vulnerability to adverse economic and semiconductor memory industry conditions.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our payment obligations under the convertible notes and our other debt and to fund other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the convertible notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our payment obligations under the convertible notes and our other debt.

Our joint ventures and strategic partnerships involve numerous risks.

We have entered into partnering arrangements to manufacture products and develop new manufacturing process technologies and products. These arrangements include our IMFT NAND Flash joint venture with Intel, our Inotera DRAM joint venture with Nanya, our MP Mask joint venture with Photronics, our Transform joint venture with Origin Energy and our CMOS image sensor wafer supply agreement with Aptina**.** These joint ventures and strategic partnerships are subject to various risks that could adversely affect the value of our investments and our results of operations. These risks include the following:

- our interests could diverge from our partners or we may not be able to agree with partners on ongoing manufacturing and operational activities, or on the amount, timing or nature of further investments in our joint venture;
- we may experience difficulties in transferring technology to joint ventures;
- we may experience difficulties and delays in ramping production at joint ventures;
- our control over the operations of our joint ventures is limited;
- we may need to continue to recognize our share of losses from Inotera or Transform in our future results of operations;
- due to financial constraints, our joint venture partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- due to differing business models or long-term business goals, our partners may decide not to join us in funding capital investment by our joint ventures, which may result in higher levels of cash expenditures by us: for example, our contributions to IMFS in 2011 and 2010 totaled $1,708 million while Intel's contributions totaled $38 million and in 2012 we paid Intel approximately $600 million to acquire its interests in two NAND Flash fabrication facilities;
- cash flows may be inadequate to fund increased capital requirements;
- the terms of our partnering arrangements may turn out to be unfavorable; and
- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our partners.

If our joint ventures and strategic partnerships are unsuccessful, our business, results of operations or financial condition may be adversely affected. Specifically, as a result of a liquidation plan approved by the Board of Directors of Transform in May 2012, we recognized a charge of $69 million.

An adverse outcome relating to allegations of anticompetitive conduct could materially adversely affect our business, results of operations or financial condition.

On May 5, 2004, Rambus, Inc. ("Rambus") filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus sought a judgment for damages of approximately $3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims. On April 2, 2012, Rambus filed a notice of appeal to the California 1st District Court of Appeal.

We are unable to predict the outcome of this matter. An adverse court determination of any lawsuit alleging violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

An adverse determination that our products or manufacturing processes infringe the intellectual property rights of others could materially adversely affect our business, results of operations or financial condition.

On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLDRAM, and RLDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving us and Rambus and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, Judge Robinson entered an opinion in favor of us holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the Delaware Court's decision to the U.S. Court of Appeals for the Federal Circuit. On May 13, 2011, the Federal Circuit affirmed Judge Robinson's finding of spoliation, but vacated the dismissal sanction and remanded the case to the Delaware District Court for analysis of the remedy based on the Federal Circuit's decision. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the spoliation issue to the Federal Circuit. In addition, others have asserted, and may assert in the future, that our products or manufacturing processes infringe their intellectual property rights. (See "Item 3. Legal Proceedings" for additional details on these lawsuits.)

We are unable to predict the outcome of assertions of infringement made against us. A court determination that our products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing results could have a material adverse effect on our business, results of operations or financial condition.

We have a number of patent and intellectual property license agreements. Some of these license agreements require us to make one time or periodic payments. We may need to obtain additional patent licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

Products that fail to meet specifications, are defective or that are otherwise incompatible with end uses could impose significant costs on us.

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations or financial condition. In recent periods we have further diversified and expanded our product offerings which could potentially increase the chance that one or more of our products could fail to meet specifications in a particular application. If problems with nonconforming, defective or incompatible products occur after we have shipped such products, we could be adversely affected in several ways, including the following:

- we may be required to replace product or otherwise compensate customers for costs incurred or damages caused by defective or incompatible product, and
- we may encounter adverse publicity, which could cause a decrease in sales of our products.

New product development may be unsuccessful.

We are developing new products that complement our traditional memory products or leverage their underlying design or process technology. We have made significant investments in product and process technologies and anticipate expending significant resources for new semiconductor product development over the next several years. The process to develop DRAM, NAND Flash, NOR Flash and certain specialty memory products requires us to demonstrate advanced functionality and performance, many times well in advance of a planned ramp of production, in order to secure design wins with our customers. There can be no assurance that our product development efforts will be successful, that we will be able to cost-effectively manufacture new products, that we will be able to successfully market these products or that margins generated from sales of these products will allow us to recover costs of development efforts.

Consolidation of industry participants and governmental assistance to some of our competitors may contribute to uncertainty in the semiconductor memory industry and negatively impact our ability to compete.

In recent years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices of DRAM, NAND Flash and NOR Flash products and substantial operating losses by us and our competitors. The operating losses as well as limited access to sources of financing have led to the deterioration in the financial condition of a number of industry participants. Some of our competitors may try to enhance their capacity and lower their cost structure through consolidation. In addition, some governments have provided, and may be considering providing, significant financial assistance to some of our competitors. Consolidation of industry competitors could put us at a competitive disadvantage.

We may incur additional material restructure charges in future periods.

In response to severe downturns in the semiconductor memory industry and global economic conditions, we implemented restructure plans in prior periods and may need to implement restructure initiatives in future periods. As a result, we could incur restructure charges, lose production output, lose key personnel and experience disruptions in our operations and difficulties in the timely delivery of products.

The limited availability of raw materials, supplies or capital equipment could materially adversely affect our business, results of operations or financial condition.

Our operations require raw materials that meet exacting standards. We generally have multiple sources of supply for our raw materials. However, only a limited number of suppliers are capable of delivering certain raw materials that meet our standards. In some cases, materials are provided by a single supplier. Various factors could reduce the availability of raw materials such as silicon wafers, photomasks, chemicals, gases, photoresist, lead frames and molding compound. Shortages may occur from time to time in the future. In addition, disruptions in transportation lines could delay our receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. If our supply of raw materials is disrupted or our lead times extended, our business, results of operations or financial condition could be materially adversely affected.

Our operations are dependent on our ability to procure advanced semiconductor equipment that enables the transition to lower cost manufacturing processes. For certain key types of equipment, including photolithography tools, we are sometimes dependent on a single supplier. In recent periods we have experienced difficulties in obtaining some equipment on a timely basis due to the supplier's limited capacity. Our inability to timely obtain this equipment could adversely affect our ability to transition to next generation manufacturing processes and reduce costs. Delays in obtaining equipment could also impede our ability to ramp production at new facilities and increase our overall costs of the ramp. If we are unable to timely obtain advanced semiconductor equipment, our business, results of operations or financial condition could be materially adversely affected.

Our results of operations could be affected by natural events in the locations in which we or our customers or suppliers operate.

We have manufacturing and other operations in locations subject to natural occurrences such as severe weather and geological events including earthquakes or tsunamis that could disrupt operations. In addition, our suppliers and customers also have operations in such locations. A natural disaster that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, may adversely affect our business, results of operations or financial condition.

Our net operating loss and tax credit carryforwards may be limited.

We have a valuation allowance against substantially all U.S. net deferred tax assets. As of August 30, 2012, our federal, state and foreign net operating loss carryforwards were $3.5 billion, $2.2 billion and $737 million, respectively. If not utilized, substantially all of our federal and state net operating loss carryforwards will expire in 2023 to 2032 and the foreign net operating loss carryforwards will begin to expire in 2017. As of August 30, 2012, our federal and state tax credit carryforwards were $208 million and $203 million respectively. If not utilized, substantially all of our federal and state tax credit carryforwards will expire in 2013 to 2032. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income. The determination of these tax limitations is complex and requires a significant amount of judgment by us with respect to analysis of past transactions.

Changes in foreign currency exchange rates could materially adversely affect our business, results of operations or financial condition.

Across our multi-national operations, there are transactions and balances denominated in currencies other than the U.S. dollar (our reporting currency), primarily the Singapore dollar, euro, shekel and yen. We recorded net losses from changes in currency exchange rates of $6 million for 2012, $6 million for 2011 and $23 million for 2010. Based on our foreign currency exposures from monetary assets and liabilities, offset by balance sheet hedges, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately U.S. $8 million as of August 30, 2012 and U.S. $9 million as of September 1, 2011. In the event that the U.S. dollar weakens significantly compared to the Singapore dollar, euro, shekel or yen, our results of operations or financial condition may be adversely affected.

In connection with the Elpida sponsor agreement and Rexchip share purchase agreement, we entered into currency option transactions to mitigate the risk that increases in exchange rates have on our planned yen and New Taiwan dollar payments. We estimate that, as of August 30, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in losses of approximately U.S. $108 million for these currency options. Additionally, we estimate that, as of August 30, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in a decrease of U.S. $239 million of our planned payments under the Elpida sponsor agreement and Rexchip share purchase agreement.

We face risks associated with our international sales and operations that could materially adversely affect our business, results of operations or financial condition.

Sales to customers outside the United States approximated 85% of our consolidated net sales for 2012. In addition, a substantial portion of our manufacturing operations are located outside the United States. In particular, a significant portion of our manufacturing operations are concentrated in Singapore. Our international sales and operations are subject to a variety of risks, including:

- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act, export control laws and similar rules and regulations;
- political and economic instability;
- problems with the transportation or delivery of our products;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade, technical standards and other laws in a variety of jurisdictions;
- contractual and regulatory limitations on our ability to maintain flexibility with our staffing levels;
- disruptions to our manufacturing operations as a result of actions imposed by foreign governments;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

These factors may materially adversely affect our business, results of operations or financial condition.

If our manufacturing process is disrupted, our business, results of operations or financial condition could be materially adversely affected.

We manufacture products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase our per gigabit manufacturing costs. Additionally, our control over operations at our IMFT, Inotera and MP Mask joint ventures is limited by our agreements with our partners. From time to time, we have experienced disruptions in our manufacturing process as a result of power outages, improperly functioning equipment and equipment failures. If production at a fabrication facility is disrupted for any reason, manufacturing yields may be adversely affected or we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs or loss of revenues or damage to customer relationships, which could materially adversely affect our business, results of operations or financial condition.

Breaches of our network security could expose us to losses.

We manage and store on our network systems, various proprietary information and sensitive or confidential data relating to our operations. We also process, store, and transmit large amounts of data for our customers, including sensitive personal information. Computer programmers and hackers may be able to gain unauthorized access to our network system and steal proprietary information, compromise confidential information, create system disruptions, or cause shutdowns. These parties may also be able to develop and deploy viruses, worms, and other malicious software programs that disrupt our operations and create security vulnerabilities. Attacks on our network systems could result in significant losses and damage our reputation with customers.

We are subject to counterparty default risks.

We have numerous arrangements with financial institutions that subject us to counterparty default risks, including cash deposits, investments, foreign currency option and forward contracts, and capped-call contracts on our stock. As a result, we are subject to the risk that the counterparty to one or more of these arrangements will default on its performance obligations. A counterparty may default rapidly and without notice to us, which could limit our ability to take action to mitigate our exposure. Additionally, our ability to mitigate our exposures may be constrained by the terms of our contractual arrangements or because market conditions prevent us from taking effective action. If one of our counterparties becomes insolvent or files for bankruptcy, our ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceeding. In the event of such default, we could incur significant losses, which could adversely impact our business, results of operations or financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Boise, Idaho. The following is a summary of our principal facilities as of August 30, 2012:

Location	Principal Operations
Boise, Idaho	R&D, including wafer fabrication; reticle manufacturing; test and module assembly
Lehi, Utah	Wafer fabrication
Manassas, Virginia	Wafer fabrication
Singapore	Three wafer fabrication facilities and a test, assembly and module assembly facility
Avezzano, Italy	Wafer fabrication
Aguadilla, Puerto Rico	Module assembly and test
Xi'an, China	Module assembly and test
Kiryat Gat, Israel	Wafer fabrication
Muar, Malaysia	Assembly and test
Agrate, Italy	R&D, including wafer fabrication

We also own and lease a number of other facilities in locations throughout the world that are used for design, research and development, and sales and marketing activities.

Our facility in Lehi is owned and operated by our IMFT joint venture with Intel. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – IM Flash" note.)

We believe that our existing facilities are suitable and adequate for our present purposes. We do not identify or allocate assets by operating segment. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Geographic Information" note.)

ITEM 3. LEGAL PROCEEDINGS

Patent Matters

On August 28, 2000, we filed a complaint against Rambus in the U.S. District Court for the District of Delaware seeking declaratory and injunctive relief. Among other things, our complaint (as amended) alleges violation of federal antitrust laws, breach of contract, fraud, deceptive trade practices, and negligent misrepresentation. The complaint also seeks a declaratory judgment (1) that we did not infringe on certain of Rambus' patents or that such patents are invalid and/or are unenforceable, (2) that we have an implied license to those patents, and (3) that Rambus is estopped from enforcing those patents against us. On February 15, 2001, Rambus filed an answer and counterclaim in Delaware denying that we are entitled to relief, alleging infringement of the eight Rambus patents (later amended to add four additional patents) named in our declaratory judgment claim, and seeking monetary damages and injunctive relief. In the Delaware action, we subsequently added claims and defenses based on Rambus' alleged spoliation of evidence and litigation misconduct. The spoliation and litigation misconduct claims and defenses were heard in a bench trial before Judge Robinson in October 2007. On January 9, 2009, Judge Robinson entered an opinion in our favor holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the decision to the U.S. Court of Appeals for the Federal Circuit. On May 13, 2011, the Federal Circuit affirmed Judge Robinson's finding of spoliation, but vacated the dismissal sanction and remanded the case to the Delaware District Court for further analysis of the appropriate remedy. On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLDRAM, and RLDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the Delaware spoliation issue to the Federal Circuit.

A number of other suits involving Rambus are currently pending in Europe alleging that certain of our SDRAM and DDR SDRAM products infringe various of Rambus' country counterparts to its European patent 525 068, including: on September 1, 2000, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany; on September 22, 2000, Rambus filed a complaint against us and Reptronic (a distributor of our products) in the Court of First Instance of Paris, France; on September 29, 2000, we filed suit against Rambus in the Civil Court of Milan, Italy, alleging invalidity and non-infringement. In addition, on December 29, 2000, we filed suit against Rambus in the Civil Court of Avezzano, Italy, alleging invalidity and non-infringement of the Italian counterpart to European patent 1 004 956. Additionally, on August 14, 2001, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany alleging that certain of our DDR SDRAM products infringe Rambus' country counterparts to its European patent 1 022 642. In the European suits against us, Rambus is seeking monetary damages and injunctive relief. Subsequent to the filing of the various European suits, the European Patent Office (the "EPO") declared Rambus' 525 068, 1 022 642, and 1 004 956 European patents invalid and revoked the patents. The declaration of invalidity with respect to the '068 and '642 patents was upheld on appeal. The original claims of the '956 patent also were declared invalid on appeal, but the EPO ultimately granted a Rambus request to amend the claims by adding a number of limitations.

On March 6, 2009, Panavision Imaging, LLC ("Panavision") filed suit against us and Aptina Imaging Corporation, then a wholly-owned subsidiary, in the U.S. District Court for the Central District of California. The complaint alleged that certain of our and Aptina's image sensor products infringed four Panavision U.S. patents and sought injunctive relief, damages, attorneys' fees, and costs. On February 7, 2011, the Court ruled that one of the four patents in suit was invalid for indefiniteness. On March 10, 2011, claims relating to the remaining three patents in suit were dismissed with prejudice. Panavision subsequently filed a motion for reconsideration of the Court's decision regarding invalidity of the first patent, and we filed a motion for summary judgment of non-infringement of such patent. On July 8, 2011, the Court issued an order that rescinded its prior indefiniteness decision, and held that the disputed term does not render the claims in suit indefinite. On February 3, 2012, the Court granted our motion for summary judgment of non-infringement. On March 20, 2012, we executed a settlement agreement with Panavision pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On September 1, 2011, HSM Portfolio LLC and Technology Properties Limited LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and seventeen other defendants. The complaint alleges that certain of our DRAM and image sensor products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 9, 2011, Advanced Data Access LLC filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Tyler) against us and seven other defendants. On November 16, 2011, Advanced Data Access filed an amended complaint. The amended complaint alleges that certain of our DRAM products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 14, 2011, Smart Memory Solutions LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and Winbond Electronics Corporation of America. The complaint alleges that certain of our NOR Flash products infringe a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs.

On December 5, 2011, the Board of Trustees for the University of Illinois filed a patent infringement action against us in the U.S. District Court for the Central District of Illinois. The complaint alleges that unspecified semiconductor products of ours infringe three U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On March 26, 2012, Semiconductor Technologies, LLC filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Marshall) against us. The complaint alleges that certain of our DRAM products infringe five U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On March 28, 2012, Technology Partners Limited LLC (“TPL”) filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Tyler) against us. The complaint alleges that certain of our Lexar flash card readers infringe four U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs. On March 26, 2012, TPL filed a parallel complaint with the U.S. International Trade Commission under Section 337 of the Tariff Act of 1930 against us and numerous other companies alleging infringement of the same patents and seeking an exclusion order preventing the importation of certain flash card readers. The District Court action has been stayed pending the outcome of the ITC matter. The ITC matter was scheduled for trial on January 7, 2013. On October 8, 2012, we executed a settlement agreement with TPL pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On April 17, 2012, Anu IP, LLC (“Anu”) filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Marshall) against us. The complaint alleges that certain of our Lexar USB drives infringe one U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs. On April 18, 2012, Anu filed a parallel complaint with the U.S. International Trade Commission under Section 337 of the Tariff Act of 1930 against us and numerous other companies alleging infringement of the same patent and another related patent and seeking an exclusion order preventing the importation of certain USB drives. The District Court action has been stayed pending the outcome of the ITC matter. On August 27, 2012, we executed a settlement agreement with Anu pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On April 27, 2012, Semcon Tech, LLC filed a patent infringement action against us in the U.S. District Court for the District of Delaware. The complaint alleges that our use of a Reflexion CMP polishing system purchased from Applied Materials infringes a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs.

We are unable to predict the outcome of these suits, except as noted in the discussion of the Panavision, TPL and Anu matters above. A court determination that our products or manufacturing processes infringe the product or process intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing results could have a material adverse effect on our business, results of operations or financial condition.

Antitrust Matters

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus sought a judgment for damages of approximately $3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims. On April 2, 2012, Rambus filed a notice of appeal to the California 1st District Court of Appeal.

A number of purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers. Four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege a conspiracy to increase DRAM prices in violation of federal and state antitrust laws and state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products. The complaints seek joint and several damages, trebled, monetary damages, restitution, costs, interest and attorneys' fees. In addition, at least sixty-four cases have been filed in various state courts asserting claims on behalf of a purported class of indirect purchasers of DRAM. In July 2006, the Attorneys General for approximately forty U.S. states and territories filed suit in the U.S. District Court for the Northern District of California. The complaints allege, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seek joint and several damages, trebled, as well as injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, we executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, we agreed to pay approximately $67 million in aggregate in three equal installments over a two-year period. As of August 30, 2012, we had paid $45 million into an escrow account in accordance with the settlement agreement.

Three putative class action lawsuits alleging price-fixing of DRAM products also have been filed against us in Quebec, Ontario, and British Columbia, Canada, on behalf of direct and indirect purchasers, asserting violations of the Canadian Competition Act and other common law claims (collectively the "Canadian Cases"). The claims were initiated between December 2004 (British Columbia) and June 2006 (Quebec). The plaintiffs seek monetary damages, restitution, costs, and attorneys' fees. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs subsequently filed an appeal of each of those decisions. On November 12, 2009, the British Columbia Court of Appeal reversed, and on November 16, 2011, the Quebec Court of Appeal also reversed the denial of class certification and remanded the cases for further proceedings. On October 16, 2012, we entered into a settlement agreement resolving these three putative class action cases subject to certain conditions including final court approval of the settlement. The settlement amount did not have a material effect on our business, results of operations or financial condition.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including us, and focuses on the period from July 1998 to June 2002.

On September 24, 2010, Oracle America Inc. ("Oracle"), successor to Sun Microsystems, a DRAM purchaser that opted-out of a direct purchaser class action suit that was settled, filed suit against us in U.S. District Court for the Northern District of California. The complaint alleged a conspiracy to increase DRAM prices and other violations of federal and state antitrust and unfair competition laws based on purported conduct for the period from August 1, 1998 through at least June 15, 2002. Oracle sought joint and several damages, trebled, as well as restitution, disgorgement, attorneys' fees, costs and injunctive relief. On March 23, 2012, we entered into a settlement agreement with Oracle pursuant to which we agreed to make a payment of $58 million to Oracle for a settlement and full release of all claims and a dismissal with prejudice of the litigation. The settlement amount was paid in May 2012.

We are unable to predict the outcome of these matters, except as noted in the U.S. indirect purchasers cases, the Canadian Cases and Oracle matter above. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Commercial Matters

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda AG ("Qimonda") insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda signed in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera Memories, Inc. and seeks an order requiring us to retransfer the Inotera shares purchased from Qimonda to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross license between us and Qimonda entered into at the same time as the share purchase agreement. A three-judge panel will render a decision after a series of hearings with pleadings, arguments and witnesses. A first hearing was held on September 25, 2012. The next hearing is scheduled for February 5, 2013. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross license, which could have a material adverse effect on our business, results of operation or financial condition. As of August 30, 2012, the Inotera shares purchased from Qimonda had a net carrying value of $177 million.

(See "Item 1A. Risk Factors.")

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Our common stock is listed on the NASDAQ Global Select Market and trades under the symbol "MU" and traded under the same symbol on the New York Stock Exchange through December 29, 2009. The following table represents the high and low closing sales prices for our common stock for each quarter of 2012 and 2011, as reported by Bloomberg L.P.:

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2012				
High	$ 6.89	$ 8.83	$ 8.88	$ 7.20
Low	5.39	5.63	5.45	4.33
2011				
High	$ 9.16	$ 11.80	$ 11.80	$ 8.66
Low	5.25	9.41	7.75	6.51

Holders of Record

As of October 18, 2012, there were 2,731 shareholders of record of our common stock.

Dividends

We have not declared or paid cash dividends since 1996 and do not intend to pay cash dividends for the foreseeable future.

Equity Compensation Plan Information

The information required by this item is incorporated by reference from the information set forth in Item 12 of this Annual Report on Form 10-K.

Issuer Sales of Unregistered Securities

On May 7, 2010, we issued an aggregate of 137.7 million unregistered shares of common stock (with a fair value of $1,091 million on the issuance date) to Intel Corporation, Intel Technology Asia Pte Ltd, STMicroelectronics N.V., Redwood Blocker S.a.r.l. and PK Flash, LLC as consideration for all the outstanding shares of Numonyx Holdings, B.V. Each recipient represented and warranted to us that it was an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, was acquiring the shares for investment purposes and not with a view to re-distribution and had access to sufficient information concerning us. The shares we issued were exempt from registration under Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

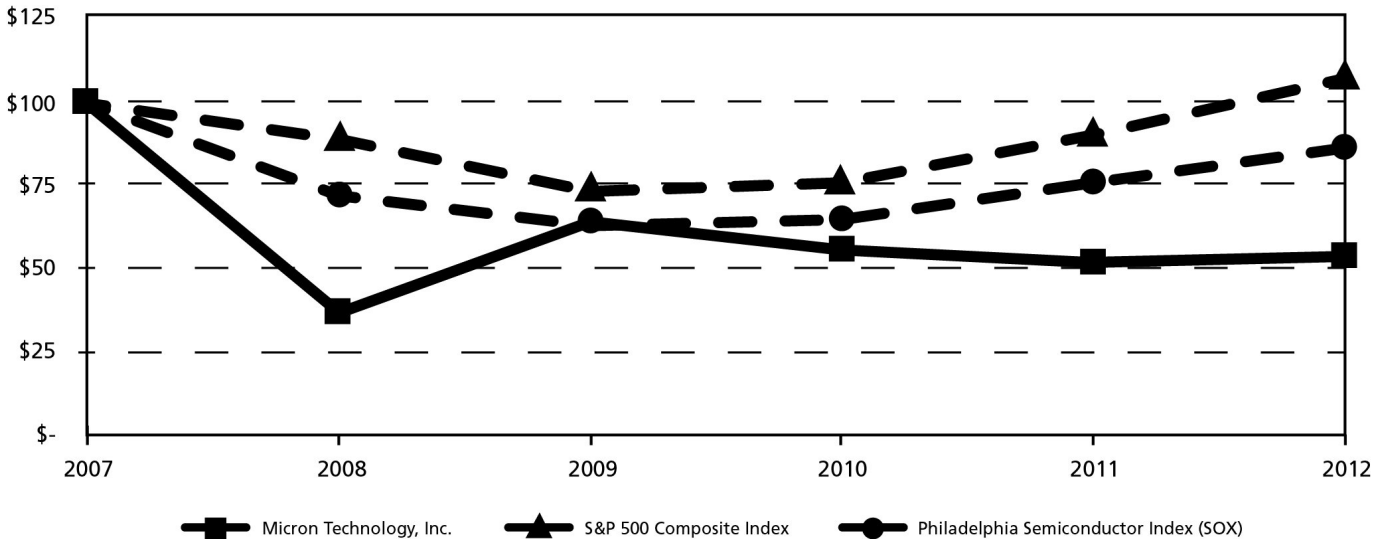
During the fourth quarter of 2012, we acquired, as payment of withholding taxes in connection with the vesting of restricted stock and restricted stock unit awards, 4,715 shares of our common stock at an average price per share of $5.97. We retired these shares in the fourth quarter of 2012.

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
June 1, 2012 - July 5, 2012	—	$ —	N/A	N/A
July 6, 2012 - August 2, 2012	4,715	5.97	N/A	N/A
August 3, 2012 - August 30, 2012	—	—	N/A	N/A
	4,715	5.97		

Performance Graph

The following graph illustrates a five-year comparison of cumulative total returns for our common stock, the S&P 500 Composite Index and the Philadelphia Semiconductor Index (SOX) from August 30, 2007, through August 30, 2012.

Note: Management cautions that the stock price performance information shown in the graph below is provided as of fiscal year-end and may not be indicative of current stock price levels or future stock price performance.



We operate on a 52 or 53 week fiscal year which ends on the Thursday closest to August 31. Accordingly, the last day of our fiscal year varies. For consistent presentation and comparison to the industry indices shown herein, we have calculated our stock performance graph assuming an August 31 year end. The performance graph assumes $100 was invested on August 31, 2007 in common stock of Micron Technology, Inc., the S&P 500 Composite Index and the Philadelphia Semiconductor Index (SOX). Any dividends paid during the period presented were assumed to be reinvested. The performance was plotted using the following data:

	2007	2008	2009	2010	2011	2012
Micron Technology, Inc.	$ 100	$ 37	$ 64	$ 56	$ 52	$ 54
S&P 500 Composite Index	100	89	73	76	90	107
Philadelphia Semiconductor Index (SOX)	100	72	63	65	76	86

ITEM 6. SELECTED FINANCIAL DATA

	2012	2011	2010	2009	2008
			(in millions)		
Net sales	$ 8,234	$ 8,788	$ 8,482	$ 4,803	$ 5,841
Gross margin	968	1,758	2,714	(440)	(55)
Operating income (loss)	(618)	755	1,589	(1,676)	(1,595)
Net income (loss)	(1,031)	190	1,900	(1,993)	(1,665)
Net income (loss) attributable to Micron	(1,032)	167	1,850	(1,882)	(1,655)
Diluted earnings (loss) per share	(1.04)	0.17	1.85	(2.35)	(2.14)
Cash and short-term investments	2,559	2,160	2,913	1,485	1,362
Total current assets	5,758	5,832	6,333	3,344	3,779
Property, plant and equipment, net	7,103	7,555	6,601	7,089	8,819
Total assets	14,328	14,752	14,693	11,459	13,432
Total current liabilities	2,243	2,480	2,702	1,892	1,598
Long-term debt	3,038	1,861	1,648	2,379	2,106
Total Micron shareholders' equity	7,700	8,470	8,020	4,953	6,525
Noncontrolling interests in subsidiaries	717	1,382	1,796	1,986	2,865
Total equity	8,417	9,852	9,816	6,939	9,390

We partnered with Intel to form IMFT in 2006 and IMFS in 2007 (collectively "IM Flash") to manufacture NAND Flash memory products for the exclusive use of the members. We have owned 51% of IMFT from inception through August 30, 2012. Our ownership percentage of IMFS had increased from 51% at inception to 82% as of April 6, 2012 due to our making a series of contributions that were not fully matched by Intel. On April 6, 2012, we entered into a series of agreements with Intel to restructure IM Flash. We acquired Intel's remaining 18% interest in IMFS for $466 million. In addition, we acquired IMFT's assets located at our Virginia wafer fabrication facility, for which Intel received a distribution from IMFT of $139 million. For both transactions, the amounts Intel received approximated the book values of Intel's interests in the assets acquired. We consolidate IM Flash and report Intel's ownership interests as noncontrolling interests in subsidiaries. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – IM Flash" note.)

On May 7, 2010, we acquired Numonyx Holdings B.V. ("Numonyx"), which manufactured and sold primarily NOR Flash and NAND Flash memory products. The total fair value of the consideration paid for Numonyx was $1,112 million and consisted of 137.7 million shares of our common stock issued to the Numonyx shareholders and 4.8 million restricted stock units issued to employees of Numonyx. In connection with the acquisition, we recorded net assets of $1,549 million. Because the fair value of the net assets acquired exceeded the purchase price, we recognized a gain on the acquisition of $437 million in 2010. In addition, we recognized a $51 million income tax benefit in connection with the acquisition. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Numonyx" note.)

In the first quarter of 2009, we acquired a noncontrolling interest in Inotera, a publicly-traded DRAM manufacturer in Taiwan. In connection therewith, we entered into a supply agreement with Inotera to purchase 50% of Inotera's wafer production capacity and substantially began purchasing product in the fourth quarter of 2009. As of August 30, 2012, our ownership interest was 39.7%. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Inotera" note.)

In 2008 through the 2011, we acquired in a series of transactions the noncontrolling interests in TECH Semiconductor Singapore Pte. Ltd. ("TECH"). (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – TECH Semiconductor Singapore Pte. Ltd.")

(See "Item 1A. Risk Factors" and "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements.")

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, "we," "our," "us" and similar terms include Micron Technology, Inc. and its subsidiaries, unless the context indicates otherwise. The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those made in "Overview" regarding timing of the close of the Elpida transactions and expectations related to Elpida's future cash flows; "Operating Results by Business Segment" regarding growth in NAND Flash production for 2013; in "Operating Results by Product" regarding our share of future output from Inotera; in "Selling, General and Administrative" regarding SG&A costs for the first quarter of 2013; in "Research and Development" regarding R&D costs for the first quarter of 2013; and in "Liquidity and Capital Resources" regarding the sufficiency of our cash and investments, cash flows from operations and available financing to meet our requirements at least through 2013 and regarding our pursuit of additional financing, capital spending in 2013, the timing of payments for certain contractual obligations and the timing of payments in connection with the Elpida transactions. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 1A. Risk Factors." This discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the year ended August 30, 2012. All period references are to our fiscal periods unless otherwise indicated. Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31 and fiscal 2012, 2011 and 2010 each contained 52 weeks. All production data includes the production of our consolidated joint ventures and our other partnering arrangements. All tabular dollar amounts are in millions.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flows. MD&A is organized as follows:

- ***Overview:*** Highlights of key transactions and events.
- ***Results of Operations:*** An analysis of our financial results consisting of the following:
  - Consolidated results;
  - Operating results by business segment;
  - Operating results by product; and
  - Operating expenses and other.
- ***Liquidity and Capital Resources:*** An analysis of changes in our balance sheet and cash flows and discussion of our financial condition and potential sources of liquidity.
- ***Critical Accounting Estimates:*** Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts. Also includes changes in accounting standards.

Overview

For an overview of our business, see "Item 1 – Business – Overview." Our results of operations for 2012 were impacted by the following key transactions and events.

IM Flash Joint Ventures

On April 6, 2012, we entered into a series of agreements with Intel to restructure IM Flash. We acquired Intel's remaining 18% interest in IMFS for $466 million. In addition, we acquired IMFT's assets located at our Virginia wafer fabrication facility, for which Intel received a distribution from IMFT of $139 million. For both transactions, the amounts Intel received approximated the book values of Intel's interests in the assets acquired. Additionally, we received a $300 million deposit from Intel which will be applied to Intel's future purchases of NAND Flash under a supply agreement or, under certain circumstances, refunded.

The agreements also provided for the following:

- expansion of the scope of the IMFT joint venture to include certain emerging memory technologies;
- supply of NAND Flash memory products and certain emerging memory products to Intel on a cost-plus basis and termination of IMFS's supply agreement with us and Intel;
- extension of IMFT's joint venture agreement through 2024;

- certain buy-sell rights, commencing in 2015, pursuant to which Intel may elect to sell to us, or we may elect to purchase from Intel, Intel's interest in IMFT (if Intel so elects, we would set the closing date of the transaction within two years following such election and could elect to receive financing from Intel for one to two years);
- financing of $65 million provided by Intel to us under a two-year senior unsecured promissory note, payable with interest in approximately equal quarterly installments; and
- termination of IMFT's lease to use approximately 50% of our Virginia fabrication facility.

We and Intel continue to share output of IMFT and certain research and development costs generally in proportion to our investments in IMFT, which was 51% Micron and 49% Intel as of August 30, 2012.

Elpida Memory, Inc.

Elpida Sponsor Agreement

On July 2, 2012, we entered into a sponsor agreement (the "Sponsor Agreement") with the trustees of Elpida Memory, Inc. ("Elpida") and Elpida's wholly-owned subsidiary, Akita Elpida Memory, Inc. ("Akita") (Elpida and Akita, collectively, the "Elpida Companies"). The Elpida Companies filed petitions for corporate reorganization proceedings with the Tokyo District Court under the Corporate Reorganization Act of Japan on February 27, 2012.

Under the Sponsor Agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments to the secured and unsecured creditors of the Elpida Companies in an aggregate amount of 200 billion yen (or approximately $2.5 billion), less certain expenses of the reorganization proceedings and certain other items. As a condition of the Sponsor Agreement, we deposited 1.8 billion yen (or approximately $23 million) into an escrow account which will be applied to the share acquisition payments at closing. Of the aggregate amount, we will fund 60 billion yen (or approximately $750 million) through a cash payment to Elpida at the closing, in exchange for 100% ownership of Elpida's equity. The remaining 140 billion yen (or approximately $1.75 billion) of payments will be made by the Elpida Companies (using cash flows expected to be generated from our payment for foundry services provided by Elpida, as our subsidiary) in six annual installments payable at the end of each calendar year beginning in 2014, with payments of 20 billion yen (or approximately $250 million) in each of 2014 through 2017, and payments of 30 billion yen (or approximately $375 million) in each of 2018 and 2019.

We have agreed to provide additional support to Elpida, which may include a payment guarantee under certain circumstances, to facilitate its continued access to debtor-in-possession financing of up to 16 billion yen (or approximately $200 million) from third-party finance sources through the closing of the Elpida share purchase, and to use reasonable efforts to assist Elpida in obtaining up to 5 billion yen (or approximately $63 million) of continued debtor-in-possession financing from third parties for up to two months following the closing. In addition, we have agreed to use reasonable efforts to assist the Elpida Companies in financing up to 64 billion yen (or approximately $800 million) of capital expenditures through June 30, 2014, including up to 40 billion yen (or approximately $500 million) prior to June 30, 2013, either by providing a payment guarantee under certain circumstances, or by providing such financing directly.

Under applicable Japanese law, following the closing of the transaction, because a portion of the payments to creditors will be satisfied through the installment payments described above, the operation of the businesses of the Elpida Companies will remain subject to the oversight of the court in charge of the reorganization proceedings and of the trustees (including a trustee nominated by us upon the closing of the transaction).

The Sponsor Agreement contains certain termination rights, including our right to terminate the Sponsor Agreement if a change, taken together with all other changes, occurs that is or would reasonably be expected to be materially adverse to (i) the business, assets, etc. of Elpida and its subsidiaries, taken as a whole, or to the business, assets, etc. taken as a whole of Rexchip Electronics Corporation ("Rexchip"), a Taiwanese corporation formed as a manufacturing joint venture by Elpida and Powerchip Technology Corporation ("Powerchip"), a Taiwanese corporation; or (ii) our ability to operate Elpida's business immediately following closing in substantially the same manner as conducted by Elpida as of July 2, 2012. Elpida currently owns, directly and indirectly through a subsidiary, approximately 65% of Rexchip's outstanding common stock.

The trustees of the Elpida Companies submitted plans of reorganization to the court on August 21, 2012, which plans are subject to court and creditor approval under applicable Japanese law. The Sponsor Agreement provides that the plans of reorganization submitted by the trustees are to contain terms consistent with the provisions of the Sponsor Agreement.

Certain creditors of Elpida are challenging the proposed plan of reorganization submitted by the trustees and have proposed an alternative plan of reorganization. An examiner appointed by the court has reviewed both plans and is currently expected to make a recommendation to the court, on or about October 29, 2012, regarding whether to submit one or both plans of reorganization to creditors for approval.

The consummation of the Sponsor Agreement is subject to various closing conditions, including but not limited to approval by the Tokyo District Court, requisite creditor approval, receipt of approvals in bankruptcy proceedings in other jurisdictions and receipt of regulatory approvals, including the People's Republic of China. The transaction is currently anticipated to close in the first half of calendar 2013.

Rexchip Share Purchase Agreement

On July 2, 2012, we entered into a Share Purchase Agreement with Powerchip and certain of its affiliates (the "Rexchip Share Purchase Agreement"), under which we agreed to purchase approximately 714 million shares of Rexchip common stock, which represents approximately 24% of Rexchip's outstanding common stock, for approximately 10 billion New Taiwan dollars (or approximately $334 million). The consummation of this Rexchip Share Purchase Agreement is subject to various closing conditions, including the closing of the transactions contemplated by the Elpida Sponsor Agreement. At the closing of the Elpida Sponsor Agreement and the Rexchip share purchase agreement, our aggregate beneficial ownership interest in Rexchip will approximate 89%.

Currency Hedging

Elpida Hedges: On July 2, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 200 billion yen with a weighted-average strike price of 79.15 (yen per U.S. dollar). In addition, to reduce the cost of these call options, we sold put options to sell 100 billion yen with a strike price of 83.32 and we sold call options to buy 100 billion yen with a strike price of 75.57. The net cost of these call and put options, which expire on April 3, 2013, of $49 million is payable upon settlement. These currency options mitigate the risk of a strengthening yen for our yen-denominated payments under the sponsor agreement while preserving some ability for us to benefit if the value of the yen weakens relative to the U.S. dollar. These option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations.

Rexchip Hedges: On July 25, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 10 billion New Taiwan dollars with a weighted-average strike price of 29.21 (New Taiwan dollar per U.S. dollar). The cost of these options, which expire on April 2, 2013, of $3 million is payable upon settlement. These currency options mitigate the risk of a strengthening New Taiwan dollar for our payments under the Rexchip share purchase agreement. These option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations.

Results of Operations

Consolidated Results

For the year ended	2012		2011		2010	
Net sales	$ 8,234	100 %	$ 8,788	100 %	$ 8,482	100 %
Cost of goods sold	7,266	88 %	7,030	80 %	5,768	68 %
Gross margin	968	12 %	1,758	20 %	2,714	32 %
SG&A	620	8 %	592	7 %	528	6 %
R&D	918	11 %	791	9 %	624	7 %
Other operating (income) expense, net	48	1 %	(380)	(4)%	(27)	— %
Operating income (loss)	(618)	(8)%	755	9 %	1,589	19 %
Interest income (expense), net	(171)	(2)%	(101)	(1)%	(160)	(2)%
Gain on acquisition of Numonyx	—	— %	—	— %	437	5 %
Other non-operating income (expense), net	35	— %	(103)	(1)%	54	1 %
Income tax (provision) benefit	17	— %	(203)	(2)%	19	— %
Equity in net loss of equity method investees	(294)	(4)%	(158)	(2)%	(39)	— %
Net income attributable to noncontrolling interests	(1)	— %	(23)	— %	(50)	(1)%
Net income (loss) attributable to Micron	$ (1,032)	(13)%	$ 167	2 %	$ 1,850	22 %

Our net income (loss) attributable to Micron shareholders for 2012 declined from 2011 primarily due to significant decreases in average selling prices for our principal products. Market selling prices for NAND Flash products declined for 2012 as compared to 2011 primarily due to large increases in supply from improvements in product and process technologies as well as expansions in production capacity which outpaced relatively healthy growth in demand. Market selling prices for DRAM products declined for 2012 as compared to 2011 primarily due to relatively low demand growth, particularly for high-volume DDR3 DRAM, as a result of weakness in the personal computer market. Our improvements in product and process technologies in 2012 enabled significant increases in sales volumes that mitigated reductions in net sales from price declines. Our improvements in product and process technologies and our cost structure in 2012 produced cost reductions for NAND Flash products sold to trade customers and for DRAM products, partially offsetting the impact of the declines in average selling prices on our operating margins. In 2011, we recognized gains of $275 million from a 10-year patent cross-license agreement with Samsung Electronics Co. Ltd. ("Samsung").

Net Sales

For the year ended	2012		2011		2010	
NSG	$ 2,853	35%	$ 2,196	25%	$ 2,113	25%
DSG	2,691	33%	3,203	36%	4,638	55%
WSG	1,184	14%	1,959	22%	778	9%
ESG	1,054	13%	1,002	11%	521	6%
All Other	452	5%	428	6%	432	5%
	$ 8,234	100%	$ 8,788	100%	$ 8,482	100%

Total net sales decreased 6% for 2012 as compared to 2011, reflecting declines in average selling prices across all reportable segments partially offset by increases in sales volumes. WSG sales decreased for 2012 as compared to 2011 primarily due to declines in average selling prices and in NOR Flash sales volumes, as a result of weakness in market demand and our customer group in particular, as well as a continued transition by customers from NOR Flash to NAND Flash. DSG sales decreased primarily due to lower average selling prices partially offset by increases in sales volumes. NSG and ESG sales increased due to increases in sales volumes partially offset by declines in average selling prices.

Total net sales for 2011 increased 4% as compared to 2010 primarily due to increases in WSG and ESG sales as a result of the acquisition of Numonyx in May 2010. DSG sales for 2011 decreased 31% as compared to 2010 primarily due to declines in average selling prices mitigated by increases in gigabit sales. NSG sales for 2011 increased 4% as compared to 2010 primarily due to increases in gigabit sales partially offset by declines in average selling prices.

Gross Margin

Our overall gross margin percentage declined from 20% for 2011 to 12% for 2012 primarily due to decreases in the gross margin percentage for DSG and WSG as a result of significant declines in average selling prices. Cost reductions from improvements in product and process technologies in 2012 mitigated the effect of significant declines in average selling prices for all reportable operating segments. Costs of our underutilized capacity, primarily associated with decreased production in our NOR Flash fabrication facilities and the ramp of our IMFS NAND Flash fabrication facility, were $141 million, $133 million and $98 million for 2012, 2011 and 2010, respectively.

Our overall gross margin percentage declined from 32% for 2010 to 20% for 2011 primarily due to a significant decline in the gross margin for DSG as a result of the dramatic decreases in average selling prices mitigated by a reduction in costs per gigabit. Declines in the gross margins of NSG, WSG and ESG, primarily due to decreases in average selling prices, also contributed to the overall decline in gross margin for 2011 as compared to 2010. The impact of declines in average selling prices for 2011 was partially offset by cost reductions.

Operating Results by Business Segments

NAND Solutions Group ("NSG")

For the year ended	2012	2011	2010
Net sales	$ 2,853	$ 2,196	$ 2,113
Operating income	198	269	240

NSG sales and operating results track closely with our average selling prices, gigabit sales volumes and cost per gigabit for our consolidated sales of NAND Flash products. (See "Operating Results by Product – NAND Flash" for further detail.) NSG sales for 2012 increased 30% from 2011 primarily due to increases in gigabits sold partially offset by declines in average selling prices. Increases in gigabits sold for 2012 were primarily due to the continued ramp of our new wafer fabrication facility in Singapore and from improvements in product and process technologies. NSG sells a portion of its products to Intel through IM Flash at long-term negotiated prices approximating cost. All other NSG products are sold to OEMs, resellers, retailers and other customers (including Intel), which we collectively refer to as "trade customers."

NSG sales of NAND Flash products to trade customers increased 50% for 2012 as compared to 2011 primarily due to an increase in gigabits sold partially offset by declines in average selling prices. NSG operating income declined from 2011 to 2012 primarily due to decreases in average selling prices mitigated by cost reductions. Cost reductions resulted primarily from improvements in product and process technologies. NSG operating income for 2011 benefited from a $57 million gain from an allocated portion of the Samsung patent cross-license agreement.

NSG sales of NAND Flash products to trade customers for 2011 decreased 2% from 2010 primarily due to declines in average selling prices partially offset by increases in gigabits sold. NSG operating income for 2011 benefited from cost reductions and the $57 million gain from the license agreement with Samsung, which were partially offset by the declines in average selling prices.

The ramp of production at our new wafer fabrication facility in Singapore significantly increased our NAND Flash production in 2012 and 2011. Due to the completion of the first phase of the ramp, we expect slower growth in our NAND Flash production for 2013. Initially the new wafer fabrication facility in Singapore was operated under our IMFS joint venture with Intel and our share of the operating costs and supply of NAND Flash from IMFS was adjusted for changes in our ownership share in IMFS. Our share of IMFS output grew from 51% in the first quarter of 2011 to 78% in the second quarter of 2012. On April 6, 2012, we acquired Intel's remaining ownership interest in IMFS and the assets of IMFT located at our Virginia fabrication facility and terminated the IMFS supply agreement. Accordingly, we now obtain all of the NAND Flash output from our Singapore and Virginia wafer fabrication facilities.

On April 6, 2012, we also entered into a new supply agreement with Intel under which Intel purchases NAND Flash products from us on a cost-plus basis. Margins on products sold to Intel on a cost-plus basis were not significantly different than margins on sales for other trade customers for 2012. Aggregate NSG sales to Intel (including sales by IMFT at prices approximating cost and sales by us under the new cost-plus supply agreement) were $986 million for 2012, $884 million for 2011 and $764 million for 2010.

DRAM Solutions Group ("DSG")

For the year ended	2012	2011	2010
Net sales	$ 2,691	$ 3,203	$ 4,638
Operating income (loss)	(500)	290	1,269

DSG sales and operating results track closely with our average selling prices, gigabit sales volumes and cost per gigabit for our consolidated sales of DRAM products. (See "Operating Results by Product – DRAM" for further detail.) DSG sales for 2012 decreased 16% as compared to 2011 primarily due to declines in average selling prices partially offset by increases in gigabits sold. DSG's operating margin declined from 2011 to 2012 due to decreases in average selling prices mitigated by cost reductions as a result of improved product and process technologies. DSG sales and operating margins for 2012 were adversely impacted by a $58 million charge for a settlement with a customer. In addition, DSG operating income for 2011 benefited from a $75 million gain from an allocated portion of the Samsung patent cross-license agreement.

The significant declines in DSG sales and margins for 2011 compared to 2010 was primarily attributable to a severe decrease in demand for PC DRAM, particularly for DDR3 DRAM, due to overall weakness in the PC market. Decreases in PC DRAM margins for 2011 were mitigated by the relatively higher margins in our server and other premium markets.

DSG operating income for 2011 benefited from the following items as compared to the corresponding periods of 2010:

- lower SG&A costs primarily due to costs recognized in the third quarter of 2010 from the settlement of litigation in DRAM antitrust matters;
- lower R&D costs primarily due to the DRAM R&D cost-sharing agreement with Nanya that commenced in the third quarter of 2010; and
- the $75 million gain in 2011 from a license arrangement with Samsung.

Wireless Solutions Group ("WSG")

For the year ended	2012	2011	2010
Net sales	$ 1,184	$ 1,959	$ 778
Operating income (loss)	(370)	20	(23)

In 2012, WSG sales were comprised of NOR Flash, NAND Flash and DRAM in decreasing order of revenue. The 40% decrease in WSG sales for 2012 as compared to 2011 was primarily due to declines in sales of wireless NOR Flash products as a result of weakness in market demand and our customer group in particular, as well as a continued transition by customers to NAND Flash. WSG sales in 2012 were also adversely impacted by lower sales of NAND Flash products sold in multi-chip packages. The decline in WSG operating margin for 2012 was primarily due to the reductions in average selling prices and in NOR Flash sales volumes. In addition, WSG operating margin for 2011 benefited from a $95 million gain from an allocated portion of the Samsung patent cross-license agreement.

The 152% increase in WSG sales for 2011 as compared to 2010 was primarily due to the acquisition of Numonyx in May 2010. WSG experienced pricing pressure in 2011 due to weakness in demand from certain customers. During 2011 and 2010, a portion of the NAND Flash sold by WSG was obtained from Hynix at market prices and by the end of 2011, substantially all of this supply was obtained from lower-cost Micron production. The improvement in WSG operating margin for 2011 was primarily due to the $95 million gain from the license agreement with Samsung.

Embedded Solutions Group ("ESG")

For the year ended	2012	2011	2010
Net sales	$ 1,054	$ 1,002	$ 521
Operating income	156	237	152

In 2012, ESG sales were comprised of NOR Flash, DRAM and NAND Flash in decreasing order of revenue. The 5% increase in ESG sales for 2012 as compared to 2011 was primarily due to increased sales volume of DRAM, NAND Flash and NOR Flash products as ESG continued to expand its customer base, partially offset by declines in average selling prices. ESG operating income for 2012 declined as compared to 2011 due to decreases in average selling prices and higher costs associated with underutilized capacity in our NOR Flash facilities. In addition, ESG operating margin for 2011 benefited from a $33 million gain from an allocated portion of the Samsung patent cross-license agreement.

The 92% increase in ESG sales for 2011 as compared to 2010 was primarily due to the acquisition of Numonyx in May 2010. Absent impacts from the Numonyx acquisition, ESG's performance in the automotive, industrial and networking markets was relatively stable from 2010 to 2011. In addition, during 2011 and 2010, a portion of the NAND Flash sold by ESG was obtained from Hynix at market prices and by the end of 2011, the majority of this supply was obtained from lower-cost Micron production. The increase in ESG's operating income for 2011 is primarily due to the acquisition of Numonyx. In addition, ESG operating income for 2011 benefited from the $33 million gain from the license agreement with Samsung.

Operating Results by Product

Net Sales by Product

For the year ended	2012		2011		2010	
NAND Flash	$ 3,627	44%	$ 3,193	36%	$ 2,555	30%
DRAM	3,178	39%	3,620	41%	5,052	60%
NOR Flash	977	12%	1,547	18%	451	5%
Other	452	5%	428	5%	424	5%
	$ 8,234	100%	$ 8,788	100%	$ 8,482	100%

NAND Flash

We sell a portion of our output of NAND Flash products to Intel through IM Flash at long-term negotiated prices approximating cost. (See "Operating Results by Business Segments – NAND Solutions Group" for further detail.) We sell the remainder of our NAND Flash products to trade customers.

For the year ended	2012	2011
	(percentage change from prior period)	
Sales to trade customers:		
Net sales	19 %	31 %
Average selling prices per gigabit	(55)%	(12)%
Gigabits sold	164 %	50 %
Cost per gigabit	(54)%	2 %

Increases in NAND Flash gigabits sold to trade customers for 2012 as compared to 2011 was primarily due to the ramp of the IMFS fabrication facility and improved product and process technologies. The new cost-plus supply agreement with Intel also contributed to the increase in gigabits sold to trade customers for 2012.

The gross margin percentage on sales of NAND Flash products to trade customers declined slightly from 2011 to 2012 primarily due to decreases in average selling prices mitigated by cost reductions.

DRAM

For the year ended	2012	2011
	(percentage change from prior period)	
Net sales	(12)%	(28)%
Average selling prices per gigabit	(45)%	(39)%
Gigabits sold	59 %	19 %
Cost per gigabit	(32)%	(23)%

The increase in gigabit sales of DRAM products for 2012 as compared to 2011 was primarily due to increased output obtained from our Inotera joint venture, the effects of a shift in mix to higher-density products and improved product and process technologies. The gross margin percentage on sales of DRAM products declined from 2011 to 2012 primarily due to the decreases in average selling prices mitigated by cost reductions. DRAM sales and gross margins for 2012 were adversely impacted by the effects of the $58 million charge to revenue in 2012 for a settlement with a customer.

We have the right and obligation to purchase 50% of Inotera's wafer production capacity under the Inotera Supply Agreement. As a result of our March 7, 2012 equity contribution to Inotera, we expect to receive a higher share of Inotera's 30-nanometer output when it becomes available as a result of Inotera capital investments enabled by this investment. DRAM products acquired from Inotera accounted for 46% of our DRAM gigabit production for 2012 as compared to 33% for 2011 and 23% for 2010. The higher level of production from Inotera was achieved through Inotera's continued transition to advanced product and process technologies. We primarily obtained DDR3 DRAM products for the PC market from Inotera in 2012 and 2011. Our cost of wafers purchased under the Inotera Supply Agreement is based on a margin-sharing formula among Nanya, Inotera and us. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as our and Nanya's revenue for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers acquired from Inotera. Our cost of products purchased under the Inotera Supply Agreement in 2012 were lower than our cost of similar products manufactured in our wholly-owned facilities.

Due to significant market declines in the selling prices of DRAM, Inotera incurred net losses of $259 million for its six-month period ended June 30, 2012 and $737 million for its fiscal year ended December 31, 2011. Under generally accepted accounting principles in the Republic of China, Inotera reported a loss for its quarter ended September 30, 2012 of an additional New Taiwan dollars 4,390 million (approximately $150 million U.S. dollars). In addition, Inotera's current liabilities exceeded its current assets by $1.85 billion as of June 30, 2012, which exposes Inotera to liquidity risk. As of June 30, 2012 and December 31, 2011, Inotera was also not in compliance with certain loan covenants and had not been in compliance for the past several years, which may result in its lenders requiring repayment of such loans during the next year. Inotera obtained a waiver from complying with its financial covenants through June 30, 2012 and has requested an additional waiver from these requirements. Inotera's management has developed plans to improve its liquidity. There can be no assurance that Inotera will be successful in obtaining an additional waiver or improving its liquidity.

NOR Flash

Sales of NOR Flash products for 2012 declined from 2011 primarily due to decreases in sales of wireless NOR Flash products, as a result of weakness in demand from certain customers and the continued transition of wireless applications to NAND Flash products that led to significant declines in average selling prices and sales volume. Our gross margin percentage on sales of NOR Flash products declined from 2011 to 2012 primarily due to decreases in average selling prices, inventory write-downs and costs of underutilized capacity.

Sales of NOR Flash products increased for 2011as compared to 2010 primarily due to our acquisition of Numonyx in May 2010 as all of our sales of NOR Flash originated from this acquisition. Our gross margin percentage on sales of NOR Flash products for 2011 improved slightly as compared to 2010 primarily due to cost reductions.

Operating Expenses and Other

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for 2012 increased 5% as compared to 2011 primarily due to a $13 million contribution to a university program and stock-based compensation and other amounts related to the death benefits of our former Chief Executive Officer in 2012.

SG&A expenses for 2011 increased 12% as compared to 2010 primarily due to increased costs associated with Numonyx operations and higher payroll costs, partially offset by a reduction in legal costs. The reduction in legal costs from 2010 to 2011 was primarily due to $64 million of costs in 2010 for settlements of an indirect purchasers antitrust case and other matters. We expect that SG&A expenses will approximate $135 million to $145 million for the first quarter of 2013.

Research and Development

R&D expenses for 2012 increased 16% from 2011 primarily due to a higher volume of development wafers processed, higher personnel costs associated with increased salary and wage rates and additional headcount for our expanded R&D operations, and higher software and materials costs.

R&D expenses for 2011 increased 27% from 2010 primarily due to increased costs associated with R&D activities for acquired Numonyx operations, higher payroll costs, and a higher volume of pre-qualification wafers processed.

As a result of amounts reimbursable from Nanya under a DRAM R&D cost-sharing arrangement, R&D expenses were reduced by $138 million, $141 million and $51 million for 2012, 2011 and 2010, respectively. The April 6, 2012 agreements with Intel expanded our NAND Flash R&D cost-sharing agreement to include certain emerging memory technologies, but did not change the cost-sharing percentage. As a result of amounts reimbursable from Intel, R&D expenses were reduced by $87 million, $95 million and $104 million for 2012, 2011 and 2010, respectively. We expect that R&D expenses, net of amounts reimbursable from our R&D partners, will be approximately $220 million to $230 million for the first quarter of 2013.

Our process technology R&D efforts are focused primarily on development of successively smaller line-width process technologies which are designed to facilitate our transition to next generation memory products. Additional process technology R&D efforts focus on the enablement of advanced computing and mobile memory architectures, the investigation of new opportunities that leverage our core semiconductor expertise and the development of new manufacturing materials. Product design and development efforts include our high density DDR3 and DDR4 DRAM and Mobile Low Power DDR DRAM products as well as high density and mobile NAND Flash memory (including multi-level and triple-level cell technologies), NOR Flash memory, specialty memory, phase-change memory, solid-state drives and other memory technologies and systems.

Interest Income (Expense)

Interest expense for 2012, 2011 and 2010, included aggregate amounts of non-cash amortization of debt discount and other costs of $83 million, $60 million and $76 million, respectively. Interest expense for 2012 also included $9 million of "make-whole premium" paid to holders of our 2013 Notes. (See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Debt" note.)

Other

Further discussion of other operating and non-operating income and expenses can be found in the following notes contained in "Item 8. Financial Statements – Notes to Consolidated Financial Statements":

- Equity Method Investments
- Equity Plans
- Patent Cross-License Agreement
- Other Operating (Income) Expense, Net
- Other Non-Operating Income (Expense), Net
- Income Taxes
- TECH Semiconductor Singapore Pte. Ltd.

Liquidity and Capital Resources

As of	2012	2011
Cash and equivalents and short-term investments:		
Money market funds	$ 2,159	$ 1,462
Bank deposits	239	543
Government securities	56	—
Corporate bonds	31	—
Commercial paper	39	—
Certificates of deposit	31	155
Asset-backed securities	4	—
	$ 2,559	$ 2,160
Long-term marketable investments	$ 374	$ 52

Cash and equivalents in the table above included $157 million held by IMFT as of August 30, 2012 and $327 million held by both IMFT and IMFS as of September 1, 2011. Our ability to access funds held by IMFT to finance our other operations is subject to agreement by the other member and contractual limitations. Amounts held by IMFT are not anticipated to be available to finance our other operations.

To mitigate credit risk, we invest through high-credit-quality financial institutions and, by policy, generally limit the concentration of credit exposure by restricting investments with any single obligor. As of August 30, 2012, the effect of repatriating cash held by foreign subsidiaries where undistributed earnings have been indefinitely reinvested would not be significant.

Cash generated by operations is our primary source of liquidity. Our liquidity is highly dependent on selling prices for our products and the timing and level of our capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the semiconductor memory market, our cash flows from operations and current holdings of cash and investments may not be adequate to meet our needs for capital expenditures and operations. In 2012 we obtained $1,065 million of proceeds from issuance of debt and $609 million of proceeds from equipment sale-leaseback financing. In the first quarter of 2013 we entered into additional financing arrangements as detailed under "Financing Activities" below and we expect to pursue additional financing in the future as cost effective and strategic opportunities arise. We expect our cash and investments, cash flows from operations and available financing, will be sufficient to meet our requirements at least through 2013.

Operating Activities

Net cash provided by operating activities was $2,114 million for 2012, which reflected approximately $1,572 million generated from the production and sales of our products and a net $542 million effect from changes in the amount invested in net working capital. For 2012, inventories decreased by $258 million due to our efforts to manage our business at a lower level of inventories and negotiated changes in the IM Flash wafer supply agreement with Intel.

Investing Activities

Net cash used for investing activities was $2,312 million for 2012, which consisted primarily of cash expenditures of $1,699 million for property, plant and equipment and $412 million for the acquisition of available-for-sale securities (net of proceeds from sales and maturities of $152 million). We believe that to develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must continue to invest in manufacturing technologies, facilities and capital equipment and R&D. We estimate that capital spending for 2013 will be approximately $1.6 billion to $1.9 billion. The actual amounts for 2013 will vary depending on market conditions. As of August 30, 2012, we had commitments of approximately $550 million for the acquisition of property, plant and equipment, substantially all of which is expected to be paid within one year.

In the second quarter of 2012, we loaned $133 million to Inotera under a 90-day note with a stated annual interest rate of 2% to facilitate the purchase of capital equipment necessary to implement new process technology. The loan was repaid to us with accrued interest in March 2012. Also, in March 2012, we contributed $170 million to Inotera, which increased our ownership percentage from 29.7% to 39.7%.

Financing Activities

Net cash provided by financing activities was $497 million for 2012, which included $1,065 million of proceeds from issuance of debt, $609 million of proceeds from equipment sale-leaseback financing transactions partially offset by $194 million of net distributions to noncontrolling interests, $203 million for repayments of debt and $172 million of payments on equipment purchase contracts.

On April 18, 2012, we issued $550 million of 2.375% Convertible Senior Notes due May 2032 (the "2032C Notes") and $450 million of 3.125% Convertible Senior Notes due May 2032 (the "2032D Notes" and together with the 2032C Notes, the "2032 Notes") at face value. Issuance costs for the 2032 Notes totaled $21 million and we paid $103 million to purchase capped calls to partially offset the potential dilutive effect if the 2032 Notes are converted into shares, resulting in net proceeds of $876 million from issuance of the 2032 Notes.

On April 6, 2012, we entered into a series of agreements with Intel relating to our IMFS and IMFT joint ventures. In connection therewith, we acquired Intel's 18% interest in IMFS for $466 million. In addition, we acquired the assets of IMFT located at our Virginia wafer fabrication facility for which Intel received a distribution from IMFT of $139 million. Additionally, Intel deposited $300 million with us, which will be applied to Intel's future purchases of NAND Flash under a supply agreement or, under certain circumstances, refunded. As of August 30, 2012, $45 million of the deposit had been applied. We also entered into a senior unsecured promissory note with Intel in April 2012. Under the terms of the note, we borrowed $65 million, payable with interest in eight approximately equal quarterly installments.

In 2012, IM Flash distributed $391 million to Intel, and Intel made contributions to IM Flash of $177 million.

On September 5, 2012, we entered into a three-year revolving credit facility. Under this credit facility, we can draw up to the lesser of $255 million or 80% of the net outstanding balance of a pool of certain accounts receivable. We granted a security interest in such receivables to collateralize the facility. The availability of the facility is subject to certain customary conditions, including the absence of any event or circumstance that has a material adverse effect on our business or financial condition. Interest is payable monthly on any outstanding principal balance at a variable rate equal to the 30-day Singapore Interbank Offering Rate ("SIBOR") plus 2.8% per annum.

On October 2, 2012, we entered into a facility agreement to obtain financing collateralized by semiconductor production equipment. Subject to customary conditions, we can draw up to $214 million under the facility agreement prior to April 4, 2013. Amounts drawn are payable in 10 equal semi-annual installments beginning six months after the draw date. On October 18, 2012, we drew $173 million with interest at 2.38% per annum. Additional amounts drawn will bear interest, at our option, at either (i) a fixed rate negotiated at the time of the draw request or (ii) a floating rate equal to the six-month LIBOR rate plus 1.6% per annum. The facility agreement contains customary covenants.

Elpida Memory, Inc.

On July 2, 2012, we entered into the Sponsor Agreement and the Rexchip Share Purchase Agreement that require aggregate payments by us of approximately 60 billion yen and 10 billion New Taiwan dollars (approximately $1.1 billion at the closing of the transactions, which we expect to occur in the first half of calendar 2013), plus additional installment payments by the Elpida Companies of 140 billion yen (or approximately $1.75 billion) in the aggregate from 2014 through 2019. In addition, capital expenditures will be required in furtherance of the planned technology road maps for the Elpida and Rexchip operations. We are obligated to provided financial support, subject to certain conditions, which may include guarantees of Elpida's financing for up to $200 million of working capital and up to $800 million for capital expenditures. We may be required to provide these obligations even if the transactions do not close. (See "Overview – Elpida Memory, Inc.")

Contractual Obligations

As of August 30, 2012	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable [1]	$ 3,225	$ 93	$ 1,076	$ 259	$ 1,797
Capital lease obligations [1]	996	231	442	251	72
Operating leases	90	25	25	16	24
Purchase obligations	1,349	1,187	148	6	8
Other long-term liabilities [2] [3]	620	123	379	53	65
Total	$ 6,280	$ 1,659	$ 2,070	$ 585	$ 1,966

[1] Amounts represent principal and interest cash payments over the life of the debt obligation, including anticipated interest payments that are not recorded on our consolidated balance sheet. Any future redemption or conversion of convertible debt could impact our cash payments.

[2] Amounts represent future cash payments to satisfy other long-term liabilities recorded on our consolidated balance sheet, including $262 million for the short-term portion of these long-term liabilities.

[3] We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, $83 million of long-term income taxes payable has been excluded from the preceding table. However, long-term income taxes payable recorded on our consolidated balance sheet included these uncertain tax positions.

The obligations disclosed above do not include contractual obligations recorded on our balance sheet as current liabilities except for the current portion of long-term debt. The expected timing of payment amounts of the obligations discussed above is estimated based on current information. Timing and actual amounts paid may differ depending on the timing of receipt of goods or services, market prices, changes to agreed-upon amounts or timing of certain events for some obligations.

Purchase obligations include all commitments to purchase goods or services of either a fixed or minimum quantity that meet any of the following criteria: (1) they are noncancellable, (2) we would incur a penalty if the agreement was canceled, or (3) we must make specified minimum payments even if we do not take delivery of the contracted products or services ("take-or- pay"). If the obligation to purchase goods or services is noncancellable, the entire value of the contract was included in the above table. If the obligation is cancellable, but we would incur a penalty if canceled, the dollar amount of the penalty was included as a purchase obligation. Contracted minimum amounts specified in take-or-pay contracts are also included in the above table as they represent the portion of each contract that is a firm commitment.

Pursuant to the Inotera Supply Agreement, we have an obligation to purchase 50% of Inotera's semiconductor memory capacity subject to specific terms and conditions. As purchase quantities are based on qualified production output, the Inotera Supply Agreement does not contain a fixed or minimum purchase quantity and therefore we did not include our obligations under the Inotera Supply Agreement in the contractual obligations table above. Our obligation under the Inotera Supply Agreement also fluctuates due to pricing which is based on manufacturing costs and revenues associated with the resale of DRAM products. We purchased $646 million of DRAM products from Inotera in 2012 under the Inotera Supply Agreement.

Off-Balance Sheet Arrangements

Concurrent with the offering of the 2032C and 2032D Notes in April 2012, we entered into capped call transactions that have an initial strike price of approximately $9.80 and $10.16 per share, respectively, subject to certain adjustments, which was set to be slightly higher than the initial conversion prices of approximately $9.63 for the 2032C Notes and $9.98 for the 2032D Notes, and cap prices that range from $14.26 per share to $16.04 per share (the "2012 Capped Calls"). The 2012 Capped Calls cover, subject to anti-dilution adjustments similar to those contained in the 2032 Notes, an approximate combined total of 100.6 million shares of common stock. The 2012 Capped Calls expire on various dates between May 2016 and May 2018. The 2012 Capped Calls are intended to reduce the potential dilution upon conversion of the 2032C and 2032D Notes.

Concurrent with the offering of the 2031 Notes in July 2011, we entered into capped call transactions (the "2011 Capped Calls") that have an initial strike price of approximately $9.50 per share, subject to certain adjustments, which was set to the initial conversion price of the 2031 Notes. The 2011 Capped Calls are in four equal tranches, have cap prices of $11.40, $12.16, $12.67 and $13.17 per share, and cover, subject to anti-dilution adjustments similar to those contained in the 2031 Notes, an approximate combined total of 72.6 million shares of common stock. The 2011 Capped Calls expire on various dates between July 2014 and February 2016. The 2011 Capped Calls are intended to reduce the potential dilution upon conversion of the 2031 Notes.

Concurrent with the offering of the 4.25% Convertible Senior Notes due 2013 (the "2013 Notes") in April 2009, we paid approximately $25 million for three capped call instruments that have an initial strike price of approximately $5.08 per share (the "2009 Capped Calls"). The 2009 Capped Calls have a cap price of $6.64 per share and cover an aggregate of approximately 45.2 million shares of common stock. The 2009 Capped Calls expire in October and November of 2012.

Concurrent with the offering of the 2014 Notes in May 2007, we paid approximately $151 million for three Capped Call transactions (the "2007 Capped Calls") with various expiration dates between November 2011 and December 2012. The 2007 Capped Calls cover an aggregate of approximately 91.3 million shares of common stock. The 2007 Capped Calls are in three equal tranches with cap prices of $17.25, $20.13 and $23.00 per share, respectively, each with an initial strike price of approximately $14.23 per share, subject to certain adjustments. In the first six months of 2012, 2007 Capped Calls covering 30.4 million shares expired according to their terms. In April 2012, we settled the remaining 2007 Capped Calls, covering 60.9 million shares, and received a de minimis payment.

(See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Shareholders' Equity – Capped Call Transactions" note.)

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may vary under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Our management believes the accounting policies below are critical in the portrayal of our financial condition and results of operations and requires management's most difficult, subjective or complex judgments.

***Business Acquisitions*:** Accounting for acquisitions requires us to estimate the fair value of consideration paid and the individual assets and liabilities acquired, which involves a number of judgments, assumptions and estimates that could materially affect the amount and timing of costs recognized. We typically obtain independent third party valuation studies to assist in determining fair values, including assistance in determining future cash flows, appropriate discount rates and comparable market values.

***Consolidations*:** We have interests in joint venture entities that are Variable Interest Entities ("VIEs"). Determining whether to consolidate a VIE may require judgment in assessing (1) whether an entity is a VIE and (2) if we are the entity's primary beneficiary. To determine if we are the primary beneficiary of a VIE, we evaluate whether we have (a) the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding and financing and other applicable agreements and circumstances. Our assessment of whether we are the primary beneficiary of our VIEs requires significant assumptions and judgment.

***Contingencies*:** We are subject to the possibility of losses from various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We accrue a liability and charge operations for the estimated costs of adjudication or settlement of asserted and unasserted claims existing as of the balance sheet date.

***Income Taxes*:** We are required to estimate our provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. These estimates involve judgment and interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. We are also required to evaluate the realizability of our deferred tax assets on an ongoing basis in accordance with U.S. GAAP, which requires the assessment of our performance and other relevant factors. Realization of deferred tax assets is dependent on our ability to generate future taxable income.

***Inventories*:** Inventories are stated at the lower of average cost or market value. Cost includes labor, material and overhead costs, including product and process technology costs. Determining market value of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. To project average selling prices and sales volumes, we review recent sales volumes, existing customer orders, current contract prices, industry analyses of supply and demand, seasonal factors, general economic trends and other information. When these analyses reflect estimated market values below our manufacturing costs, we record a charge to cost of goods sold in advance of when the inventory is actually sold. Differences in forecasted average selling prices used in calculating lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated market value of our memory inventory by approximately $129 million as of August 30, 2012. Due to the volatile nature of the semiconductor memory industry, actual selling prices and volumes often vary significantly from projected prices and volumes and, as a result, the timing of when product costs are charged to operations can vary significantly.

U.S. GAAP provides for products to be grouped into categories in order to compare costs to market values. The amount of any inventory write-down can vary significantly depending on the determination of inventory categories. Our inventories have been generally categorized as memory (primarily DRAM, NAND Flash and NOR Flash) and imaging products. The major characteristics we consider in determining inventory categories are product type and markets.

***Property, Plant and Equipment*:** We review the carrying value of property, plant and equipment for impairment when events and circumstances indicate that the carrying value of an asset or group of assets may not be recoverable from the estimated future cash flows expected to result from its use and/or disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the amount by which the carrying value exceeds the estimated fair value of the assets. The estimation of future cash flows involves numerous assumptions which require judgment by us, including, but not limited to, future use of the assets for our operations versus sale or disposal of the assets, future selling prices for our products and future production and sales volumes. In addition, judgment is required in determining the groups of assets for which impairment tests are separately performed.

***Research and Development*:** Costs related to the conceptual formulation and design of products and processes are expensed as R&D as incurred. Determining when product development is complete requires judgment by us. We deem development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. Subsequent to product qualification, product costs are valued in inventory.

***Stock-based Compensation*:** Stock-based compensation is estimated at the grant date based on the fair-value of the award and is recognized as expense using the straight-line amortization method over the requisite service period. For performance-based stock awards, the expense recognized is dependent on the probability of the performance measure being achieved. We utilize forecasts of future performance to assess these probabilities and this assessment requires considerable judgment.

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates. We develop these estimates based on historical data and market information which can change significantly over time. A small change in the estimates used can result in a relatively large change in the estimated valuation. We use the Black-Scholes option valuation model to value employee stock awards. We estimate stock price volatility based on an average of its historical volatility and the implied volatility derived from traded options on our stock.

Recently Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued a new accounting standard on the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted this standard in the fourth quarter of 2012. The adoption of this standard did not have a material impact on our financial statements.

In May 2011, the FASB issued a new accounting standard on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. We adopted this standard in the third quarter of 2012. The adoption of this standard did not have a material impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of August 30, 2012, $3,087 million of our $3,262 million of debt was at fixed interest rates. As a result, the fair value of the debt fluctuates based on changes in market interest rates. The estimated fair value of our debt was $3,622 million as of August 30, 2012 and $2,281 million as of September 1, 2011. We estimate that, as of August 30, 2012, a 1% decrease in market interest rates would change the fair value of our fixed-rate debt instruments by approximately $88 million. As of August 30, 2012, $175 million of the debt had variable interest rates. The increase in interest expense caused by a 1% increase in the rates would be approximately $2 million.

As of August 30, 2012, we held short-term debt investments of $100 million and long-term debt investments of $364 million that were subject to interest rate risk. We estimate that, as of August 30, 2012, a 0.5% increase in market interest rates would decrease the fair value of our short-term and long-term debt instruments by approximately $3 million.

Foreign Currency Exchange Rate Risk

The information in this section should be read in conjunction with the information related to changes in the exchange rates of foreign currency in "Item 1A. Risk Factors." Changes in foreign currency exchange rates could materially adversely affect our results of operations or financial condition.

The functional currency for all of our operations is the U.S. dollar. As a result of our foreign operations, we incur costs and carry assets and liabilities that are denominated in foreign currencies. The substantial majority of our revenues are transacted in the U.S. dollar; however, significant amounts of our operating expenditures and capital purchases are incurred in or exposed to other currencies, primarily the euro, the shekel, the yen and the yuan. We have established currency risk management programs for our operating expenditures and capital purchases to hedge against fluctuations in fair value and the volatility of future cash flows caused by changes in exchange rates. We utilize currency forward and option contracts in these hedging programs. Our hedging programs reduce, but do not always entirely eliminate, the impact of currency exchange rate movements. We do not use derivative financial instruments for trading or speculative purposes.

To hedge our exposure to changes in currency exchange rates from our monetary assets and liabilities, we utilize a rolling hedge strategy with currency forward contracts that generally mature within 35 days. Based on our foreign currency exposures from monetary assets and liabilities, offset by balance sheet hedges, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately U.S. $8 million as of August 30, 2012 and U.S. $9 million as of September 1, 2011. To hedge the exposure of changes in cash flows from changes in currency exchange rates for certain capital expenditures and forecasted operating cash flows, we utilize currency forward contracts that generally mature within 12 months and currency options that generally mature from 12 to 18 months.

In connection with the Elpida Sponsor Agreement and Rexchip share purchase agreement, we may be required to make aggregate payments of 200 billion yen and approximately 10 billion New Taiwan dollars. Of the aggregate amount, 60 billion yen and approximately 10 billion New Taiwan dollars will be due at the closing of the transactions and the remaining 140 billion yen amounts will be made by the Elpida Companies in annual installments from 2014 through 2019. (See "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Elpida Memory, Inc.") These payments are contingent upon the closing of the transaction and are therefore not recorded on our balance sheet as of August 30, 2012. Changes in the exchange rate between the U.S. dollar and the yen and the New Taiwan dollar could have a significant impact on our financial statements if the transactions are consummated.

To mitigate the risk that increases in exchange rates have on our planned yen and New Taiwan dollar payments, we entered into currency option transactions. These currency options did not qualify for hedge accounting treatment and are marked-to-market at the end of each reporting period and realized and unrealized gains and losses are included in other operating income (loss). (See "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Derivative Financial Instruments.") We estimate that, as of August 30, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in losses of approximately U.S. $108 million for these currency options. Additionally, we estimate that, as of August 30, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in a decrease of U.S. $239 million of our planned payments under the Elpida Sponsor Agreement and Rexchip share purchase agreement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions except per share amounts)

For the year ended	August 30, 2012	September 1, 2011	September 2, 2010
Net sales	$ 8,234	$ 8,788	$ 8,482
Cost of goods sold	7,266	7,030	5,768
Gross margin	968	1,758	2,714
Selling, general and administrative	620	592	528
Research and development	918	791	624
Other operating (income) expense, net	48	(380)	(27)
Operating income (loss)	(618)	755	1,589
Interest income	8	23	18
Interest expense	(179)	(124)	(178)
Gain on acquisition of Numonyx	—	—	437
Other non-operating income (expense), net	35	(103)	54
	(754)	551	1,920
Income tax (provision) benefit	17	(203)	19
Equity in net loss of equity method investees	(294)	(158)	(39)
Net income (loss)	(1,031)	190	1,900
Net income attributable to noncontrolling interests	(1)	(23)	(50)
Net income (loss) attributable to Micron	$ (1,032)	$ 167	$ 1,850
Earnings (loss) per share:			
Basic	$ (1.04)	$ 0.17	$ 2.09
Diluted	(1.04)	0.17	1.85
Number of shares used in per share calculations:			
Basic	991.2	988.0	887.5
Diluted	991.2	1,007.5	1,050.7

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

For the year ended	August 30, 2012	September 1, 2011	September 2, 2010
Net income (loss)	$ (1,031)	$ 190	$ 1,900
Other comprehensive income (loss), net of tax:			
Net gain (loss) on foreign currency translation adjustments	(16)	63	11
Net unrealized gain (loss) on investments	(24)	11	5
Net gain (loss) on derivatives	(18)	48	—
Pension liability adjustments	—	5	(2)
Other comprehensive income (loss)	(58)	127	14
Total comprehensive income (loss)	(1,089)	317	1,914
Comprehensive (income) loss attributable to noncontrolling interests	5	(29)	(49)
Comprehensive income (loss) attributable to Micron	$ (1,084)	$ 288	$ 1,865

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

As of	August 30, 2012	September 1, 2011
Assets		
Cash and equivalents	$ 2,459	$ 2,160
Short-term investments	100	—
Receivables	1,289	1,497
Inventories	1,812	2,080
Other current assets	98	95
Total current assets	5,758	5,832
Long-term marketable investments	374	52
Property, plant and equipment, net	7,103	7,555
Equity method investments	389	483
Intangible assets, net	371	414
Other noncurrent assets	333	416
Total assets	$ 14,328	$ 14,752
Liabilities and equity		
Accounts payable and accrued expenses	$ 1,641	$ 1,830
Deferred income	248	443
Equipment purchase contracts	130	67
Current portion of long-term debt	224	140
Total current liabilities	2,243	2,480
Long-term debt	3,038	1,861
Other noncurrent liabilities	630	559
Total liabilities	5,911	4,900
Commitments and contingencies		
Micron shareholders' equity:		
Common stock, $0.10 par value, 3,000 shares authorized, 1,017.7 shares issued and outstanding (984.3 as of September 1, 2011)	102	98
Additional capital	8,920	8,610
Accumulated deficit	(1,402)	(370)
Accumulated other comprehensive income	80	132
Total Micron shareholders' equity	7,700	8,470
Noncontrolling interests in subsidiaries	717	1,382
Total equity	8,417	9,852
Total liabilities and equity	$ 14,328	$ 14,752

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions)

	Micron Shareholders							
	Common Stock							
	Number of Shares	Amount	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Micron Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at September 3, 2009	848.7	$ 85	$ 7,257	$ (2,385)	$ (4)	$ 4,953	$ 1,986	$ 6,939
Net income				1,850		1,850	50	1,900
Other comprehensive income (loss), net					15	15	(1)	14
Stock issued in acquisition of Numonyx	137.7	14	1,098			1,112		1,112
Stock-based compensation expense			93			93		93
Stock issued under stock plans	6.6		8			8		8
Distributions to noncontrolling interests, net						—	(229)	(229)
Repurchase and retirement of common stock	(2.4)		(20)	(1)		(21)		(21)
Exercise of stock rights held by Intel	3.9					—		—
Acquisition of noncontrolling interests in TECH			10			10	(10)	—
Balance at September 2, 2010	994.5	$ 99	$ 8,446	$ (536)	$ 11	$ 8,020	$ 1,796	$ 9,816
Net income				167		167	23	190
Other comprehensive income (loss), net					121	121	6	127
Issuance and repurchase of convertible debts			211			211		211
Stock-based compensation expense			76			76		76
Stock issued under stock plans	11.1	1	27			28		28
Distributions to noncontrolling interests, net						—	(217)	(217)
Repurchase and retirement of common stock	(21.3)	(2)	(160)	(1)		(163)		(163)
Acquisition of noncontrolling interests in TECH			67			67	(226)	(159)
Purchase of capped calls			(57)			(57)		(57)
Balance at September 1, 2011	984.3	$ 98	$ 8,610	$ (370)	$ 132	$ 8,470	$ 1,382	$ 9,852
Net loss				(1,032)		(1,032)	1	(1,031)
Other comprehensive income (loss), net					(52)	(52)	(6)	(58)
Issuance of convertible debts			191			191		191
Conversion of 2013 Notes	27.3	3	135			138		138
Stock-based compensation expense			87			87		87
Stock issued under stock plans	7.1	1	5			6		6
Acquisition of noncontrolling interest in IMFS						—	(466)	(466)
Distributions to noncontrolling interests, net						—	(194)	(194)
Purchase and settlement of capped calls			(102)			(102)		(102)
Repurchase and retirement of common stock	(1.0)	—	(6)	—		(6)		(6)
Balance at August 30, 2012	1,017.7	$ 102	$ 8,920	$ (1,402)	$ 80	$ 7,700	$ 717	$ 8,417

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

For the year ended	August 30, 2012	September 1, 2011	September 2, 2010
Cash flows from operating activities			
Net income (loss)	$ (1,031)	$ 190	$ 1,900
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation expense and amortization of intangible assets	2,141	2,105	1,922
Amortization of debt discount and other costs	81	57	83
Equity in net loss of equity method investees	294	158	39
Stock-based compensation	87	76	93
Loss on extinguishment of debt	—	113	—
Gain from disposition of Japan Fab	—	(54)	—
Gain from acquisition of Numonyx	—	—	(437)
Change in operating assets and liabilities:			
Receivables	238	54	(516)
Inventories	258	(357)	(121)
Accounts payable and accrued expenses	(83)	(88)	201
Customer prepayments	254	4	(147)
Deferred income	(56)	146	84
Deferred income taxes, net	3	103	(45)
Other	(72)	(23)	40
Net cash provided by operating activities	2,114	2,484	3,096
Cash flows from investing activities			
Expenditures for property, plant and equipment	(1,699)	(2,550)	(616)
Purchases of available-for-sale securities	(564)	(9)	(3)
Additions to equity method investments	(187)	(31)	(165)
Proceeds from sales and maturities of available-for-sale securities	152	1	3
Proceeds from sales of property, plant and equipment	67	127	94
(Increase) decrease in restricted cash	5	330	(240)
Return of equity method investment	1	48	—
Proceeds from sale of interest in Hynix JV	—	—	423
Cash acquired from acquisition of Numonyx	—	—	95
Other	(87)	42	(39)
Net cash used for investing activities	(2,312)	(2,042)	(448)
Cash flows from financing activities			
Proceeds from issuance of debt	1,065	690	200
Proceeds from equipment sale-leaseback transactions	609	268	—
Cash received from noncontrolling interests	197	8	38
Acquisition of noncontrolling interests	(466)	(159)	—
Distributions to noncontrolling interests	(391)	(225)	(267)
Repayments of debt	(203)	(1,215)	(840)
Payments on equipment purchase contracts	(172)	(322)	(330)
Cash (paid) received for capped call transactions	(102)	(57)	—
Cash paid to purchase common stock	(6)	(163)	(21)
Other	(34)	(20)	—
Net cash provided by (used for) financing activities	497	(1,195)	(1,220)
Net increase (decrease) in cash and equivalents	299	(753)	1,428
Cash and equivalents at beginning of period	2,160	2,913	1,485
Cash and equivalents at end of period	$ 2,459	$ 2,160	$ 2,913
Supplemental disclosures			
Income taxes refunded (paid), net	$ 13	$ (99)	$ 2
Interest paid, net of amounts capitalized	(72)	(59)	(95)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	897	469	420
Conversion of notes to stock, net of unamortized issuance cost	138	—	—
Exchange of convertible notes	—	175	—
Stock and restricted stock units issued in acquisition of Numonyx	—	—	1,112
Acquisition of interest in Transform	—	—	65

See accompanying notes to consolidated financial statements.

Significant Accounting Policies

***Basis of Presentation*:** We are a global manufacturer and marketer of semiconductor devices, principally DRAM, NAND Flash and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, automotive, industrial, embedded and mobile products. In addition, we manufacture components for CMOS image sensors and other semiconductor products. The accompanying consolidated financial statements include the accounts of Micron Technology, Inc. and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America.

Certain reclassifications, none of which are material, have been made to prior period amounts to conform to current period presentation. The payment for the acquisition of noncontrolling interests in 2011 has been corrected and reclassified in the statement of cash flows from an investing activity to a financing activity. Disclosures of certain deferred tax assets and liabilities in prior years were corrected with corresponding changes in the valuation allowance, resulting in no change to net deferred tax assets.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Our fiscal years 2012, 2011 and 2010 each contained 52 weeks. All period references are to our fiscal periods unless otherwise indicated.

***Use of Estimates*:** The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may differ under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Actual results could differ from estimates.

***Product Warranty*:** We generally provide a limited warranty that our products are in compliance with our specifications existing at the time of delivery. Under our general terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items or return of, or a credit with respect to, amounts paid for such items. Under certain circumstances, we provide more extensive limited warranty coverage than that provided under our general terms and conditions. Our warranty obligations are not material.

***Revenue Recognition*:** We recognize product or license revenue when persuasive evidence that a sales arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Since we are unable to estimate returns and changes in market price, and therefore the price is not fixed or determinable, sales made under agreements allowing pricing protection or rights of return (other than for product warranty) are deferred until customers have resold the product.

***Research and Development*:** Costs related to the conceptual formulation and design of products and processes are expensed as research and development as incurred. Determining when product development is complete requires judgment. Development of a product is deemed complete once the product has been thoroughly reviewed and tested for performance and reliability. Subsequent to product qualification, product costs are valued in inventory. Product design and other research and development costs for NAND Flash, DRAM and certain emerging memory technologies are shared with our joint venture partners. Amounts receivable from these cost-sharing arrangements are reflected as a reduction of research and development expense. (See "Equity Method Investments" and "Consolidated Variable Interest Entities – IM Flash" notes.)

***Stock-based Compensation*:** Stock-based compensation is measured at the grant date, based on the fair value of the award, and recognized as expense under the straight-line attribution method over the requisite service period. We issue new shares upon the exercise of stock options or conversion of share units. (See "Equity Plans" note.)

***Stock Repurchases*:** When we repurchase and retire our common stock, any excess of the repurchase price paid over par value is allocated between paid-in capital and retained earnings.

***Functional Currency*:** The U.S. dollar is the functional currency for all of our consolidated operations.

***Financial Instruments*:** Cash equivalents include highly liquid short-term investments with original maturities to us of three months or less, readily convertible to known amounts of cash. Investments with original maturities greater than three months and remaining maturities less than one year are included in short-term investments. Investments with remaining maturities greater than one year are included in long-term marketable investments. The carrying value of investment securities sold is determined using the specific identification method.

***Derivative and Hedging Instruments*:** We use derivative financial instruments, primarily forward and option contracts, to manage exposures to fluctuating currency exchange rates. We do not use financial instruments for trading or speculative purposes. Derivative instruments are measured at their fair values and recognized as either assets or liabilities. The accounting for changes in the fair value of derivative instruments is based on the intended use of the derivative and the resulting designation. For derivative instruments that are not designated as hedges for accounting purpose, gains or losses from changes in fair values are recognized in other income (expense). For derivative instruments designated as cash-flow hedges, the effective portion of the gain or loss is included as a component of other comprehensive income (loss), and the ineffective or excluded portion of the gain or loss is included in other operating income (expense). The amounts in accumulated other comprehensive income (loss) for these cash flow hedges are reclassified into earnings in the same line items of the consolidated statements of operation and in the same periods in which the underlying transactions affect earnings. Effectiveness is measured by comparing the cumulative change in the fair value of the hedge contract with the cumulative change in the forecasted cash flows of the hedged item. For the effectiveness assessment of our cash-flow hedges, changes in the time value are excluded for forward contracts and included for options. (See "Derivative Financial Instruments – Currency Derivatives with Hedge Accounting Designation" note.)

***Inventories*:** Inventories are stated at the lower of average cost or market value. Cost includes labor, material and overhead costs, including product and process technology costs. Determining market values of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. When market values are below costs, we record a charge to cost of goods sold to write down inventories to their estimated market value in advance of when the inventories are actually sold. Inventories are generally categorized as memory (primarily DRAM and NAND Flash and NOR Flash) and imaging products for purposes of determining average cost and market value. The major characteristics considered in determining inventory categories are product type and markets.

***Product and Process Technology*:** Costs incurred to acquire product and process technology or to patent technology are capitalized and amortized on a straight-line basis over periods ranging up to 10 years. We capitalize a portion of costs incurred based on the historical and projected patents issued as a percent of patents we file. Capitalized product and process technology costs are amortized over the shorter of (i) the estimated useful life of the technology, (ii) the patent term or (iii) the term of the technology agreement. Fully-amortized assets are removed from product and process technology and accumulated amortization.

***Property, Plant and Equipment*:** Property, plant and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of generally 10 to 30 years for buildings, generally 5 to 7 years for equipment and 3 to 5 years for software. Assets held for sale are carried at the lower of cost or estimated fair value and are included in other noncurrent assets. When property or equipment is retired or otherwise disposed, the net book value of the asset is removed and we recognize any gain or loss in our results of operations.

We capitalize interest on borrowings during the active construction period of capital projects. Capitalized interest is added to the cost of the underlying assets and amortized over the useful lives of the assets.

Variable Interest Entities

We have interests in joint venture entities that are Variable Interest Entities ("VIEs"). If we are the primary beneficiary of a VIE, we are required to consolidate it. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of our VIEs require significant assumptions and judgment.

Unconsolidated Variable Interest Entities

Inotera: Inotera Memories, Inc. ("Inotera") is a VIE because (1) its equity is not sufficient to permit it to finance its activities without additional support from its shareholders and (2) of the terms of its supply agreement with us and our partner, Nanya Technology Corporation ("Nanya"). We have determined that we do not have the power to direct the activities of Inotera that most significantly impact its economic performance, primarily due to (1) limitations on our governance rights that require the consent of other parties for key operating decisions and (2) our dependence on our joint venture partner for financing and the ability to operate in Taiwan. Therefore, we account for our interest in Inotera under the equity method.

Transform: Transform Solar Pty Ltd. ("Transform") is a VIE because its equity is not sufficient to permit it to finance its activities without additional financial support from us or our partner, Origin Energy Limited ("Origin"). We have determined that we do not have the power to direct the activities of Transform that most significantly impact its economic performance, primarily due to limitations on our governance rights that require the consent of Origin for key operating decisions. Therefore, we account for our interest in Transform under the equity method. On May 25, 2012, the Board of Directors of Transform approved a liquidation plan. As of August 30, 2012, Transform's operations were substantially discontinued.

For further information regarding our VIEs that we account for under the equity method, see "Equity Method Investments" note.

EQUVO Entities: EQUVO HK Limited and EQUVA Capital 1 Pte. Ltd. (together the "EQUVO Entities") are special purpose entities created to facilitate equipment sale-leaseback financing transactions between us and a consortium of financial institutions. Neither we nor the financial institutions have an equity interest in the EQUVO Entities. The EQUVO Entities are VIEs because their equity is not sufficient to permit them to finance their activities without additional support from the financial institutions and because the third-party equity holder lacks characteristics of a controlling financial interest. By design, the arrangement with the EQUVO Entities is merely a financing vehicle and we do not bear any significant risks from variable interests with the EQUVO Entities. Therefore, we have determined that we do not have the power to direct the activities of the EQUVO Entities that impact their economic performance and we do not consolidate the EQUVO Entities.

Consolidated Variable Interest Entities

IMFT: IM Flash Technologies, LLC ("IMFT") is a VIE because all of its costs are passed to us and its other member, Intel Corporation ("Intel"), through product purchase agreements and IMFT is dependent upon us or Intel for any additional cash requirements. We determined that we have the power to direct the activities of IMFT that most significantly impact its economic performance. The primary activities of IMFT are driven by the constant introduction of product and process technology. Because we perform a significant majority of the technology development, we have the power to direct its key activities. In addition, IMFT manufactures certain products exclusively for us using our technology. We also determined that we have the obligation to absorb losses and the right to receive benefits from IMFT that could potentially be significant to it. Therefore, we consolidate IMFT. In the third quarter of 2012, we entered into agreements with Intel to restructure IMFT.

IMFS: Prior to April 6, 2012, IM Flash Singapore, LLP ("IMFS") was a VIE because all of its costs were passed to us and its other member, Intel, through product purchase agreements and IMFS was dependent upon us or Intel for any additional cash requirements. Prior to April 6, 2012, we determined that we had the power to direct the activities of IMFS that most significantly impacted its economic performance. Additionally, since 2010, we had significantly greater economic exposure than Intel as a result of our significantly higher ownership interest in IMFS. Therefore, we consolidated IMFS. On April 6, 2012, we acquired Intel's remaining interests in IMFS and it ceased to be a VIE.

MP Mask: MP Mask Technology Center, LLC ("MP Mask") is a VIE because all of its costs are passed to us and its other member, Photronics, Inc. ("Photronics"), through product purchase agreements and MP Mask is dependent upon us or Photronics for any additional cash requirements. We determined that we have the power to direct the activities of MP Mask that most significantly impact its economic performance, primarily because (1) of our tie-breaking voting rights over key operating decisions and (2) nearly all key MP Mask activities are driven by our supply needs. We also determined that we have the obligation to absorb losses and the right to receive benefits from MP Mask that could potentially be significant to it. Therefore, we consolidate MP Mask.

For further information regarding our consolidated VIEs, see "Consolidated Variable Interest Entities" note.

Recently Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued a new accounting standard on the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted this standard in the fourth quarter of 2012. The adoption of this standard did not have a material impact on our financial statements.

In May 2011, the FASB issued a new accounting standard on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. We adopted this standard in the third quarter of 2012. The adoption of this standard did not have a material impact on our financial statements.

Elpida Memory, Inc.

Elpida Sponsor Agreement

On July 2, 2012, we entered into a sponsor agreement (the "Sponsor Agreement") with the trustees of Elpida Memory, Inc. ("Elpida") and its subsidiary, Akita Elpida Memory, Inc. ("Akita" and, together with Elpida, the "Elpida Companies"). The Elpida Companies filed petitions for corporate reorganization proceedings with the Tokyo District Court under the Corporate Reorganization Act of Japan on February 27, 2012.

Under the Sponsor Agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments to the secured and unsecured creditors of the Elpida Companies in an aggregate amount of 200 billion yen (or approximately $2.5 billion), less certain expenses of the reorganization proceedings and certain other items. As a condition of the Sponsor Agreement, we deposited 1.8 billion yen (or approximately $23 million) into an escrow account in July 2012 which will be applied to the share acquisition payments at closing. Of the aggregate amount, we will fund 60 billion yen (or approximately $750 million) through a cash payment to Elpida at the closing, in exchange for 100% ownership of Elpida's equity. The remaining 140 billion yen (or approximately $1.75 billion) of payments will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in 2014, with payments of 20 billion yen (or approximately $250 million) in each of 2014 through 2017, and payments of 30 billion yen (or approximately $375 million) in each of 2018 and 2019.

We have agreed to provide additional support to Elpida, which may include a payment guarantee under certain circumstances, to facilitate its continued access to debtor-in-possession financing of up to 16 billion yen (or approximately $200 million) from third-party finance sources through the closing of the Elpida share purchase, and to use reasonable efforts to assist Elpida in obtaining up to 5 billion yen (or approximately $63 million) of continued debtor-in-possession financing from third parties for up to two months following the closing. In addition, we have agreed to use reasonable efforts to assist the Elpida Companies in financing up to 64 billion yen (or approximately $800 million) of capital expenditures through June 30, 2014, including up to 40 billion yen (or approximately $500 million) prior to June 30, 2013, either by providing payment guarantees under certain circumstances, or by providing such financing directly.

Under applicable Japanese law, following the closing of the transaction, because a portion of the payments to creditors will be satisfied through the installment payments described above, the operation of the businesses of the Elpida Companies will remain subject to the oversight of the court in charge of the reorganization proceedings and of the trustees (including a trustee nominated by us upon the closing of the transaction).

The Sponsor Agreement contains certain termination rights, including our right to terminate the Sponsor Agreement if a change, taken together with all other changes, occurs that is or would reasonably be expected to be materially adverse to (i) the business, assets, etc. of Elpida and its subsidiaries, taken as a whole, or to the business, assets, etc. taken as a whole of Rexchip Electronics Corporation ("Rexchip"), a Taiwanese corporation formed as a manufacturing joint venture by Elpida and Powerchip Technology Corporation ("Powerchip"), a Taiwanese corporation; or (ii) our ability to operate Elpida's business immediately following closing in substantially the same manner as conducted by Elpida as of July 2, 2012. Elpida currently owns, directly and indirectly through a subsidiary, approximately 65% of Rexchip's outstanding common stock.

The trustees of the Elpida Companies submitted plans of reorganization to the court on August 21, 2012, which plans are subject to court and creditor approval under applicable Japanese law. The Sponsor Agreement provides that the plans of reorganization submitted by the trustees are to contain terms consistent with the provisions of the Sponsor Agreement.

Certain creditors of Elpida are challenging the proposed plan of reorganization submitted by the trustees and have proposed an alternative plan of reorganization. An examiner appointed by the court has reviewed both plans and is currently expected to make a recommendation to the court, on or about October 29, 2012, regarding whether to submit one or both plans of reorganization to creditors for approval.

The consummation of the Sponsor Agreement is subject to various closing conditions, including but not limited to approval by the Tokyo District Court, requisite creditor approval, receipt of approvals in bankruptcy proceedings in other jurisdictions and receipt of regulatory approvals, including the People's Republic of China. The transaction is currently anticipated to close in the first half of calendar 2013.

Rexchip Share Purchase Agreement

On July 2, 2012, we entered into a share purchase agreement with Powerchip and certain of its affiliates, under which we will purchase approximately 714 million shares of Rexchip common stock, which represents approximately 24% of Rexchip's outstanding common stock for approximately 10 billion New Taiwan dollars (or approximately $334 million). The consummation of this share purchase agreement is subject to various closing conditions, including the closing of the transactions contemplated by the Elpida Sponsor Agreement. At the closing of the Elpida Sponsor Agreement and the Rexchip share purchase agreement, our aggregate beneficial ownership interest in Rexchip will approximate 89%.

Currency Hedging

Elpida Hedges: On July 2, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 200 billion yen with a weighted-average strike price of 79.15 (yen per U.S. dollar). In addition, to reduce the cost of these call options, we sold put options to sell 100 billion yen with a strike price of 83.32 and we sold call options to buy 100 billion yen with a strike price of 75.57. The net cost of these call and put options, which expire on April 3, 2013, of $49 million is payable upon settlement. These currency options mitigate the risk of a strengthening yen for our yen-denominated payments under the Sponsor Agreement while preserving some ability for us to benefit if the value of the yen weakens relative to the U.S. dollar. These option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations.

Rexchip Hedges: On July 25, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 10 billion New Taiwan dollars with a weighted-average strike price of 29.21 (New Taiwan dollar per U.S. dollar). The cost of these options, which expire on April 2, 2013, of $3 million is payable upon settlement. These currency options mitigate the risk of a strengthening New Taiwan dollar for our payments under the Rexchip share purchase agreement. These option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations.

Japan Fabrication Facility

On June 2, 2011, we sold our wafer fabrication facility in Japan (the "Japan Fab") to Tower Semiconductor Ltd. ("Tower"). Under the arrangement, Tower paid $40 million in cash, approximately 1.3 million ordinary shares of Tower (subsequent to a 1 for 15 reverse stock split on August 6, 2012), and $20 million in installment payments, which we received in the second and third quarters of 2012. The net carrying value of assets sold and liabilities transferred to Tower on the transaction date prior to the effects of the transaction was $23 million and we recorded a gain of $54 million (net of transaction costs of $3 million) in connection with the sale of the Japan Fab. We also recorded a tax provision of $74 million related to the gain on the sale and to write down certain deferred tax assets associated with the Japan Fab. In connection with the sale of the Japan Fab, we entered into a supply agreement for Tower to manufacture products for us in the facility through approximately May 2014.

Numonyx

On May 7, 2010, we acquired Numonyx, which manufactured and sold primarily NOR Flash and NAND Flash memory products. We acquired Numonyx to further strengthen our portfolio of memory products, increase manufacturing and revenue scale, access Numonyx's customer base and provide opportunities to increase multi-chip offerings in the embedded and mobile markets. The total fair value of the consideration paid for Numonyx was $1,112 million and consisted of 137.7 million shares of our common stock issued to the Numonyx shareholders and 4.8 million restricted stock units issued to employees of Numonyx.

We determined the fair value of the assets and liabilities of Numonyx as of May 7, 2010 using an in-exchange model. Because the fair value of the net assets acquired of $1,549 million exceeded the purchase price, we recognized a gain on the acquisition of $437 million in the third quarter of 2010. We believe the gain realized in acquisition accounting was the result of a number of factors, including the following: significant losses recognized by Numonyx during the recent downturn in the semiconductor memory industry; substantial volatility in Numonyx's primary markets; market perceptions that future opportunities for Numonyx products in certain markets were limited; the liquidity afforded to the sellers as a result of the limited opportunities to realize the value of their investment in Numonyx; and potential gains to the sellers through their investment in our equity from synergies we realize with Numonyx. In addition, we recognized a $51 million income tax benefit in connection with the acquisition. The results of operations for 2010 include $635 million of net sales and $14 million of operating losses from the Numonyx operations after the May 7, 2010 acquisition date.

The following unaudited pro forma financial information presents the combined results of operations as if Numonyx had been combined with us as of the beginning of 2009. The pro forma financial information includes the accounting effects of the business combination, including adjustments to the amortization of intangible assets, depreciation of property, plant and equipment, interest expense and elimination of intercompany activities. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had Numonyx been combined with us as of the beginning of 2009.

For the year ended	2010
Net sales	$ 9,895
Net income	1,923
Net income attributable to Micron	1,873
Earnings per share:	
Basic	$ 1.90
Diluted	1.72

The unaudited pro forma financial information included the results for the year ended September 2, 2010 and the results of Numonyx, including the adjustments described above, for the approximate fiscal year ended September 2, 2010.

Investments

As of August 30, 2012 and September 1, 2011, available-for-sale investments, including cash equivalents, were as follows:

As of	2012				2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 2,159	$ —	$ —	$ 2,159	$ 1,462	$ —	$ —	$ 1,462
Corporate bonds	233	1	—	234	—	—	—	—
Government securities	144	—	—	144	—	—	—	—
Asset-backed securities	77	—	—	77	—	—	—	—
Commercial paper	39	—	—	39	—	—	—	—
Certificates of deposit	31	—	—	31	155	—	—	155
Marketable equity securities	10	—	—	10	27	32	(7)	52
	$ 2,693	$ 1	$ —	$ 2,694	$ 1,644	$ 32	$ (7)	$ 1,669

As of August 30, 2012, no available-for-sale security had been in a loss position for longer than 12 months. During 2012, we recognized an other-than-temporary impairment on one of our marketable equity securities of $11 million.

The table below presents the amortized cost and fair value of available-for-sale debt securities as of August 30, 2012 by contractual maturity.

	Amortized Cost	Fair Value
Money market funds not due at a single maturity date	$ 2,159	$ 2,159
Due in 1 year or less	161	161
Due in 1 - 2 years	157	157
Due in 2 - 4 years	188	189
Due after 4 years	18	18
	$ 2,683	$ 2,684

Net unrealized holding gains reclassified out of accumulated other comprehensive income from sales of available-for-sale securities were $31 million for 2012. Proceeds from the sales of available-for-sale securities for 2012, 2011 and 2010 were $149 million, $1 million, and $3 million, respectively. Gross realized gains from sales of available-for-sale securities were $34 million for 2012 and gross realized gains and losses for all other periods presented were not significant.

Receivables

As of	2012	2011
Trade receivables (net of allowance for doubtful accounts of $5 and $3, respectively)	$ 933	$ 1,105
Income and other taxes	80	137
Related party receivables	63	72
Other	213	183
	$ 1,289	$ 1,497

As of August 30, 2012 and September 1, 2011, related party receivables included $62 million and $67 million, respectively, due from Aptina Imaging Corporation ("Aptina") primarily for sales of image sensor products under a wafer supply agreement. (See "Equity Method Investments" note.)

As of August 30, 2012 and September 1, 2011, other receivables included $63 million and $15 million, respectively, from our foreign currency hedges. As of August 30, 2012 and September 1, 2011, other receivables included $34 million and $34 million, respectively, due from Intel for amounts related to NAND Flash and certain emerging memory technologies product design and process development activities under cost-sharing agreements. As of August 30, 2012 and September 1, 2011, other receivables also included $17 million and $25 million, respectively, due from Nanya for amounts related to DRAM product design and process development activities under a cost-sharing agreement. (See "Derivative Financial Instruments," "Consolidated Variable Interest Entities," "Equity Method Investments" notes.)

Inventories

As of	2012	2011
Finished goods	$ 512	$ 596
Work in process	1,148	1,342
Raw materials and supplies	152	142
	$ 1,812	$ 2,080

Property, Plant and Equipment

As of	2012	2011
Land	$ 92	$ 92
Buildings (includes $196 and $163, respectively, for capital leases)	4,714	4,481
Equipment (includes $919 and $712, respectively, for capital leases)	15,653	14,735
Construction in progress	43	155
Software	323	293
	20,825	19,756
Accumulated depreciation (includes $253 and $430, respectively, for capital leases)	(13,722)	(12,201)
	$ 7,103	$ 7,555

Depreciation expense was $2,053 million, $2,026 million and $1,826 million for 2012, 2011 and 2010, respectively. Other noncurrent assets included buildings, equipment, and other assets classified as held for sale of $25 million as of August 30, 2012 and $35 million as of September 1, 2011.

Equity Method Investments

As of	2012		2011	
	Investment Balance	Ownership Percentage	Investment Balance	Ownership Percentage
Inotera	$ 370	39.7%	$ 388	29.7%
Transform	7	50.0%	87	50.0%
Other	12	Various	8	Various
	$ 389		$ 483	

We recognize our share of earnings or losses from these entities under the equity method, generally on a two-month lag. Equity in net loss of equity method investees, net of tax, included the following:

For the year ended	2012	2011	2010
Inotera:			
Equity method loss	$ (227)	$ (154)	$ (56)
Inotera Amortization	48	48	55
Other	(10)	(6)	(5)
	(189)	(112)	(6)
Transform	(99)	(31)	(12)
Other	(6)	(15)	(21)
	$ (294)	$ (158)	$ (39)

The summarized financial information in the tables below reflects aggregate amounts for all of our equity method investees. Financial information is presented for the respective periods through which we recorded our proportionate share of each investee's results of operations, generally on a two-month lag. Summarized results of operations are presented only for the periods subsequent to our acquisition of an ownership interest.

As of	2012	2011
Current assets	$ 724	$ 942
Noncurrent assets	3,024	4,189
Current liabilities	2,519	3,201
Noncurrent liabilities	155	173

For the years ended	2012	2011	2010
Net sales	$ 1,798	$ 1,839	$ 1,927
Gross margin	(451)	(268)	73
Operating loss	(751)	(559)	(181)
Net loss	(793)	(594)	(237)

In June 2012, Transform began using the liquidation basis of accounting. Transform's statement of net assets (liabilities) in liquidation included $29 million of assets and $14 million of liabilities, which were excluded from the tables above. Additionally, Transform's statement of changes in net assets (liabilities) in liquidation included a decrease in the estimated fair values of net assets of $67 million. (See "Transform" below.)

Our maximum exposure to loss from our involvement with our equity method investments that were VIEs was $329 million and primarily included our Inotera investment balance as well as related translation adjustments in accumulated other comprehensive income and receivables, if any. We may also incur losses in connection with our rights and obligations to purchase a portion of Inotera's wafer production capacity under a supply agreement with Inotera. As a result of our March 2012 equity contribution to Inotera, our obligation to purchase Inotera's capacity may increase when additional output results from Inotera's capital investments enabled by our equity investment.

Inotera

We have partnered with Nanya in Inotera, a Taiwanese DRAM memory company, since the first quarter of 2009. As a result of Inotera's sale of common shares in a public offering, our equity ownership interest decreased from our initial interest of 35.5% to 29.8% and we recognized a gain of $56 million in the first quarter of 2010. In the second quarter of 2010, as part of another Inotera offering of common shares, we and Nanya each paid $138 million to purchase additional shares, slightly increasing our equity ownership interest to 29.9%. In 2011, our ownership interest was reduced by shares issued under Inotera's employee stock plans and as of September 1, 2011, we held a 29.7% ownership interest in Inotera. In March 2012, we contributed $170 million to Inotera, which increased our ownership percentage to 39.7%. As of August 30, 2012, we held a 39.7% ownership interest in Inotera, Nanya held a 26.3% ownership interest and the remaining ownership interest was publicly held.

In the second quarter of 2012, we loaned $133 million to Inotera under a 90-day note with a stated annual interest rate of 2% to facilitate the purchase of capital equipment necessary to implement new process technology. The loan was repaid to us with accrued interest in March 2012.

The net carrying value of our initial and subsequent investments was less than our proportionate share of Inotera's equity at the time of those investments. These differences are being amortized as a net credit to earnings through equity in net loss of equity method investees (the "Inotera Amortization"). As of August 30, 2012, $19 million of Inotera Amortization remained to be recognized, of which $7 million is estimated to be amortized in 2013 with the remaining amount to be amortized through 2034. The $56 million gain recognized in the first quarter of 2010 on Inotera's issuance of shares included $33 million of accelerated Inotera Amortization.

Due to significant market declines in the selling prices of DRAM, Inotera incurred net losses of $259 million for its six-month period ended June 30, 2012 and $737 million for its fiscal year ended December 31, 2011. Also, Inotera's current liabilities exceeded its current assets by $1.85 billion as of June 30, 2012, which exposes Inotera to liquidity risk. As of June 30, 2012 and December 31, 2011, Inotera was not in compliance with certain loan covenants, and had not been in compliance for the past several years, which may result in its lenders requiring repayment of such loans during the next year. Inotera obtained a waiver from complying with its financial covenants through June 30, 2012 and has requested an additional waiver from these requirements. Inotera's management has developed plans to improve its liquidity. There can be no assurance that Inotera will be successful in obtaining an additional waiver or improving its liquidity.

As of August 30, 2012, based on the closing trading price of Inotera's shares in an active market, the market value of our equity interest in Inotera was $370 million, which exceeded our net carrying value of $321 million. The net carrying value is our investment balance less cumulative translation adjustments in accumulated other comprehensive income (loss). As of August 30, 2012 and September 1, 2011, there were gains of $49 million and $65 million, respectively, in accumulated other comprehensive income (loss) for cumulative translation adjustments from our equity investment in Inotera.

We have a supply agreement with Inotera, under which Nanya is also a party, for the rights and obligations to purchase 50% of Inotera's wafer production capacity (the "Inotera Supply Agreement"). As a result of our March 2012 $170 million equity contribution to Inotera, we expect to receive a higher share of Inotera's 30-nanometer output when it becomes available as a result of Inotera capital investments enabled by our contribution. Our cost of wafers purchased under the Inotera Supply Agreement is based on a margin-sharing formula among Nanya, Inotera and us. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as our and Nanya's revenue for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers acquired from Inotera. Under the Inotera Supply Agreement, we purchased $646 million, $641 million, and $693 million of DRAM products in 2012, 2011 and 2010 respectively. In 2012, we recognized losses on our purchase commitment under the Inotera Supply Agreement of $17 million, $19 million and $40 million in our fourth, second and first quarters, respectively. In 2011, we recognized purchase commitment losses of $28 million, $3 million, $12 million and $11 million in the fourth, third, second and first quarters, respectively.

We recognized $65 million to net sales in 2010 from a licensing arrangement with Nanya, which ceased in April 2010. Under a cost-sharing arrangement beginning in April 2010, we generally share DRAM development costs with Nanya. As a result of the cost-sharing arrangement, our research and development ("R&D") costs were reduced by $138 million, $141 million, and $51 million in 2012, 2011 and 2010, respectively. In addition, we recognized royalty revenue from Nanya of $11 million, $25 million, and $6 million in 2012, 2011 and 2010, respectively, for sales of DRAM products manufactured by or for Nanya on process nodes of 50nm or higher. We recognized $13 million of revenue in 2010 under a technology transfer agreement with Inotera.

Transform

In the second quarter of 2010, we acquired a 50% interest in Transform, a developer, manufacturer and marketer of photovoltaic technology and solar panels, from Origin. In exchange for the equity interest in Transform, we contributed nonmonetary assets, which consisted of manufacturing facilities, equipment, intellectual property and a fully-paid lease to a portion of our Boise, Idaho manufacturing facilities. As of August 30, 2012, we and Origin each held a 50% ownership interest in Transform. During 2012, 2011 and 2010, we and Origin each contributed $17 million, $30 million and $26 million, respectively, of cash to Transform. We recognized net sales of $13 million, $20 million and $15 million in 2012, 2011 and 2010, respectively, for transition services provided to Transform. Revenue on our sales to Transform approximated costs.

As of August 30, 2012 and September 1, 2011, other noncurrent assets included $26 million and $29 million, respectively, for the manufacturing facilities leased to Transform and other noncurrent liabilities included $26 million and $29 million for deferred rent revenue on the fully-paid lease.

As a result of the ongoing challenging global environment in the solar industry and unfavorable worldwide supply and demand conditions, on May 25, 2012, the Board of Directors of Transform approved a liquidation plan. As a result of the liquidation plan, we recognized a charge of $69 million in the third quarter of 2012. As of August 30, 2012, Transform's operations were substantially discontinued.

Other

Other equity method investments includes our 35% equity interest in Aptina. In 2009, we sold a 65% interest in Aptina, previously a wholly-owned subsidiary. A portion of the 65% interest we sold is in the form of convertible preferred shares that have a liquidation preference over Aptina's common shares. We recognize our share of Aptina's earnings or losses based on our common stock ownership percentage, which was 64% as of August 30, 2012. During the second quarter of 2012, the amount of cumulative loss we recognized from our investment in Aptina reduced our investment balance to zero and we ceased recognizing our proportionate share of Aptina's losses. We will resume recognizing our proportionate share of Aptina's earnings only when our proportionate share of its earnings exceeds the amount of cumulative net losses not recognized.

We manufacture components for CMOS image sensors for Aptina under a wafer supply agreement. For 2012, 2011 and 2010, we recognized net sales of $372 million, $349 million and $372 million, respectively, from products sold to Aptina, and cost of goods sold of $395 million, $358 million and $385 million, respectively.

Other equity method investments also included our 50% investment in MeiYa Technology Corporation ("MeiYa"). In connection with our acquisition of an equity interest in Inotera, we entered into agreements with Nanya pursuant to which both parties ceased future funding of, and resource commitments to, MeiYa. Additionally, MeiYa sold substantially all of its assets to Inotera. In the second quarter of 2011, we and Nanya each received a distribution from MeiYa of $48 million as a return of capital, representing substantially all of MeiYa's assets. In May 2012, we received $1 million as a return of our remaining MeiYa investment.

Intangible Assets

As of	2012		2011	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	$ 575	$ (234)	$ 571	$ (203)
Customer relationships	127	(98)	127	(82)
Other	1	—	1	—
	$ 703	$ (332)	$ 699	$ (285)

During 2012 and 2011, we capitalized $47 million and $170 million, respectively, for product and process technology with weighted-average useful lives of 10 years and 7 years, respectively. Amortization expense was $88 million, $79 million and $96 million for 2012, 2011 and 2010, respectively. Annual amortization expense is estimated to be $83 million for 2013, $76 million for 2014, $58 million for 2015, $50 million for 2016 and $40 million for 2017.

Accounts Payable and Accrued Expenses

As of	2012	2011
Accounts payable	$ 818	$ 1,187
Salaries, wages and benefits	290	304
Customer advances	141	7
Related party payables	130	141
Income and other taxes	25	30
Other	237	161
	$ 1,641	$ 1,830

As of August 30, 2012 and September 1, 2011, related party payables included $130 million and $139 million, respectively, due to Inotera primarily for the purchase of DRAM products under the Inotera Supply Agreement.

As of August 30, 2012, customer advances included $139 million for amounts received from Intel to be applied to Intel's future purchases under a NAND Flash supply agreement. In addition, as of August 30, 2012, other noncurrent liabilities included $120 million from this agreement. (See "Consolidated Variable Interest Entities – IM Flash" note.)

As of August 30, 2012, other accounts payable and accrued expenses included $51 million of amounts payable for purchased currency options in connection with the Elpida Sponsor Agreement and Rexchip share purchase agreement. As of August 30, 2012 and September 1, 2011, other accounts payable and accrued expenses included $14 million and $17 million, respectively, due to Intel for NAND Flash product design and process development and licensing fees pursuant to cost-sharing agreements. (See "Derivative Financial Instruments" and "Consolidated Variable Interest Entities – IM Flash" note.)

Debt

As of	2012	2011
Capital lease obligations	$ 883	$ 423
2014 convertible senior notes	860	815
2032C convertible senior notes	451	—
2032D convertible senior notes	361	—
2031A convertible senior notes	265	255
2031B convertible senior notes	243	234
2027 convertible senior notes	141	135
Intel senior note	58	—
2013 convertible senior notes	—	139
	3,262	2,001
Less current portion	(224)	(140)
	$ 3,038	$ 1,861

Our senior notes are unsecured obligations ranking equally in right of payment with all of our other existing and future unsecured indebtedness, and are effectively subordinated to our capital lease obligations and all of our other existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. All of our debt obligations are structurally subordinated to all indebtedness of our subsidiaries.

Convertible Notes With Debt and Equity Components

The accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion require the debt and equity components to be separately accounted for in a manner that reflects our nonconvertible borrowing rate when interest expense is recognized in subsequent periods. The amount recorded as debt is based on the fair value of the debt component as a standalone instrument, determined using an average interest rate for similar nonconvertible debt issued by entities with credit ratings comparable to ours at the time of issuance. The difference between the debt recorded at inception and its principal amount is to be accreted to principal through interest expense through the estimated life of the note.

The debt and equity components of all of our convertible notes outstanding as of August 30, 2012 were required to be accounted for separately. The debt and equity components of our 2013 Notes were not required to be stated separately.

Principal and carrying amounts of the liability components for our convertible notes with debt and equity components were as follows:

As of	2012			2011		
	Outstanding Principal	Unamortized Discount	Net Carrying Amount	Outstanding Principal	Unamortized Discount	Net Carrying Amount
2014 Notes	$ 949	$ (89)	$ 860	$ 949	$ (134)	$ 815
2032C Notes	550	(99)	451	—	—	—
2032D Notes	450	(89)	361	—	—	—
2031A Notes	345	(80)	265	345	(90)	255
2031B Notes	345	(102)	243	345	(111)	234
2027 Notes	175	(34)	141	175	(40)	135

As of August 30, 2012, the remaining amortization period for the debt discount was approximately 2, 7, 9, 6, 8, and 5 years for 2014 Notes, 2032C Notes, 2032D Notes, 2031A Notes, 2031B Notes, and 2027 Notes, respectively.

Carrying amounts of the equity components for our convertible notes with debt and equity components were as follows:

As of	2012	2011
2014 Notes	$ 368	$ 368
2032C Notes	101	—
2032D Notes	90	—
2031A Notes	89	89
2031B Notes	109	109
2027 Notes	40	40

Interest expense for our convertible notes with debt and equity components was as follows:

For the year ended	2012	2011	2010
Contractual interest expense:			
2014 Notes, stated rate of 1.875%	$ 18	$ 19	$ 24
2032C Notes, stated rate of 2.375%	5	—	—
2032D Notes, stated rate of 3.125%	5	—	—
2031A Notes, stated rate of 1.5%	5	1	—
2031B Notes, stated rate of 1.875%	6	1	—
2027 Notes, stated rate of 1.875%	3	3	—
	42	24	24
Amortization of discount and issuance costs:			
2014 Notes, effective rate of 7.9%	47	46	56
2032C Notes, effective rate of 6.0%	5	—	—
2032D Notes, effective rate of 6.3%	3	—	—
2031A Notes, effective rate of 6.5%	11	1	—
2031B Notes, effective rate of 7.0%	10	1	—
2027 Notes, effective rate of 6.9%	6	5	—
	82	53	56
	$ 124	$ 77	$ 80

Capital Lease Obligations

We have various capital lease obligations due in periodic installments through August 2050 with weighted-average effective interest rates of 4.9% as of 2012 and 6.1% as of 2011. In 2012, we received $609 million in proceeds from equipment sale-leaseback transactions and as a result recorded capital lease obligations aggregating $609 million at a weighted-average effective interest rate of 4.2%, payable in periodic installments through August 2016. In 2011, we received $268 million in proceeds from equipment sale-leaseback transactions and as a result recorded capital lease obligations aggregating $246 million at a weighted-average effective interest rate of 5.4%, payable in periodic installments through May 2016.

2014 Notes

In May 2007, we issued $1.3 billion of the 2014 Notes due June 2014, of which $351 million was extinguished in 2011 in connection with a debt restructure (see "Debt Restructure" below). The initial conversion rate of the 2014 Notes is 70.2679 shares of common stock per $1,000 principal amount, or approximately $14.23 per share. Interest is payable in June and December of each year.

Conversion Rights: Holders may convert their 2014 Notes under the following circumstances: (1) during any calendar quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 130% of the conversion price of the 2014 Notes (approximately $18.50 per share); (2) if the 2014 Notes have been called for redemption; (3) if specified distributions or corporate events occur, as set forth in the indenture for the 2014 Notes; (4) if the trading price of the 2014 Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2014 Notes during the periods specified in the indenture; or (5) at any time on or after March 1, 2014.

We have the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion. It is our current intent to settle the principal amount of the 2014 Notes in cash upon conversion. As a result, upon conversion of the 2014 Notes, only the amounts payable in excess of the principal amounts of the 2014 Notes are considered in diluted earnings per share under the treasury stock method.

Cash Redemption at Our Option: We may redeem for cash the 2014 Notes if the last reported sale price of our common stock has been at least 130% of the conversion price (approximately $18.50 per share) for at least 20 trading days during any 30 consecutive trading-day period. The redemption price is the principal amount to be redeemed, plus accrued and unpaid interest.

Cash Repurchase at the Option of the Holder: Upon a change in control or a termination of trading, as defined in the indenture, holders may require us to repurchase for cash all or a portion of their 2014 Notes at a repurchase price equal to the principal amount, plus accrued and unpaid interest, if any.

2032C and 2032D Notes

On April 18, 2012, we issued $550 million of the 2032C Notes and $450 million of the 2032D Notes (collectively referred to as the "2032 Notes"), each due May 2032. Issuance costs for the 2032 Notes totaled $21 million. The initial conversion rate for the 2032C Notes is 103.8907 shares of common stock per $1,000 principal amount, equivalent to an initial conversion price of approximately $9.63 per share of common stock. The initial conversion rate for the 2032D Notes is 100.1803 shares of common stock per $1,000 principal amount, equivalent to an initial conversion price of approximately $9.98 per share of common stock. Interest is payable in May and November of each year.

Upon issuance of the 2032 Notes, we recorded $805 million of debt, $191 million of additional capital and $17 million of deferred debt issuance costs (included in other noncurrent assets). The amount recorded as debt is based on the fair value of the debt component as a standalone instrument and was determined using an average interest rate for similar nonconvertible debt issued by entities with credit ratings comparable to ours at the time of issuance (Level 2). The difference between the debt recorded at inception and the principal amount ($104 million for the 2032C Notes and $92 million for the 2032D Notes) is being accreted to principal as interest expense through May 2019 for the 2032C Notes and May 2021 for the 2032D Notes, the expected life of the notes.

Conversion Rights: Holders may convert their 2032 Notes under the following circumstances: (1) if the 2032 Notes are called for redemption; (2) during any calendar quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price (approximately $12.52 per share for the 2032C Notes and $12.97 per share for the 2032D Notes) of the 2032C or 2032D Notes; (3) during the five business day period immediately after any five consecutive trading day period in which the trading price of the 2032C or 2032D Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2032C or 2032D Notes; (4) if specified distributions or corporate events occur, as set forth in the indenture for the 2032 Notes; or (5) at any time after February 1, 2032.

We have the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion. It is our current intent to settle the principal amount of the 2032 Notes in cash upon conversion. As a result, upon conversion of the 2032 Notes, only the amounts payable in excess of the principal amounts of the 2032 Notes are considered in diluted earnings per share under the treasury stock method.

Cash Redemption at Our Option: We may redeem for cash the 2032C Notes on or after May 1, 2016 and the 2032D Notes on or after May 1, 2017 if the volume weighted average price of our common stock has been at least 130% of the conversion price (approximately $12.52 per share for the 2032C Notes and $12.97 per share for the 2032D Notes) for at least 20 trading days during any 30 consecutive trading day period. The redemption price will equal the principal amount plus accrued and unpaid interest. If we redeem the 2032C Notes prior to May 4, 2019, or the 2032D Notes prior to May 4, 2021, we will also pay a make-whole premium in cash equal to the present value of all remaining scheduled payments of interest from the redemption date to May 4, 2019 for the 2032C Notes, or to May 4, 2021 for the 2032D Notes, using a discount rate equal to 150 basis points.

Cash Repurchase at the Option of the Holder: We may be required by the holders of the 2032 Notes to repurchase for cash all or a portion of the 2032C Notes on May 1, 2019 and all or a portion of the 2032D Notes on May 1, 2021. The repurchase price is equal to the principal amount plus accrued and unpaid interest. Upon a change in control or a termination of trading, as defined in the indenture, holders of the 2032 Notes may require us to repurchase for cash all or a portion of their 2032 Notes at a repurchase price equal to the principal amount plus accrued and unpaid interest.

2031A and 2031B Notes

On July 26, 2011, we issued $345 million of the 2031A Notes and $345 million of 2031B Notes (collectively referred to as the "2031 Notes"), each due August 2031. The initial conversion rate for the 2031 Notes is 105.2632 shares of common stock per $1,000 principal amount, equivalent to an initial conversion price of approximately $9.50 per share of common stock. Interest is payable in February and August of each year.

Conversion Rights: Holders may convert their 2031 Notes under the following circumstances: (1) during any calendar quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price of the 2031 Notes (approximately $12.35 per share); (2) if the 2031 Notes are called for redemption; (3) if specified distributions or corporate events occur, as set forth in the indenture for the 2031 Notes; (4) if the trading price of the 2031 Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2031 Notes during the periods specified in the indenture; or (5) at any time after May 1, 2031.

Upon conversion, we will pay cash up to the aggregate principal amount and cash, shares of common stock or a combination of cash and shares of common stock, at our option, for any remaining conversion obligations. As a result of the conversion provisions in the indenture, upon conversion of the 2031 Notes, only the amounts payable in excess of the principal amounts of the 2031 Notes are considered in diluted earnings per share under the treasury stock method.

Cash Redemption at Our Option: We may redeem for cash the 2031A Notes on or after August 5, 2013 and the 2031B Notes on or after August 5, 2014 if the last reported sale price of our common stock has been at least 130% of the conversion price (approximately $12.35 per share) for at least 20 trading days during any 30 consecutive trading day period. The redemption price will equal the principal amount plus accrued and unpaid interest. If we redeem the 2031A Notes prior to August 5, 2015, or the 2031B Notes prior to August 5, 2016, we will also pay a make-whole premium in cash equal to the present value of all remaining scheduled payments of interest on the 2031 Notes, using a discount rate equal to 150 basis points.

Cash Repurchase at the Option of the Holder: We may be required by the holders of the 2031 Notes to repurchase for cash all or a portion of the 2031A Notes on August 1, 2018 and all or a portion of the 2031B Notes on August 1, 2020. The repurchase price is equal to the principal amount, plus accrued and unpaid interest. Upon a change in control or a termination of trading, as defined in the indenture, we may be required by the holders of the 2031 Notes to repurchase for cash all or a portion of their 2031 Notes at a repurchase price equal to the principal amount plus accrued and unpaid interest.

2027 Notes

In connection with a debt restructure in 2011 (see "Debt Restructure" below), we issued $175 million of the 2027 Notes due June 2027. The initial conversion rate is 91.7431 shares of common stock per $1,000 principal amount or approximately $10.90 per share, and is subject to adjustment upon the occurrence of certain events specified in the indenture.

Conversion Rights: Holders may convert their 2027 Notes under the following circumstances: (1) during any calendar quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 130% of the conversion price (approximately $14.17 per share); (2) if the 2027 Notes have been called for redemption; (3) if specified distributions or corporate events occur; (4) if the trading price of the 2027 Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2027 Notes during the period specified in the indenture; (5) upon our election to terminate the conversion right of the 2027 Notes; or (6) after March 1, 2027.

Upon conversion, we will pay cash up to the aggregate principal amount and shares of common stock or cash, at our option, for any remaining conversion obligation. As a result of the conversion provisions in the indenture, upon conversion of the 2027 Notes, only the amounts payable in excess of the principal amounts of the 2027 Notes are considered in diluted earnings per share under the treasury stock method.

Cash Redemption at Our Option: We may redeem for cash the 2027 Notes on or after June 1, 2014 at a price equal to the principal amount plus accrued and unpaid interest.

Cash Repurchase at the Option of the Holder: We may be required by the holders of the 2027 Notes to repurchase for cash the 2027 Notes on June 1, 2017. The repurchase price is equal to the principal amount, plus accrued and unpaid interest. Upon a change in control or a termination of trading, as defined in the indenture, we may be required by the holders of the 2027 Notes to repurchase for cash all or a portion of their 2027 Notes at a repurchase price equal to the principal amount plus accrued and unpaid interest.

Termination of Conversion Rights: We may elect to terminate the conversion right of the 2027 Notes if the daily volume weighted average price of our common stock is greater than or equal to 130% of the conversion price (approximately $14.17 per share) for at least 20 trading days during any 30 consecutive trading day period. If we terminate the conversion right prior to June 1, 2014 and any 2027 Notes are converted in connection with the termination, we will pay a make-whole premium equal to the accrued interest as of the conversion date plus the present value of remaining interest that would have been paid through May 31, 2014, discounted using a U.S. Treasury bond with an equivalent term. Subject to the terms of the indenture, we may, at our election, deliver shares of common stock in lieu of cash with respect to this make-whole payment.

Intel Note

In connection with the IM Flash joint venture agreements, on April 6, 2012, we borrowed $65 million under a two-year senior unsecured promissory note from Intel, payable in approximately equal quarterly installments with interest at a rate of 3-month LIBOR minus 50 basis points. The proceeds of the loan are to be used to fund purchases of equipment relating to the research and development or manufacturing of certain emerging memory technologies. (See "Consolidated Variable Interest Entities – IM Flash" note.)

2013 Notes Conversion

In the third quarter of 2012, we provided a written notice that we would redeem our 2013 convertible senior notes on June 4, 2012. As of June 4, 2012, the entire $139 million of principal amount of the 2013 Notes had been converted by holders into 27.3 million shares. We were required to pay a make-whole premium of $9 million, which is reflected in interest expense.

Debt Restructure

In the first quarter of 2011, in connection with a series of debt restructure transactions with certain holders of our convertible notes, we recognized a loss of $111 million as follows:

- $15 million on the exchange of $175 million in aggregate principal amount of our 2014 Notes for $175 million in aggregate principal amount of new 2027 Notes;
- $17 million (including transaction fees) on the repurchase of $176 million in aggregate principal amount of our 2014 Notes for $171 million in cash; and
- $79 million (including transaction fees) on the repurchase of $91 million in aggregate principal amount of our 2013 Notes for $166 million in cash.

Subsequent Events – Financing

On September 5, 2012, we entered into a three-year revolving credit facility. Under this credit facility, we can draw up to the lesser of $255 million or 80% of the net outstanding balance of a pool of certain accounts receivable. We granted a security interest in such receivables to collateralize the facility. The availability of the facility is subject to certain customary conditions, including the absence of any event or circumstance that has a material adverse effect on our business or financial condition. Interest is payable monthly on any outstanding principal balance at a variable rate equal to the Singapore Interbank Offering Rate ("SIBOR") plus 2.8% per annum.

On October 2, 2012, we entered into a facility agreement to obtain financing collateralized by semiconductor production equipment. Subject to customary conditions, we can draw up to $214 million under the facility agreement prior to April 4, 2013. Amounts drawn are payable in 10 equal semi-annual installments beginning six months after the draw date. On October 18, 2012, we drew $173 million with interest at 2.38% per annum. Additional amounts drawn will bear interest, at our option, at either (i) a fixed rate negotiated at the time of the draw request or (ii) a floating rate equal to the six-month LIBOR rate plus 1.6% per annum. The facility agreement contains customary covenants.

Maturities of Notes Payable and Future Minimum Lease Payments

As of August 30, 2012, maturities of notes payable and future minimum lease payments under capital lease obligations were as follows:

As of August 30, 2012	Notes Payable	Capital Lease Obligations
2013	$ 33	$ 231
2014	974	218
2015	—	224
2016	—	228
2017	175	23
2018 and thereafter	1,690	71
Discounts and interest, respectively	(493)	(112)
	$ 2,379	$ 883

Commitments

As of August 30, 2012, we had commitments of approximately $550 million for the acquisition of property, plant and equipment. We lease certain facilities and equipment under operating leases. Total rental expense was $48 million, $69 million and $41 million for 2012, 2011 and 2010, respectively. We also subleased certain facilities and buildings under operating leases to Aptina and recognized $4 million and $7 million of rental income in 2012 and 2011, respectively. As of August 30, 2012, minimum future rental commitments are as follows:

As of August 30, 2012	Operating Lease Commitments
2013	$ 25
2014	16
2015	9
2016	9
2017	7
2018 and thereafter	24
	$ 90

Contingencies

We have accrued a liability and charged operations for the estimated costs of adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, including those described below. We are currently a party to other legal actions arising from the normal course of business, none of which is expected to have a material adverse effect on our business, results of operations or financial condition.

Patent Matters

As is typical in the semiconductor and other high technology industries, from time to time, others have asserted, and may in the future assert, that our products or manufacturing processes infringe their intellectual property rights.

We are engaged in litigation with Rambus, Inc. ("Rambus") relating to certain of Rambus' patents and certain of our claims and defenses. Our lawsuits with Rambus are pending in the U.S. District Court for the District of Delaware, U.S. District Court for the Northern District of California, Germany, France, and Italy. On August 28, 2000, we filed a complaint against Rambus in the U.S. District Court for the District of Delaware seeking declaratory and injunctive relief. The complaint alleges, among other things, various anticompetitive activities and also seeks a declaratory judgment that certain Rambus patents are invalid and/or unenforceable. Rambus subsequently filed an answer and counterclaim in Delaware alleging, among other things, infringement of twelve Rambus patents and seeking monetary damages and injunctive relief. We subsequently added claims and defenses based on Rambus' alleged spoliation of evidence and litigation misconduct. The spoliation and litigation misconduct claims and defenses were heard in a bench trial before Judge Robinson in October 2007. On January 9, 2009, Judge Robinson entered an opinion in our favor holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the decision to the U.S. Court of Appeals for the Federal Circuit. On May 13, 2011, the Federal Circuit affirmed Judge Robinson's finding of spoliation, but vacated the dismissal sanction and remanded the case to the Delaware District Court for analysis of the remedy based on the Federal Circuit's decision. On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California alleging that certain of our DDR2, DDR3, RLDRAM and RLDRAM II products infringe as many as fourteen Rambus patents and seeking monetary damages, treble damages, and injunctive relief. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the Delaware spoliation issue to the Federal Circuit.

On March 6, 2009, Panavision Imaging, LLC "(Panavision") filed suit against us and Aptina Imaging Corporation, then a wholly-owned subsidiary, in the U.S. District Court for the Central District of California. The complaint alleged that certain of our and Aptina's image sensor products infringed four Panavision U.S. patents and sought injunctive relief, damages, attorneys' fees, and costs. On February 7, 2011, the Court ruled that one of the four patents in suit was invalid for indefiniteness. On March 10, 2011, claims relating to the remaining three patents in suit were dismissed with prejudice. Panavision subsequently filed a motion for reconsideration of the Court's decision regarding invalidity of the first patent, and we filed a motion for summary judgment of non-infringement of such patent. On July 8, 2011, the Court issued an order that rescinded its prior indefiniteness decision, and held that the disputed term does not render the claims in suit indefinite. On February 3, 2012, the Court granted our motion for summary judgment of non-infringement. On March 20, 2012, we executed a settlement agreement with Panavision pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On September 1, 2011, HSM Portfolio LLC and Technology Properties Limited LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and seventeen other defendants. The complaint alleges that certain of our DRAM and image sensor products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 9, 2011, Advanced Data Access LLC filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Tyler) against us and seven other defendants. On November 16, 2011, Advanced Data Access filed an amended complaint. The amended complaint alleges that certain of our DRAM products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 14, 2011, Smart Memory Solutions LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and Winbond Electronics Corporation of America. The complaint alleges that certain of our NOR Flash products infringe a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs.

On December 5, 2011, the Board of Trustees for the University of Illinois filed a patent infringement action against us in the U.S. District Court for the Central District of Illinois. The complaint alleges that unspecified semiconductor products of ours infringe three U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On March 26, 2012, Semiconductor Technologies, LLC filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Marshall) against us. The complaint alleges that certain of our DRAM products infringe five U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On March 28, 2012, Technology Partners Limited LLC (“TPL”) filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Tyler) against us. The complaint alleges that certain of our Lexar flash card readers infringe four U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs. On March 26, 2012, TPL filed a parallel complaint with the U.S. International Trade Commission under Section 337 of the Tariff Act of 1930 against us and numerous other companies alleging infringement of the same patents and seeking an exclusion order preventing the importation of certain flash card readers. The District Court action has been stayed pending the outcome of the ITC matter. The ITC matter was scheduled for trial on January 7, 2013. On October 8, 2012, we executed a settlement agreement with TPL pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On April 17, 2012, Anu IP, LLC (“Anu”) filed a patent infringement action in the U.S. District Court for the Eastern District of Texas (Marshall) against us. The complaint alleges that certain of our Lexar USB drives infringe one U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs. On April 18, 2012, Anu filed a parallel complaint with the U.S. International Trade Commission under Section 337 of the Tariff Act of 1930 against us and numerous other companies alleging infringement of the same patent and another related patent and seeking an exclusion order preventing the importation of certain USB drives. The District Court action has been stayed pending the outcome of the ITC matter. On August 27, 2012, we executed a settlement agreement with Anu pursuant to which the parties agreed to a settlement and release of all claims and a dismissal with prejudice of the litigation, which did not have a material effect on our business, results of operations or financial condition.

On April 27, 2012, Semcon Tech, LLC filed a patent infringement action against us in the U.S. District Court for the District of Delaware. The complaint alleges that our use of a Reflexion CMP polishing system purchased from Applied Materials infringes a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs.

Among other things, the above lawsuits pertain to certain of our SDRAM, DDR, DDR2, DDR3, RLDRAM, NAND Flash, NOR Flash and image sensor products, which account for a significant portion of our net sales.

We are unable to predict the outcome of assertions of infringement made against us and therefore cannot estimate the range of possible loss, except as noted in the discussion of the Panavision, TPL and Anu matters above. A court determination that our products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

Antitrust Matters

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus sought a judgment for damages of approximately $3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims. On April 2, 2012, Rambus filed a notice of appeal to the California 1st District Court of Appeal.

At least sixty-eight purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers in various federal and state courts in the United States and in Puerto Rico on behalf of indirect purchasers alleging a conspiracy to increase DRAM prices in violation of federal and state antitrust laws and state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products during the period from April 1999 through at least June 2002. The complaints seek joint and several damages, trebled, in addition to restitution, costs and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings. In July, 2006, the Attorneys General for approximately forty U.S. states and territories filed suit in the U.S. District Court for the Northern District of California. The complaints allege, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seek joint and several damages, trebled, as well as injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, we executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, we agreed to pay approximately $67 million in aggregate in three equal installments over a two-year period. As of August 30, 2012, we had paid $45 million into an escrow account in accordance with the settlement agreement.

Three putative class action lawsuits alleging price-fixing of DRAM products also have been filed against us in Quebec, Ontario, and British Columbia, Canada, on behalf of direct and indirect purchasers, asserting violations of the Canadian Competition Act and other common law claims (collectively the "Canadian Cases"). The claims were initiated between December 2004 (British Columbia) and June 2006 (Quebec). The plaintiffs seek monetary damages, restitution, costs, and attorneys' fees. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs subsequently filed an appeal of each of those decisions. On November 12, 2009, the British Columbia Court of Appeal reversed, and on November 16, 2011, the Quebec Court of Appeal also reversed the denial of class certification and remanded the cases for further proceedings. On October 16, 2012, we entered into a settlement agreement resolving these three putative class action cases subject to certain conditions including final court approval of the settlement. The settlement amount did not have a material effect on our business, results of operations or financial condition.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including us, and focuses on the period from July 1998 to June 2002.

On September 24, 2010, Oracle America Inc. ("Oracle"), successor to Sun Microsystems, a DRAM purchaser that opted-out of a direct purchaser class action suit that was settled, filed suit against us in U.S. District Court for the Northern District of California. The complaint alleged a conspiracy to increase DRAM prices and other violations of federal and state antitrust and unfair competition laws based on purported conduct for the period from August 1, 1998 through at least June 15, 2002. Oracle sought joint and several damages, trebled, as well as restitution, disgorgement, attorneys' fees, costs and injunctive relief. On March 23, 2012, we entered into a settlement agreement with Oracle pursuant to which we agreed to make a payment of $58 million to Oracle for a settlement and full release of all claims and a dismissal with prejudice of the litigation. The settlement amount was paid in May 2012.

We are unable to predict the outcome of these matters and therefore cannot estimate the range of possible loss, except as noted in the U.S. indirect purchasers cases, the Canadian Cases and Oracle matter above. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Commercial Matters

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda AG ("Qimonda") insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda signed in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera Memories, Inc. and seeks an order requiring us to retransfer the Inotera shares purchased from Qimonda to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross license between us and Qimonda entered into at the same time as the share purchase agreement. A three-judge panel will render a decision after a series of hearings with pleadings, arguments and witnesses. A first hearing was held on September 25, 2012. The next hearing is scheduled for February 5, 2013. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross license, which could have a material adverse effect on our business, results of operation or financial condition. As of August 30, 2012, the Inotera shares purchased from Qimonda had a net carrying value of $177 million.

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations or financial condition.

Shareholders' Equity

Repurchase of Common Stock

On July 26, 2011, we paid $150 million to repurchase 19.7 million shares of common stock at $7.60 per share.

Capped Calls

Issued and Outstanding Capped Calls: Concurrent with the offering of the 2032C and 2032D Notes, in April 2012, we entered into capped call transactions (the "2012C Capped Calls" and "2012D Capped Calls," collectively the "2012 Capped Calls") that have an initial strike price of approximately $9.80 and $10.16 per share, respectively, subject to certain adjustments, which was set to be slightly higher than the initial conversion prices of approximately $9.63 for the 2032C Notes and $9.98 for the 2032D Notes. The 2012C Capped Calls are in four tranches, with cap prices of $14.26, $14.62, $15.33 and $15.69 per share, and cover, subject to anti-dilution adjustments similar to those contained in the 2032C Notes, an approximate combined total of 56.3 million shares of common stock. The 2012C Capped Calls expire on various dates between May 2016 and November 2017. The 2012D Capped Calls are in four tranches, with cap prices of $14.62, $15.33, $15.69 and $16.04 per share, and cover, subject to anti-dilution adjustments similar to those contained in the 2032D Notes, an approximate combined total of 44.3 million shares of common stock. The 2012D Capped Calls expire on various dates between November 2016 and May 2018. The 2012 Capped Calls are intended to reduce the potential dilution upon conversion of the 2032 Notes. The 2012 Capped Calls may be settled in shares or cash, at our election. Settlement of the 2012 Capped Calls in cash on their respective expiration dates would result in us receiving an amount ranging from zero, if the market price per share of our common stock is at or below $9.80, to a maximum of $551 million. We paid $103 million to purchase the 2012 Capped Calls, which was charged to additional capital.

Concurrent with the offering of the 2031 Notes, in July 2011, we entered into capped call transactions (the "2011 Capped Calls") that have an initial strike price of approximately $9.50 per share, subject to certain adjustments, which was set to equal the initial conversion price of the 2031 Notes. The 2011 Capped Calls are in four equal tranches, with cap prices of $11.40, $12.16, $12.67 and $13.17 per share, and cover, subject to anti-dilution adjustments similar to those contained in the 2031 Notes, an approximate combined total of 72.6 million shares of common stock. The 2011 Capped Calls expire on various dates between July 2014 and February 2016. The 2011 Capped Calls are intended to reduce the potential dilution upon conversion of the 2031 Notes. Settlement of the 2011 Capped Calls in cash on their respective expiration dates would result in us receiving an amount ranging from zero if the market price per share of our common stock is at or below $9.50 to a maximum of $207 million. We paid $57 million to purchase the 2011 Capped Calls, which was charged to additional capital.

Concurrent with the offering of the 2013 Notes in April 2009, we entered into capped call transactions (the "2009 Capped Calls") that have an initial strike price of approximately $5.08 per share, subject to certain adjustments, which was set to equal the initial conversion price of the 2013 Notes. The 2009 Capped Calls have a cap price of $6.64 per share and cover, subject to anti-dilution adjustments similar to those contained in the 2013 Notes, an approximate combined total of 45.2 million shares of common stock, and are subject to standard adjustments for instruments of this type. The 2009 Capped Calls expire in October 2012 and November 2012. We elected to settle the 2009 Capped Calls in cash and the amount we will receive will depend on the market price per share of our common stock on the expiration dates. We paid $25 million to purchase the 2009 Capped Calls, which was charged to additional capital.

Settlement and Expiration of the 2007 Capped Calls: Concurrent with the offering of the 2014 Notes, we purchased capped calls with a strike price of approximately $14.23 per share and various expiration dates between November 2011 and December 2012 (the "2007 Capped Calls"). In the first six months of 2012, 2007 Capped Calls covering 30.4 million shares expired according to their terms. In April 2012, we settled the remaining 2007 Capped Calls, covering 60.9 million shares, and received a de minimis payment.

Accumulated Other Comprehensive Income (Loss)

As of	2012	2011
Accumulated translation adjustment, net	$ 49	$ 65
Gain (loss) on derivatives, net	31	43
Gain (loss) on investments, net	1	25
Unrecognized pension liability	(1)	(1)
Accumulated other comprehensive income	$ 80	$ 132

Derivative Financial Instruments

We are exposed to currency exchange rate risk for monetary assets and liabilities held or denominated in foreign currencies, primarily the euro, shekel, Singapore dollar and yen. We are also exposed to currency exchange rate risk for capital expenditures and operating cash flows, primarily denominated in the euro and yen. In connection with the Elpida Sponsor Agreement and Rexchip share purchase agreement entered into in July 2012, we are exposed to significant currency exchange rate risk for the yen and New Taiwan dollar. We use derivative instruments to manage our exposures to changes in currency exchange rates. For exposures associated with our monetary assets and liabilities, our primary objective in entering into currency derivatives is to reduce the volatility that changes in currency exchange rates have on our earnings. For exposures associated with our capital expenditures and operating cash flows, our primary objective in entering into currency derivatives is to reduce the volatility that changes in currency exchange rates have on future cash flows. For exposures associated with our yen or New Taiwan dollar denominated payment obligations under the Elpida sponsor agreement and Rexchip share purchase agreement, our primary objective for entering into currency derivatives is to mitigate risks if those currencies strengthen relative to the U.S. dollar, while preserving some ability for us to benefit if those currencies weaken.

Our derivatives consist primarily of currency forward contracts and currency options. The derivatives expose us to credit risk to the extent the counterparties may be unable to meet the terms of the derivative instrument. As of August 30, 2012, our maximum exposure to loss due to credit risk if counterparties fail completely to perform according to the terms of the contracts, was equal to the fair value of our assets for these contracts as listed in the tables below. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading risk across multiple major financial institutions. In addition, we monitor the potential risk of loss with any one counterparty resulting from this type of credit risk on an ongoing basis. We have the following currency risk management programs:

Currency Derivatives without Hedge Accounting Designation

We utilize a rolling hedge strategy with currency forward contracts that generally mature within 35 days to hedge our exposure to changes in currency exchange rates from our monetary assets and liabilities. At the end of each reporting period, monetary assets and liabilities held or denominated in currencies other than the U.S. dollar are remeasured in U.S. dollars and the associated outstanding forward contracts are marked-to-market. Currency forward contracts are valued at fair values based on the middle of bid and ask prices of dealers or exchange quotations (referred to as Level 2). Realized and unrealized gains and losses on derivative instruments and the underlying monetary assets and liabilities are included in other operating (income) expense.

In connection with the currency exchange rate risk with the Elpida Sponsor Agreement and Rexchip share purchase agreement, we utilized currency options that expire on April 3, 2013 and April 2, 2013, respectively. Currency options are valued at their fair value using a modified Black-Scholes option valuation model using inputs of the current spot rate, strike price, risk-free interest rate, time to maturity, volatility and credit-risk spread (referred to as Level 2). These options are marked-to-market at the end of each reporting period and realized and unrealized gains and losses are included in other operating (income) expense.

Total gross notional amounts and fair values for currency derivatives without hedge accounting designation were as follows:

Currency	Notional Amount (in U.S. Dollars)	Fair Value of Asset [1]	Fair Value of (Liability) [2]
As of August 30, 2012			
Forward contracts:			
Singapore dollar	$ 251	$ —	$ (1)
Euro	173	2	(1)
Shekel	65	—	(1)
Yen	18	—	—
Currency options:			
Yen	5,050 [3]	57	—
New Taiwan dollar	342	2	—
	$ 5,899	$ 61	$ (3)
As of September 1, 2011			
Forward contracts:			
Singapore dollar	$ 210	$ —	$ —
Euro	301	3	—
Shekel	98	—	(2)
Yen	165	3	—
Other	50	—	—
	$ 824	$ 6	$ (2)

[1] *Included in receivables – other.*
[2] *Included in accounts payable and accrued expenses – other.*
[3] *Notional amount includes purchased options of $2,527 million and sold options of $2,523 million.*

For currency forward contracts and options without hedge accounting designation, we recognized net losses of $17 million for 2012, gains of $21 million for 2011 and losses of $29 million for 2010, which were included in other operating (income) expense.

Currency Derivatives with Cash Flow Hedge Accounting Designation

We utilize currency forward contracts that generally mature within 12 months and currency options that generally mature from 12 to 18 months to hedge the exposure of changes in cash flows from changes in currency exchange rates for certain capital expenditures and forecasted operating cash flows. Currency forward contracts are valued at their fair values based on market-based observable inputs including currency exchange spot and forward rates, interest rate and credit risk spread (referred to as Level 2). Currency options are valued at their fair value using a modified Black-Scholes option valuation model using inputs of the current spot rate, strike price, risk-free interest rate, time to maturity, volatility and credit-risk spread (referred to as Level 2). For derivatives designated as cash flow hedges, the effective portion of the realized and unrealized gain or loss on the derivatives was included as a component of accumulated other comprehensive income (loss). For derivatives hedging capital expenditures, the amounts in accumulated other comprehensive income (loss) for these cash flow hedges are reclassified into earnings in the same line items of the consolidated statements of operation and in the same periods in which the underlying transactions affect earnings. Amounts in accumulated other comprehensive income (loss) for inventory purchases are reclassified to earnings when inventory is sold. The ineffective or excluded portion of the realized and unrealized gain or loss is included in other operating (income) expense. Total gross notional amounts and fair values for currency derivatives with cash flow hedge accounting designation were as follows:

Currency	Notional Amount (in U.S. Dollars)	Fair Value of	
		Asset [1]	(Liability) [2]
As of August 30, 2012			
Forward contracts:			
Yen	$ 108	$ 2	$ —
Euro	35	—	—
Currency options:			
Yen	32	—	—
	$ 175	$ 2	$ —
As of September 1, 2011			
Forward contracts:			
Yen	$ 19	$ 1	$ —
Euro	232	8	—
	$ 251	$ 9	$ —

(1) *Included in receivables – other.*

(2) *Included in accounts payable and accrued expenses – other.*

For 2012 and 2011, we recognized $9 million of net derivative losses and $49 million of net derivative gains, respectively, in accumulated other comprehensive income (loss) from the effective portion of cash flow hedges. The ineffective and excluded portions of cash flow hedges recognized in other operating (income) expense were not significant in 2012 and 2011. In 2012, $9 million of net gains were reclassified from accumulated other comprehensive income (loss) to earnings. As of August 30, 2012, the amount of net derivative gains included in accumulated other accumulated comprehensive income (loss) expected to be reclassified into earnings in the next 12 months was $10 million.

Fair Value Measurements

Accounting standards establish three levels of inputs that may be used to measure fair value: quoted prices in active markets for identical assets or liabilities (referred to as Level 1), inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2) and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level 3).

Fair Value Measurements on a Recurring Basis

All marketable debt and equity investments are classified as available-for-sale and are carried at fair value. Assets measured at fair value on a recurring basis were as follows:

As of	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$ 2,159	$ —	$ —	$ 2,159	$ 1,462	$ —	$ —	$ 1,462
Commercial paper	—	29	—	29	—	—	—	—
Certificates of deposit	—	27	—	27	—	155	—	155
Government securities	—	5	—	5	—	—	—	—
	2,159	61	—	2,220	1,462	155	—	1,617
Short-term investments:								
Government securities	—	51	—	51	—	—	—	—
Corporate bonds	—	31	—	31	—	—	—	—
Commercial paper	—	10	—	10	—	—	—	—
Asset-backed securities	—	4	—	4	—	—	—	—
Certificates of deposit	—	4	—	4	—	—	—	—
	—	100	—	100	—	—	—	—
Long-term marketable investments:								
Corporate bonds	—	203	—	203	—	—	—	—
Government securities	—	88	—	88	—	—	—	—
Asset-backed securities	—	73	—	73	—	—	—	—
Marketable equity securities	5	5	—	10	37	15	—	52
	5	369	—	374	37	15	—	52
Noncurrent assets:								
Assets held for sale	—	—	25	25	—	—	35	35
	—	—	25	25	—	—	35	35
	$ 2,164	$ 530	$ 25	$ 2,719	$ 1,499	$ 170	$ 35	$ 1,704

Government securities consist of securities issued directly by or deemed to be guaranteed by government entities such as U.S and non U.S. agency securities, government bonds and treasury securities. Level 2 securities are valued using information obtained from pricing services, which obtain quoted market prices for similar instruments, non-binding market consensus prices that are corroborated by observable market data, or various other methodologies, to determine the appropriate value at the measurement date. We periodically perform supplemental analysis to validate information obtained from our pricing services. As of August 30, 2012, no adjustments were made to such pricing information.

Level 3 assets consisted primarily of semiconductor equipment and facilities classified as held for sale. Fair value for semiconductor equipment was based on quotations obtained from equipment dealers, which consider the remaining useful life and configuration of the equipment. Fair value for facilities was determined based on sales of similar facilities and properties in comparable markets. Losses recognized in 2012 and 2011 due to fair value measurements using Level 3 inputs were not significant. For 2012, activity of assets held for sale was not significant.

Marketable equity securities included approximately 1.3 million ordinary shares (subsequent to a 1 for 15 reverse stock split on August 6, 2012) of Tower Semiconductor Ltd. ("Tower") received in connection with our sale of our wafer fabrication facility in Japan in June 2011. As of September 1, 2011, the shares were valued using quoted market prices in an active market and discounted using a protective put model for our resale restriction (Level 2). During 2012, the resale restrictions lapsed for 0.7 million of the shares, which were valued using quoted market prices (Level 1) as of August 30, 2012.

Fair Value Measurements on a Nonrecurring Basis

Our non-marketable securities, equity method investments, and non-financial assets such as intellectual property and property, plant and equipment are carried at cost unless impairment is deemed to have occurred.

During the third quarter of 2012, the Board of Directors of Transform approved a liquidation plan. As a result, we impaired our investment in Transform to the estimated liquidation values for its assets and liabilities measured using unobservable inputs (Level 3). Transform's primary assets were semiconductor equipment and a manufacturing facility. The fair values for semiconductor equipment were based on quotations obtained from equipment dealers, which consider the remaining useful life and configuration of the equipment. Fair value for the facility was determined based on sales of similar facilities and properties in comparable markets. Based on our valuation of Transform's net assets, we recognized an other-than-temporary impairment charge of $69 million in equity in net loss of equity method investees.

Fair Value of Financial Instruments

Amounts reported as cash and equivalents, receivables, and accounts payable and accrued expenses approximate fair value. The estimated fair value and carrying value of debt instruments (carrying value excludes the equity components of the 2014 Notes, the 2027 Notes, the 2031 Notes, and the 2032 Notes classified in equity) were as follows:

As of	2012		2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible notes	$ 2,669	$ 2,321	$ 1,845	$ 1,578
Other notes	56	58	—	—

The fair value of our convertible debt instruments was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including our stock price and interest rates based on similar debt issued by parties with credit ratings similar to ours (Level 2). The fair value of our other debt instruments was estimated based on discounted cash flows using inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including interest rates based on similar debt issued by parties with credit ratings similar to ours (Level 2).

Equity Plans

As of August 30, 2012, we had an aggregate of 169.0 million shares of common stock reserved for the issuance of stock options and restricted stock awards, of which 105.1 million shares were subject to outstanding awards and 63.9 million shares were available for future awards. Awards are subject to terms and conditions as determined by our Board of Directors.

Stock Options

Our stock options are generally exercisable in increments of either one-fourth or one-third per year beginning one year from the date of grant. Stock options issued after September, 2004 generally expire six years from the date of grant. All other options expire ten years from the grant date.

Option activity for 2012 is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding at September 1, 2011	99.3	$ 11.06		
Granted	21.4	5.74		
Exercised	(1.5)	3.49		
Cancelled or expired	(23.5)	17.43		
Outstanding at August 30, 2012	95.7	8.42	2.8	$ 53
Exercisable at August 30, 2012	55.3	$ 9.71	1.7	$ 31
Expected to vest after August 30, 2012	38.6	6.65	4.4	22

The following table summarizes information about options outstanding as of August 30, 2012:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life (In Years)	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share
$ 2.07 - $ 4.52	13.4	2.2	$ 3.01	9.4	$ 3.07
5.00 - 7.92	40.8	4.1	6.45	13.0	6.84
8.02 - 10.89	12.9	4.1	9.58	4.4	9.59
11.03 - 13.99	22.3	0.8	12.44	22.2	12.45
14.01 - 19.61	6.3	0.7	16.05	6.3	16.05
	95.7	2.8	8.42	55.3	9.71

The weighted-average grant-date fair value per share was $3.18, $4.46 and $4.13 for options granted during 2012, 2011 and 2010, respectively. The total intrinsic value was $6 million, $35 million, and $13 million for options exercised during 2012, 2011 and 2010, respectively.

The fair values of option awards were estimated at each grant date using the Black-Scholes option valuation model. The Black-Scholes model requires the input of assumptions, including the expected stock price volatility and estimated option life. The expected volatilities utilized were based on implied volatilities from traded options on our stock and on historical volatility. Since 2009, the expected lives of options granted were based, in part, on historical experience and on the terms and conditions of the options. Prior to 2009, the expected lives of options granted were based on the simplified method provided by the Securities and Exchange Commission. The risk-free interest rates utilized were based on the U.S. Treasury yield in effect at each grant date. No dividends were assumed in estimated option values. Assumptions used in the Black-Scholes model are presented below:

For the year ended	2012	2011	2010
Average expected life in years	5.1	5.1	5.1
Weighted-average expected volatility	66%	56%	60%
Weighted-average risk-free interest rate	0.9%	1.8%	2.3%

Restricted Stock and Restricted Stock Units ("Restricted Stock Awards")

As of August 30, 2012, there were 9.4 million shares of Restricted Stock Awards outstanding, of which 2.2 million were performance-based Restricted Stock Awards. For service-based Restricted Stock Awards, restrictions generally lapse in one-fourth increments during each year of employment after the grant date. For performance-based Restricted Stock Awards, vesting is contingent upon meeting certain performance goals. Restricted Stock Awards activity for 2012 is summarized as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at September 1, 2011	8.8	$ 8.17
Granted	5.8	5.43
Restrictions lapsed	(4.7)	7.47
Cancelled	(0.5)	7.26
Outstanding at August 30, 2012	9.4	6.87
Expected to vest after August 30, 2012	8.1	$ 6.75

Restricted Stock Awards granted for 2012, 2011 and 2010 were as follows:

For the year ended	2012	2011	2010
Service-based awards	3.9	4.4	5.9
Performance-based awards	1.9	1.2	1.8
Weighted-average grant-date fair values per share	$ 5.43	$ 8.72	$ 8.29

Restricted Stock Awards granted during 2010 included 4.1 million of service-based and 0.7 million of performance-based Restricted Stock Awards as part of our acquisition of Numonyx. The aggregate fair value at the lapse date of awards for which restrictions lapsed during 2012, 2011 and 2010 was $32 million, $43 million and $65 million, respectively.

Stock-based Compensation Expense

For the year ended	2012	2011	2010
Stock-based compensation expense by caption:			
Cost of goods sold	$ 23	$ 20	$ 23
Selling, general and administrative	47	38	50
Research and development	17	17	18
Other operating (income) expense	—	1	2
	$ 87	$ 76	$ 93
Stock-based compensation expense by type of award:			
Stock options	$ 57	$ 44	$ 37
Restricted stock awards	30	32	56
	$ 87	$ 76	$ 93

Selling, general and administrative expense for 2012 included $13 million from the vesting of restricted stock and stock options in connection with the death of our former Chief Executive Officer.

Stock-based compensation expense of $5 million and $5 million was capitalized and remained in inventory as of August 30, 2012 and September 1, 2011, respectively. As of August 30, 2012, $138 million of total unrecognized compensation costs, net of estimated forfeitures, related to non-vested awards was expected to be recognized through the fourth quarter of 2016, resulting in a weighted-average period of 1.2 years. Stock-based compensation expense in the above presentation does not reflect any significant income tax benefits, which is consistent with our treatment of income or loss from our U.S. operations. (See "Income Taxes" note.)

Employee Benefit Plans

We have employee retirement plans at our U.S. and international sites. Details of the more significant plans are discussed as follows:

Employee Savings Plan for U.S. Employees

We have 401(k) retirement plans ("RAM Plans") under which U.S. employees may contribute up to 75% of their eligible pay (subject to IRS annual contribution limits) to various savings alternatives, none of which include direct investment in our common stock. In 2011 we reinstated our match under the RAM Plans after being suspended in 2009. We match in cash eligible contributions from employees up to 5% of the employee's annual eligible earnings. Contribution expense for the RAM Plans was $41 million and $26 million in 2012 and 2011, respectively.

Retirement Plans

We have pension plans in various countries worldwide. The pension plans are only available to local employees and are generally government mandated. We have determined that these pension plans are not material for separate disclosure.

Other Operating (Income) Expense, Net

For the year ended	2012	2011	2010
Loss from termination of lease to IMFT	$ 17	$ —	$ —
Restructure	7	(21)	(10)
(Gain) loss from changes in currency exchange rates	6	6	23
(Gain) loss on disposition of property, plant and equipment	5	(17)	(1)
Samsung patent cross-license agreement	—	(275)	—
Gain from disposition of Japan Fab	—	(54)	—
Other	13	(19)	(39)
	$ 48	$ (380)	$ (27)

In the first quarter of 2011, we entered into a 10-year patent cross-license agreement with Samsung Electronics Co. Ltd. ("Samsung"). Other operating income for 2011 included gains of $275 million for cash received from Samsung under the agreement. The license is a life-of-patents license for existing patents and applications, and a 10-year term license for all other patents.

Other operating income in 2011 included $8 million for receipts from the U.S. government in connection with anti-dumping tariffs. Other operating income in 2010 included $24 million of grant income related to our operations in China and $12 million of receipts from the U.S. government in connection with anti-dumping tariffs.

Other Non-Operating Income (Expense), Net

Other non-operating income for 2012 included $35 million in net gains from equity investments. Other non-operating income for 2011 included $15 million for the termination of our debt guarantee obligation that we recorded in connection with our acquisition of Numonyx and a $111 million loss recognized in connection with a series of debt restructure transactions with certain holders of our convertible notes. (See "Debt" note.) Other non-operating income for 2010 included $56 million of gain recognized in connection with Inotera's sale of common shares in a public offering. (See "Equity Method Investments – Inotera" note.)

Income Taxes

For the year ended	2012	2011	2010
Income (loss) before taxes, net income attributable to noncontrolling interests and equity in net loss of equity method investees:			
U.S.	$ (1,028)	$ 257	$ 1,383
Foreign	274	294	537
	$ (754)	$ 551	$ 1,920
Income tax (provision) benefit:			
Current:			
U.S. federal	$ 14	$ —	$ 66
Foreign	(22)	(89)	(24)
State	—	(1)	(4)
	(8)	(90)	38
Deferred:			
U.S. federal	—	—	(5)
Foreign	25	(113)	(14)
	25	(113)	(19)
Income tax (provision) benefit	$ 17	$ (203)	$ 19

Income tax (provision) benefit computed using the U.S. federal statutory rate reconciled to income tax (provision) benefit was as follows:

For the year ended	2012	2011	2010
U.S. federal income tax (provision) benefit at statutory rate	$ 264	$ (193)	$ (672)
Foreign operations	104	(119)	135
State taxes, net of federal benefit	9	(5)	(22)
Tax credits	2	17	3
Change in valuation allowance	(373)	103	424
Debt repurchase premium	—	(20)	—
Gain on acquisition of Numonyx	—	—	153
Other	11	14	(2)
Income tax (provision) benefit	$ 17	$ (203)	$ 19

Deferred income taxes reflect the net tax effects of temporary differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities consist of the following as of the end of the periods shown below:

As of	2012	2011
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 1,816	$ 1,558
Accrued salaries, wages and benefits	99	99
Deferred income	39	55
Other	76	55
Gross deferred tax assets	2,030	1,767
Less valuation allowance	(1,535)	(1,220)
Deferred tax assets, net of valuation allowance	495	547
Deferred tax liabilities:		
Debt discount	(182)	(138)
Unremitted earnings on certain subsidiaries	(111)	(117)
Product and process technology	(61)	(50)
Property, plant and equipment	(38)	(107)
Intangible assets	(17)	(24)
Other	(21)	(41)
Deferred tax liabilities	(430)	(477)
Net deferred tax assets	$ 65	$ 70
Reported as:		
Current deferred tax assets (included in other current assets)	$ 19	$ 26
Noncurrent deferred tax assets (included in other noncurrent assets)	47	60
Noncurrent deferred tax liabilities (included in other noncurrent liabilities)	(1)	(16)
Net deferred tax assets	$ 65	$ 70

We have a valuation allowance against substantially all U.S. net deferred tax assets. As of August 30, 2012, our federal, state and foreign net operating loss carryforwards were $3.5 billion, $2.2 billion and $737 million respectively. If not utilized, substantially all of our federal and state net operating loss carryforwards will expire in 2023 to 2032 and the foreign net operating loss carryforwards will begin to expire in 2017. As of August 30, 2012, our federal and state tax credit carryforwards were $208 million and $203 million, respectively. If not utilized, substantially all of our federal and state tax credit carryforwards will expire in 2013 to 2032. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income.

The changes in valuation allowance of $315 million and $(75) million in 2012 and 2011, respectively, are primarily due to uncertainties of realizing certain U.S. and foreign net operating losses and certain tax credit carryforwards.

Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from such companies are expected to result in additional tax liability. Remaining undistributed earnings of $1.1 billion as of August 30, 2012 have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable.

Below is a reconciliation of the beginning and ending amount of unrecognized tax benefits:

For the year ended	2012	2011	2010
Beginning unrecognized tax benefits	$ 121	$ 88	$ 1
Settlements with tax authorities	(29)	(2)	(1)
Decreases related to tax positions from prior years	(14)	(3)	—
Foreign currency translation increases (decreases) to tax positions	(9)	6	—
Increases related to tax positions taken during current year	6	28	11
Increases related to tax positions from prior years	2	4	14
Unrecognized tax benefits acquired in current year	—	—	63
Ending unrecognized tax benefits	$ 77	$ 121	$ 88

Included in the unrecognized tax benefits balance as of August 30, 2012, September 1, 2011 and September 2, 2010 were $66 million, $113 million and $87 million, respectively, of unrecognized income tax benefits, which if recognized, would affect our effective tax rate. In connection with the acquisition of Numonyx in 2010, we accrued a $66 million liability related to uncertain tax positions on the tax years of Numonyx open to examination. We recorded an indemnification asset for a significant portion of these unrecognized income tax benefits related to uncertain tax positions. We recognize interest and penalties related to income tax matters within income tax expense. As of August 30, 2012, September 1, 2011 and September 2, 2010, accrued interest and penalties related to uncertain tax positions was $12 million, $16 million and $6 million, respectively.

We are unable to reasonably estimate possible increases or decreases in uncertain tax positions that may occur within the next 12 months due to the uncertainty of the timing of the resolution and/or closure on audits. However, we do not anticipate any such change would be significant.

We currently operate in several tax jurisdictions where we have arrangements that allow us to compute our tax provision at rates below the local statutory rates that expire in whole or in part at various dates through 2026. These arrangements benefitted our tax provision in 2012, 2011 and 2010 by $52 million ($0.05 per diluted share), $72 million ($0.07 per diluted share) and $69 million ($0.07 per diluted share), respectively.

We and our subsidiaries file income tax returns with the U.S. federal government, various U.S. states and various foreign jurisdictions throughout the world. Our U.S. federal and state tax returns remain open to examination for 2008 through 2012. In addition, tax years open to examination in multiple foreign taxing jurisdictions range from 2005 to 2012. We are currently under examination in various taxing jurisdictions in which we conduct business operations. We believe that adequate amounts of taxes and related interest and penalties have been provided for, and any adjustments as a result of the examinations are not expected to materially adversely affect our business, results of operations or financial condition.

Earnings Per Share

For the year ended	2012	2011	2010
Net income (loss) available to Micron shareholders – Basic	$ (1,032)	$ 167	$ 1,850
Net effect of assumed conversion of debt	—	—	93
Net income (loss) available to Micron shareholders – Diluted	$ (1,032)	$ 167	$ 1,943
Weighted-average common shares outstanding – Basic	991.2	988.0	887.5
Net effect of dilutive equity awards, escrow shares and assumed conversion of debt	—	19.5	163.2
Weighted-average common shares outstanding – Diluted	991.2	1,007.5	1,050.7
Earnings (loss) per share:			
Basic	$ (1.04)	$ 0.17	$ 2.09
Diluted	(1.04)	0.17	1.85

On May 7, 2010, in connection with the acquisition of Numonyx, we issued 137.7 million shares of our common stock and issued 4.8 million restricted stock units. Of the common stock issued, 21 million shares were held in escrow as partial security for Numonyx shareholders indemnity obligations. During 2011, the Numonyx shareholders sold all of the 21 million shares in escrow. The shares held in escrow were included in diluted earnings per share but were excluded from basic earnings per share. (See "Numonyx" note.)

Listed below are the potential common shares, as of the end of the periods shown, that could dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive:

For the year ended	2012	2011	2010
Employee stock plans	104.8	81.4	92.2
Convertible notes	257.6	182.7	—

Our 2027 Notes and 2031 Notes contain terms that upon conversion require us to settle the aggregate principal amount in cash and the remainder of our conversion obligation amount in either shares of our common stock or cash, at our election. Our 2014 Notes and 2032 Notes contain terms that upon conversion provide us the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due. It is our current intent to settle the principal amount of the 2014 Notes and 2032 Notes in cash upon conversion. As a result of these conversion terms, the 257.6 million shares underlying the 2014 Notes, 2027 Notes, 2031 Notes and 2032 Notes are considered in diluted earnings per share under the treasury stock method. (See "Debt" note.)

Consolidated Variable Interest Entities

IM Flash

We partnered with Intel to form IMFT in 2006 and IMFS in 2007 to manufacture NAND Flash memory products for the exclusive use of the members. IMFT (and IMFS prior to April 6, 2012) is governed by a Board of Managers. The number of managers appointed by each member to the board varies based on the members' respective ownership interests. The members' ownership percentage is based on contributions to the partnership. We have owned 51% of IMFT from inception through August 30, 2012. Our ownership percentage of IMFS had increased from 51% at inception to 82% as of April 6, 2012 due to a series of contributions by us that were not fully matched by Intel.

On April 6, 2012, we entered into a series of agreements with Intel to restructure IM Flash. We acquired Intel's remaining 18% interest in IMFS for $466 million. In addition, we acquired IMFT's assets located at our Virginia wafer fabrication facility, for which Intel received a distribution from IMFT of $139 million. For both transactions, the amounts Intel received approximated the book values of Intel's interests in the assets acquired. Additionally, we received a $300 million deposit from Intel which may be applied either to Intel's purchases of NAND Flash under a supply agreement or, under certain circumstances, refunded.

The agreements also provided for the following:

- expansion of the scope of the IMFT joint venture to include certain emerging memory technologies;
- supply of NAND Flash memory products and certain emerging memory products to Intel on a cost-plus basis and termination of IMFS's supply agreement with us and Intel;
- extension of IMFT's joint venture agreement through 2024;
- certain buy-sell rights, commencing in 2015, pursuant to which Intel may elect to sell to us, or we may elect to purchase from Intel, Intel’s interest in IMFT (if Intel so elects, we would set the closing date of the transaction within two years following such election and could elect to receive financing from Intel for one to two years);
- financing of $65 million provided by Intel to us under a two-year senior unsecured promissory note, payable with interest in approximately equal quarterly installments; and
- termination of IMFT's lease to use approximately 50% of our Virginia fabrication facility, which resulted in a charge to other operating expense of $17 million in 2012.

The following table presents IM Flash's distributions to and contributions from its shareholders ("IM Flash" includes both IMFT and IMFS for all periods prior to April 6, 2012 and includes only IMFT for the period after April 6, 2012):

For the year ended	2012	2011	2010
IM Flash distributions to Micron	$ 439	$ 234	$ 278
IM Flash distributions to Intel	391	225	267
Micron contributions to IM Flash	151	1,580	128
Intel contributions to IM Flash	177	—	38

IM Flash sells products to the joint venture members generally in proportion to their ownership interests at long-term negotiated prices approximating cost. Due to the changes in ownership, our share of IMFS output grew from 51% in the first quarter of 2011 to 78% in the second quarter of 2012. As a result of our restructuring of IM Flash on April 6, 2012, Intel has no continuing rights to the output from the IMFS and Virginia facilities. Intel continues to receive output from IMFT in proportion to its ownership interest at long-term negotiated prices approximating cost and, subsequent to April 6, 2012, also purchases NAND Flash products from us under a cost-plus supply arrangement. Aggregate sales of NAND Flash products to Intel (including sales by IMFT at prices approximating cost and sales by us under the cost-plus supply agreement) were $986 million, $884 million and $764 million for 2012, 2011 and 2010, respectively. Receivables from Intel for sales of NAND Flash products as of August 30, 2012 and September 1, 2011, were $103 million and $165 million, respectively.

As a result of changes to the timing of the passage of title in the IMFT supply agreement with Intel, effective April 6, 2012, sales are now recognized upon completion of wafer fabrication, rather than after backend assembly and test are completed. As a result, we sold $97 million of backend inventories, which generated a one-time increase in NAND sales and reduction in work in process inventories in 2012.

The following table presents the total assets and liabilities of IMFT and IMFS included in our consolidated balance sheet. Amounts as of September 1, 2011 included IMFT and IMFS, which were aggregated due to the similarity of their function, operations and the way our management reviewed the results of their operations. Amounts as of August 30, 2012 included only IMFT.

As of	2012	2011
Assets		
Cash and equivalents	$ 157	$ 327
Receivables	78	252
Inventories	67	227
Other current assets	5	11
Total current assets	307	817
Property, plant and equipment, net	1,342	4,121
Other noncurrent assets	36	66
Total assets	$ 1,685	$ 5,004
Liabilities		
Accounts payable and accrued expenses	$ 104	$ 458
Deferred income	10	125
Equipment purchase contracts	58	37
Current portion of long-term debt	6	8
Total current liabilities	178	628
Long-term debt	18	58
Other noncurrent liabilities	129	4
Total liabilities	$ 325	$ 690

Amounts exclude intercompany balances that were eliminated in our consolidated balance sheets.

The table above included, as of September 1, 2011, assets of $2,999 million and liabilities of $433 million, related to our IM Flash entities that, subsequent to April 6, 2012, were wholly-owned by us.

Our ability to access IMFT's cash and investments to finance our other operations is subject to agreement by Intel. Creditors of IMFT have recourse only to its assets and do not have recourse to any other of our assets.

IM Flash manufactures NAND Flash memory products using designs and technology we develop with Intel. We generally share product design and other NAND Flash R&D costs with Intel. The April 6, 2012 agreements with Intel expanded our NAND Flash R&D cost-sharing agreement with Intel to include certain emerging memory technologies, but did not change the cost-sharing percentage. R&D expenses were reduced by reimbursements from Intel of $87 million, $95 million and $104 million for 2012, 2011 and 2010, respectively.

MP Mask

In 2006, we formed a joint venture with Photronics to produce photomasks for leading-edge and advanced next generation semiconductors. At inception and through August 30, 2012, we owned 50.01% and Photronics owned 49.99% of MP Mask. We contributed $21 million and $9 million to MP Mask in 2012 and 2011, respectively. Photronics contributed $20 million and $8 million to MP Mask in 2012, 2011, respectively. In connection with the formation of the joint venture, we received $72 million in 2006 in exchange for entering into a license agreement with Photronics, which is being recognized over the term of the 10-year agreement. Deferred income and other noncurrent liabilities included an aggregate of $26 million and $34 million as of August 30, 2012 and September 1, 2011, respectively, related to this agreement. We purchase a substantial majority of the reticles produced by MP Mask pursuant to a supply arrangement.

Total MP Mask assets and liabilities included in our consolidated balance sheets were as follows:

As of	2012	2011
Current assets	$ 19	$ 24
Noncurrent assets (primarily property, plant and equipment)	170	143
Current liabilities	12	31

Amounts exclude intercompany balances that were eliminated in our consolidated balance sheets.

Creditors of MP Mask have recourse only to the assets of MP Mask and do not have recourse to any other of our assets.

Through February 24, 2012, we leased to Photronics a facility to produce photomasks under an operating lease. On February 24, 2012, we sold the facility to Photronics for $35 million. The proceeds were equal to our net carrying value and no gain or loss was realized from the sale.

TECH Semiconductor Singapore Pte. Ltd.

Since 1998, we had participated in TECH Semiconductor Singapore Pte. Ltd. ("TECH"), a semiconductor memory manufacturing joint venture in Singapore with Canon Inc. ("Canon") and Hewlett-Packard Singapore (Private) Limited ("HP"). In December 2010 and January 2011, we acquired HP's and Canon's interests, respectively, in two separate transactions for an aggregate of $159 million. In connection therewith, noncontrolling interests in subsidiaries decreased by $226 million and additional capital increased by $67 million. As a result of these transactions, our ownership interest in TECH increased during 2011 from 87% to 100%. In 2010, we purchased shares of TECH for $80 million, which increased our ownership from 85% to 87% and increased additional capital by $10 million.

Segment Information

Segment information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision makers. Factors used to identify our segments include, among others, products, technologies and customers. We have the following four reportable segments:

NAND Solutions Group ("NSG"): Includes high-volume NAND Flash products sold into data storage, personal music players, and the high-density computing market, as well as NAND Flash products sold to Intel through IM Flash.

DRAM Solutions Group ("DSG"): Includes DRAM products sold to the PC, consumer electronics, networking and server markets.

Wireless Solutions Group ("WSG"): Includes DRAM, NAND Flash and NOR Flash products, including multi-chip packages, sold to the mobile device market.

Embedded Solutions Group ("ESG"): Includes DRAM, NAND Flash and NOR Flash products sold into automotive and industrial applications, as well as NOR and NAND Flash sold to consumer electronics, networking, PC and server markets.

Our other operations do not meet the quantitative thresholds of a reportable segment and are reported under All Other.

We do not identify or report internally our assets or capital expenditures by segment, nor do we allocate gains and losses from equity method investments, interest, other non-operating income or expense items or taxes to operating segments. For 2012 and 2011, certain operating expenses directly associated with the activities of a specific reportable segment are charged to that segment. Other indirect operating expenses (income) are generally allocated to the reportable segments based on their respective percentage of total net sales, cost of goods sold or forecasted wafer production. Prior to 2011, operating expenses were allocated to the reportable segments based on their respective percentages of total cost of goods sold, as certain historical forecast data was not available. There are no differences in the accounting policies for segment reporting and our consolidated results of operations.

For the year ended	2012	2011	2010
Net sales:			
NSG	$ 2,853	$ 2,196	$ 2,113
DSG	2,691	3,203	4,638
WSG	1,184	1,959	778
ESG	1,054	1,002	521
All Other	452	428	432
	$ 8,234	$ 8,788	$ 8,482
Operating income (loss):			
NSG	$ 198	$ 269	$ 240
DSG	(500)	290	1,269
WSG	(370)	20	(23)
ESG	156	237	152
All Other	(102)	(61)	(49)
	$ (618)	$ 755	$ 1,589

Depreciation and amortization expense was as follows:

For the year ended	2012	2011	2010
NSG	$ 651	$ 513	$ 530
DSG	770	750	947
WSG	374	512	212
ESG	211	196	97
All Other	138	130	140
Depreciation and amortization expense included in operating income (loss)	2,144	2,101	1,926
Other amortization	78	61	79
Total depreciation and amortization expense	$ 2,222	$ 2,162	$ 2,005

Product Sales

For the year ended	2012	2011	2010
NAND Flash	$ 3,627	$ 3,193	$ 2,555
DRAM	3,178	3,620	5,052
NOR Flash	977	1,547	451
Other	452	428	424
	$ 8,234	$ 8,788	$ 8,482

Certain Concentrations

Market concentrations from 2012 net sales were approximately as follows: computing (including desktop PCs, servers, notebooks and workstations), 25%; consumer electronics, 20%; mobile, 15%; networking and storage, 10%; and solid state drives, 10%. Market concentrations from 2011 net sales were approximately as follows: computing (including desktop PCs, servers, notebooks and workstations), 30%; mobile, 25%; consumer electronics, 15%; and networking and storage, 15%. Market concentrations from 2010 net sales were approximately 45% computing. Customer concentrations included 12% of total 2012 net sales to Intel, 10% of total 2011 net sales to Intel and 13% of total 2010 net sales to HP. Substantially all of our sales to Intel in 2012 and 2011 were included in the NSG and WSG segments and substantially all of our sales to HP in 2010 were included in the DSG segment.

Certain of the raw materials and production equipment we use in manufacturing semiconductor products are available from multiple sources and in sufficient supply; however, only a limited number of suppliers are capable of delivering certain raw materials that meet our standards. In some cases, materials are provided by a single supplier.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash, money market accounts, certificates of deposit, fixed-rate debt securities, trade receivables and derivative contracts. We invest through high-credit-quality financial institutions and, by policy, generally limit the concentration of credit exposure by restricting investments with any single obligor. A concentration of credit risk may exist with respect to receivables as a substantial portion of our customers are affiliated with the computing industry. We perform ongoing credit evaluations of customers worldwide and generally do not require collateral from our customers. Historically, we have not experienced significant losses on receivables. A concentration of risk may also exist with respect to derivatives as the number of counterparties to our hedges is limited and the notional amount is relatively large. We seek to mitigate such risk by limiting our counterparties to major financial institutions. The 2012 Capped Calls, 2011 Capped Calls and 2009 Capped Calls expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreements. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk across several major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. (See "Shareholders' Equity – Capped Call Transactions" note.)

Geographic Information

Geographic net sales based on customer ship-to location were as follows:

For the year ended	2012	2011	2010
China	$ 2,936	$ 2,983	$ 3,294
United States	1,262	1,363	1,403
Asia Pacific (excluding China, Taiwan and Malaysia)	1,241	1,518	1,090
Taiwan	1,022	744	711
Europe	827	924	777
Malaysia	546	737	817
Other	400	519	390
	$ 8,234	$ 8,788	$ 8,482

Net property, plant and equipment by geographic area were as follows:

As of	2012	2011	2010
Singapore	$ 3,270	$ 3,569	$ 2,161
United States	3,246	3,487	3,925
China	328	179	90
Italy	163	190	173
Israel	59	94	111
Japan	2	1	81
Other	35	35	60
	$ 7,103	$ 7,555	$ 6,601

Quarterly Financial Information (Unaudited)
(in millions except per share amounts)

2012	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$ 1,963	$ 2,172	$ 2,009	$ 2,090
Gross margin	219	234	210	305
Operating loss	(140)	(191)	(205)	(82)
Net loss	(242)	(320)	(282)	(187)
Net loss attributable to Micron	(243)	(320)	(282)	(187)
Loss per share:				
Basic	$ (0.24)	$ (0.32)	$ (0.29)	$ (0.19)
Diluted	(0.24)	(0.32)	(0.29)	(0.19)

As a result of the ongoing challenging global environment in the solar industry and unfavorable worldwide supply and demand conditions, on May 25, 2012, the Board of Directors of Transform approved a liquidation plan. As a result of the liquidation plan, we recognized a charge of $69 million in the third quarter of 2012.

On March 23, 2012, we entered into a settlement agreement with Oracle pursuant to which we agreed to make a payment of $58 million to Oracle for a settlement and full release of all claims and a dismissal with prejudice of their suit against us. The settlement amount was accrued and charged to operations in the second quarter of 2012.

Income taxes for the third quarter of 2012 included a tax benefits of $42 million related to the favorable resolution of a certain prior year tax matter, which was previously reserved as an uncertain tax position.

2011	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$ 2,140	$ 2,139	$ 2,257	$ 2,252
Gross margin	321	478	435	524
Operating income (loss)	(51)	237	179	390
Net income (loss)	(134)	77	75	172
Net income (loss) attributable to Micron	(135)	75	72	155
Earnings (loss) per share:				
Basic	$ (0.14)	$ 0.07	$ 0.07	$ 0.16
Diluted	(0.14)	0.07	0.07	0.15

The results of operations for the third quarter of 2011 included a gain of $54 million in connection with the sale of the Japan Fab. In addition, we recorded a tax provision of $74 million related to the gain on the sale and to write down certain deferred tax assets associated with the Japan Fab.

The results of operations for the first, second and third quarters of 2011 included gains, net of tax, of $167 million, $33 million and $30 million, respectively, from a life-of-patents license for existing patents and applications, and a 10-year term license for all other patents, from Samsung.

The results of operations in the first quarter of 2011 included a loss of $111 million for a debt restructure transaction.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Micron Technology, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 8 present fairly, in all material respects, the financial position of Micron Technology, Inc. and its subsidiaries at August 30, 2012 and September 1, 2011, and the results of their operations and their cash flows for each of the three years in the period ended August 30, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index under Item 8 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 30, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
San Jose, CA
October 29, 2012

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decision regarding disclosure.

During the fourth quarter of 2012, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

Internal control over financial reporting cannot provide absolute assurance regarding the prevention or detection of misstatements because of inherent limitations. These inherent limitations are known by management and considered in the design of our internal control over financial reporting which reduce, though not eliminate, this risk.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of August 30, 2012. The effectiveness of our internal control over financial reporting as of August 30, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8, of this Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Certain information concerning our executive officers is included under the caption, "Directors and Executive Officers of the Registrant," in Part I, Item 1 of this report. Other information required by Items 10, 11, 12, 13 and 14 will be contained in our Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days after August 30, 2012 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1.	Financial Statements: See Index to Consolidated Financial Statements under Item 8.
2.	Certain Financial Statement Schedules have been omitted since they are either not required, not applicable or the information is otherwise included.
3.	Exhibits.

Exhibit Number	Description of Exhibit
1.1	Underwriting Agreement dated as of May 17, 2007, by and between Micron Technology, Inc. and Morgan Stanley & Co. Incorporated, as representative of the underwriters (1)
1.2	Note Underwriting Agreement dated as of April 8, 2009, by and among Micron Technology, Inc. and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co., as representatives of the underwriters (2)
1.3	Common Stock Underwriting Agreement dated as of April 8, 2009, by and among Micron Technology, Inc. and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co., as representatives of the underwriters (2)
1.4	Purchase Agreement dated as of April 12, 2012, by and among Micron Technology, Inc. and Morgan Stanley & Co. LLC and J.P. Morgan Securities, LLC, as representatives of the initial purchasers (3)
2.1*	English Translation of Agreement on Support for Reorganization Companies with Nobuaki Kobayashi and Ykio Sakamoto, the trustees of Elpida Memory, Inc. and its wholly-owned subsidiary, Akita Elpida Memory, Inc. dated July 2, 2012 (4)
2.2*	Share Purchase Agreement dated July 2, 2012, among Micron Technology, Inc., Micron Semiconductor B.V, Powerchip Technology Corporation, Li-Hsin Investment Co. Ltd., Quantum Vision Corporation, Maxchip Electronics Corporation and Dr. Frank Huang.
3.1	Restated Certificate of Incorporation of the Registrant (5)
3.2	Bylaws of the Registrant, as amended (6)
4.1	Indenture dated November 3, 2010, by and between Micron Technology, Inc. and Wells Fargo Bank, National Association (7)
4.2	Indenture dated as of April 18, 2012, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee for 2.375% Convertible Senior Notes due 2032 (3)
4.3	Indenture dated as of April 18, 2012, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee for 3.125% Convertible Senior Notes due 2032 (3)
4.4	Form of 2032C Note (included in Exhibit 4.2) (3)
4.5	Form of 2032D Note (included in Exhibit 4.3) (3)
4.6	Indenture dated as of May 23, 2007, by and between Micron Technology, Inc. and Wells Fargo Bank, National Association, as trustee (1)
4.7	Convertible Senior Indenture between the Company and Wells Fargo Bank, National Association, dated as of April 15, 2009 (8)
4.8	Form of 4.25% Convertible Senior Note due October 15, 2013 (included in Exhibit 4.7) (8)
4.9	Indenture dated July 26, 2011, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee for 1.50% Convertible Senior Notes due 2031 (9)
4.10	Indenture dated July 26, 2011, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee for 1.875% Convertible Senior Notes due 2031 (9)
10.1	Executive Officer Performance Incentive Plan, as Amended (10)
10.3	1994 Stock Option Plan, as Amended (10)
10.4	1994 Stock Option Plan Form of Agreement and Terms and Conditions (11)
10.5	1997 Nonstatutory Stock Option Plan, as Amended
10.6	1998 Non-Employee Director Stock Incentive Plan, as Amended (10)
10.7	1998 Nonstatutory Stock Option Plan, as Amended

10.8	2001 Stock Option Plan, as Amended
10.9	2001 Stock Option Plan Form of Agreement (12)
10.10	2002 Employment Inducement Stock Option Plan, as Amended (10)
10.11	2004 Equity Incentive Plan, as Amended
10.12	2004 Equity Incentive Plan Forms of Agreement and Terms and Conditions (11)
10.13	Nonstatutory Stock Option Plan, as Amended
10.14	Nonstatutory Stock Option Plan Form of Agreement and Terms and Conditions (11)
10.15	Lexar Media, Inc. 2000 Equity Incentive Plan, as Amended (10)
10.20*	Settlement and Release Agreement dated September 15, 2006, by and among Toshiba Corporation, Micron Technology, Inc. and Acclaim Innovations, LLC (13)
10.21*	Patent License Agreement dated September 15, 2006, by and among Toshiba Corporation, Acclaim Innovations, LLC and Micron Technology, Inc. (13)
10.22*	Omnibus Agreement dated as of February 27, 2007, between Micron Technology, Inc. and Intel Corporation (14)
10.23*	Limited Liability Partnership Agreement dated as of February 27, 2007, between Micron Semiconductor Asia Pte. Ltd. And Intel Technology Asia Pte. Ltd. (14)
10.24*	Supply Agreement dated as of February 27, 2007, between Micron Semiconductor Asia Pte. Ltd. And IM Flash Singapore, LLP (14)
10.25*	Amended and Restated Limited Liability Company Operating Agreement of IM Flash Technologies, LLC dated as of February 27, 2007, between Micron Technology, Inc. and Intel Corporation (14)
10.26*	Supply Agreement dated as of February 27, 2007, between Intel Technology Asia Pte. Ltd. and IM Flash Singapore, LLP (14)
10.27	Form of Indemnification Agreement between the Registrant and its officers and directors (15)
10.28	Form of Severance Agreement between the Company and its officers (16)
10.29	Form of Agreement and Amendment to Severance Agreement between the Company and its officers (17)
10.36*	Master Agreement dated as of November 18, 2005, between Micron Technology, Inc. and Intel Corporation (18)
10.38*	Manufacturing Services Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (18)
10.40*	MTV Lease Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (18)
10.41*	Product Designs Assignment Agreement dated January 6, 2006, between Intel Corporation and Micron Technology, Inc. (18)
10.42*	NAND Flash Supply Agreement, effective as of January 6, 2006, between Apple Computer, Inc. and Micron Technology, Inc. (18)
10.43*	Supply Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (18)
10.44*	Supply Agreement dated as of January 6, 2006, between Intel Corporation and IM Flash Technologies, LLC (18)
10.45	Capped Call Confirmation (Reference No. CEODL6) by and between Micron Technology, Inc. and Morgan Stanley & Co. International plc (1)
10.46	Capped Call Confirmation (Reference No. 53228800) by and between Micron Technology, Inc. and Credit Suisse International (1)
10.47	Capped Call confirmation (Reference No. 53228855) by and between Micron Technology, Inc. and Credit Suisse International (1)
10.48	2007 Equity Incentive Plan, as Amended
10.49	2007 Equity Incentive Plan Forms of Agreement (19)
10.50	Severance Agreement dated April 9, 2008, between Micron Technology, Inc. and Ronald C. Foster (20)
10.51*	Master Agreement dated as of April 21, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (21)
10.52*	Joint Venture Agreement dated as of April 21, 2008, by and between Micron Semiconductor B.V. and Nanya Technology Corporation (21)

10.54*	Joint Development Program Agreement dated as of April 21, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (21)
10.55*	Technology Transfer and License Agreement for 68-50nm Process Nodes, dated as of April 21, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (21)
10.56*	Technology Transfer and License Agreement dated as of April 21, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (21)
10.58*	Technology Transfer Agreement dated as of May 13, 2008, by and among Nanya Technology Corporation, Micron Technology, Inc. and MeiYa Technology Corporation (21)
10.60	Micron Guaranty Agreement, dated April 21, 2008, by and between Nanya Technology Corporation and Micron Semiconductor B.V. (21)
10.61	TECH Facility Agreement dated March 31, 2008, among TECH Semiconductor Singapore Pte. Ltd. And ABN Amro Bank N.V., Citibank, N.A., Singapore Branch, Citigroup Global Markets Singapore Pte Ltd., DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited, as Original Mandated Lead Arrangers (21)
10.62	Guarantee dated March 31, 2008, by Micron Technology, Inc. as Guarantor in favor of ABN Amro Bank N.V., Singapore Branch acting as Security Trustee (21)
10.63	Form of Severance Agreement (22)
10.64	Lexar Media, Inc. 1996 Stock Option Plan, as Amended (10)
10.66*	Loan Agreement dated November 26, 2008, by and among Micron Semiconductor B.V., Micron Technology, Inc., and Nan Ya Plastics Corporation (10)
10.67	Loan Agreement dated November 26, 2008, by and between Micron Technology, Inc. and Inotera Memories, Inc. (10)
10.69	Micron Guaranty Agreement, dated November 26, 2008, by Micron Technology, Inc. in favor of Nanya Technology Corporation (10)
10.70	Share Purchase Agreement by and among Micron Technology, Inc. as the Buyer Parent, Micron Semiconductor B.V., as the Buyer, Qimonda Ag as the Seller Parent and Qimonda Holding B.V., as the Seller Sub dated as of October 11, 2008 (10)
10.71*	Master Agreement dated November 26, 2008, among Micron Technology, Inc., Micron Semiconductor B.V., Nanya Technology Corporation, MeiYa Technology Corporation and Inotera Memories, Inc. (10)
10.72*	Joint Venture Agreement, dated November 26, 2008, by and between Micron Semiconductor B.V. and Nanya Technology Corporation (10)
10.73*	Facilitation Agreement, dated November 26, 2008, by and between Micron Semiconductor B.V., Nanya Technology Corporation and Inotera Memories, Inc. (10)
10.74*	Supply Agreement dated November 26, 2008, by and among Micron Technology, Inc., Nanya Technology Corporation and Inotera Memories, Inc. (10)
10.75*	Amended and Restated Joint Development Program Agreement dated November 26, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (10)
10.76*	Amended and Restated Technology Transfer and License Agreement, dated November 26, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (10)
10.77*	Technology Transfer Agreement dated November 26, 2008, by and among Nanya Technology Corporation, Micron Technology, Inc. and Inotera Memories, Inc. (10)
10.78*	Technology Transfer Agreement for 68-50nm Process Nodes, dated October 11, 2008, by and between Micron Technology, Inc. and Inotera Memories, Inc. (10)
10.81	Capped Call Confirmation (Reference No. SDB 1630322480) dated as of April 8, 2009, by and between Micron Technology, Inc. and Goldman, Sachs & Co. (2)
10.82	Capped Call Confirmation (Reference No. CGPWK6) dated as of April 8, 2009, by and between Micron Technology, Inc. and Morgan Stanley & Co International plc (2)
10.83	Capped Call Confirmation (Reference No. 325758) dated as of April 8, 2009, by and between Micron Technology, Inc. and Deutsche Bank AG, London Branch (2)
10.84	Amendment Agreement, dated September 25, 2009, to TECH Facility Agreement dated March 31, 2008, among TECH Semiconductor Singapore Pte. Ltd. And ABN Amro Bank N.V., Citibank, N.A., Singapore Branch, Citigroup Global Markets Singapore Pte Ltd, DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited, as Original Mandated Lead Arrangers (23)
10.85	Supplemental Deed dated September 25, 2009, to Guarantee, dated March 31, 2008, by Micron Technology, Inc. as Guarantor in favor of ABN Amro Bank N.V., Singapore Branch acting as Security Trustee (23)

10.86	Loan Agreement dated as of November 25, 2009, by and among Micron Semiconductor B.V., Micron Technology, Inc., and Mai Liao Power Corporation (24)
10.87*	Amended and Restated Joint Venture Agreement between Micron Semiconductor, B.V. and Nanya Technology Corporation dated January 11, 2010 (25)
10.88	Share Purchase Agreement among Micron Technology, Inc., Micron Semiconductor, B.V., Intel Corporation, Intel Technology Asia Pte Ltd, STMicroelectronics N.V., Redwood Blocker S.a.r.l. and PK Flash, LLC dated February 9, 2010 (25)
10.89*	Framework Agreement among Micron Technology, Inc., STMicroelectronics N.V. and Numonyx B.V. dated February 9, 2010 (25)
10.90	Stockholder Rights and Restrictions Agreement by and among Micron Technology, Inc., Intel Corporation, Intel Technology Asia Pte Ltd, STMicroelectronics N.V., Redwood Blocker S.a.r.l. and PK Flash LLC, dated as of May 7, 2010 (26)
10.91*	Second Amended and Restated Technology Transfer and License Agreement between MTI and Nanya Technology Corp. (NTC) dated July 2, 2010 (27)
10.92*	Joint Development Program and Cost Sharing Agreement between MTI and Nanya Technology Corp. (NTC) dated July 2, 2010 (27)
10.93	Equity Transfer Agreement between Numonyx B.V. and Hynix dated July 29, 2010 (27)
10.94*	Guarantee, Charge and Deposit Document between Numonyx B.V. and DBS Bank Ltd. dated August 31, 2010 (27)
10.95	Employment Agreement between Numonyx B.V. and Mario Licciardello dated March 30, 2008 (27)
10.96	Amendment to Mario Licciardello's Employment Agreement dated March 26, 2009 (27)
10.97	Severance Agreement between Numonyx B.V. and Mario Licciardello dated March 26, 2009 (27)
10.98	Amendment to Severance Agreement between Numonyx B.V. and Mario Licciardello dated February 9, 2010 (27)
10.99	Numonyx Holdings B.V. Equity Incentive Plan (28)
10.100	Numonyx Holdings B.V. Equity Incentive Plan Forms of Agreement (28)
10.101	Purchase Agreement dated July 20, 2011, between Micron Technology, Inc. and Morgan Stanley & Co. LLC, as representative of the initial purchasers (9)
10.102	Form of Capped Call Confirmation dated as of July 20, 2011, between the Company and Société Générale (29)
10.103	Form of Capped Call Confirmation dated as of July 22, 2011 (29)
10.104*	2012 Master Agreement by and among Intel Corporation, Intel Technology Asia PTE LTD, Micron Technology, Inc., Micron Semiconductor Asia PTE LTD, IM Flash Technologies, LLC and IM Flash Singapore, LLP dated February 27, 2012 (30)
10.105*	IMFS Business Sale Agreement by and among Intel Technology Asia PTE LTD, Micron Semiconductor Asia PTE LTD and IM Flash Singapore, LLP dated February 27, 2012 (30)
10.106	Private Agreement between Micron Semiconductor Italia S.r.l. and Mario Licciardello dated May 24, 2012 (31)
10.107*	MTV Asset Purchase and Sale Agreement dated April 6, 2012, among Micron Technology, Inc., Intel Corporation and IM Flash Technologies, LLC (32)
10.108*	Second Amended and Restated Limited Liability Company Operating Agreement of IM Flash Technologies, LLC dated April 6, 2012, between Micron Technology, Inc. and Intel Corporation (32)
10.109*	Amendment to the Master Agreement dated April 6, 2012, between Intel Corporation and Micron Technology, Inc. (32)
10.110*	Amended and Restated Supply Agreement dated April 6, 2012, between Intel Corporation and IM Flash Technologies, LLC (32)
10.111*	Amended and Restated Supply Agreement dated April 6, 2012, between Micron Technology, Inc. and IM Flash Technologies, LLC (32)
10.112*	Product Supply Agreement dated April 6, 2012, among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia PTE LTD (32)
10.113*	Wafer Supply Agreement dated April 6, 2012, among Micron Technology, Inc., Intel Corporation and Micron Singapore (32)
10.114*	Deposit Agreement dated April 6, 2012, between Micron Technology, Inc. and Intel Corporation (32)
10.115	First Amendment to the Limited Liability Partnership Agreement dated April 6, 2012, between Micron Semiconductor Asia PTE LTD and Intel Technology PTE LTD (32)

10.116	Form of Capped Call Confirmation (3)
10.117	Currency Exchange Confirmation (Ref. No. SBD3616575404-3537679183) dated July 3, 2012, by and between Micron Technology, Inc. and J. Aron & Company, an affiliate of the Goldman Sachs Group, Inc.
10.118	Currency Exchange Confirmation (Ref. No. SBD3616575406-3537683027) dated July 3, 2012, by and between Micron Technology, Inc. and J. Aron & Company, an affiliate of the Goldman Sachs Group, Inc.
10.119	Currency Exchange Confirmation (Ref. No. SBD3616575405-3537682647) dated July 3, 2012, by and between Micron Technology, Inc. and J. Aron & Company, an affiliate of the Goldman Sachs Group, Inc.
10.120	Currency Exchange Confirmation (Ref. No. 8000031078419 (LHFCZGIJ00)) dated July 2, 2012, by and between Micron Technology, Inc. and JPMorgan Chase Bank, N.A.
10.121	Currency Exchange Confirmation (Ref. No.8878658 / 578383) dated July 11, 2012, by and between Micron Technology, Inc. and HSBC Bank USA, N.A.
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350
99.1	Financial Statements of Inotera Memories, Inc. as of December 31, 2011 and December 31, 2010 and for each of the three years ended December 31, 2011.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1)	Incorporated by reference to Current Report on Form 8-K dated May 17, 2007
(2)	Incorporated by reference to Current Report on Form 8-K dated April 8, 2009
(3)	Incorporated by reference to Current Report on Form 8-K dated April 12, 2012
(4)	Incorporated by reference to Current Report on Form 8-K/A dated July 2, 2012
(5)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001
(6)	Incorporated by reference to Current Report on Form 8-K dated January 24, 2012
(7)	Incorporated by reference to Current Report on Form 8-K dated November 3, 2010
(8)	Incorporated by reference to Current Report on Form 8-K dated April 15, 2009
(9)	Incorporated by reference to Current Report on Form 8-K dated July 26, 2011
(10)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 4, 2008
(11)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 3, 2005
(12)	Incorporated by reference to Current Report on Form 8-K dated April 3, 2005
(13)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006
(14)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 1, 2007
(15)	Incorporated by reference to Proxy Statement for the 1986 Annual Meeting of Shareholders
(16)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended August 28, 2003
(17)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 1997
(18)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 1, 2005
(19)	Incorporated by reference to Registration Statement on Form S-8 (Registration No. 333-148357)
(20)	Incorporated by reference to Current Report on Form 8-K dated April 9, 2008
(21)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 29, 2008
(22)	Incorporated by reference to Current Report on Form 8-K dated October 26, 2007
(23)	Incorporated by reference to Current Report on Form 8-K dated September 25, 2009
(24)	Incorporated by reference to Current Report on Form 8-K dated November 25, 2009
(25)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 4, 2010
(26)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended June 3, 2010
(27)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended September 2, 2010
(28)	Incorporated by reference to Registration Statement on Form S-8 (Reg. No. 333-167536)
(29)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended September 1, 2011
(30)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 1, 2012
(31)	Incorporated by reference to Current Report on Form 8-K dated April 24, 2012
(32)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2012

* Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boise, State of Idaho, on the 29th day of October 2012.

Micron Technology, Inc.

By: */s/ Ronald C. Foster*

Ronald C. Foster
Vice President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

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

Signature	Title	Date
/s/ D. Mark Durcan **(D. Mark Durcan)**	Chief Executive Officer (Principal Executive Officer)	October 29, 2012
/s/ Ronald C. Foster **(Ronald C. Foster)**	Vice President of Finance, Chief Financial Officer (Principal Financial and Accounting Officer)	October 29, 2012
/s/ Robert L. Bailey **(Robert L. Bailey)**	Director	October 29, 2012
/s/ Patrick J. Byrne **(Patrick J. Byrne)**	Director	October 29, 2012
/s/ Mercedes Johnson **(Mercedes Johnson)**	Director	October 29, 2012
/s/ Lawrence N. Mondry **(Lawrence N. Mondry)**	Director	October 29, 2012
/s/ Robert E. Switz **(Robert E. Switz)**	Chairman of the Board Director	October 29, 2012

MICRON TECHNOLOGY, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in millions)

	Balance at Beginning of Year	Business Acquisitions	Charged (Credited) to Costs and Expenses	Deductions/ Write-Offs	Balance at End of Year
Allowance for Doubtful Accounts					
Year ended August 30, 2012	$ 3	$ —	$ 5	$ (3)	$ 5
Year ended September 1, 2011	4	—	—	(1)	3
Year ended September 2, 2010	5	1	—	(2)	4
Deferred Tax Asset Valuation Allowance					
Year ended August 30, 2012	$ 1,220	$ —	$ 373	$ (58)	$ 1,535
Year ended September 1, 2011	1,295	—	(103)	28	1,220
Year ended September 2, 2010	1,822	63	(424)	(166)	1,295

Certain deferred tax assets and liabilities in prior years were corrected with corresponding changes in the valuation allowance, resulting in no change to net deferred tax assets. The change in these items was not material for any period presented.

EXHIBIT 2.2

EXECUTION COPY

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SHARE PURCHASE AGREEMENT

by and among

MICRON TECHNOLOGY, INC.,

MICRON SEMICONDUCTOR B.V.,

as Buyer,

and

THE SELLERS IDENTIFIED ON SCHEDULE 1 HERETO,

as Sellers

Dated as of July 2, 2012

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[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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SHARE PURCHASE AGREEMENT

This Share Purchase Agreement (this "Agreement") is made and entered into this 2nd day of July, 2012, by and between Micron Technology, Inc., a Delaware corporation ("Micron"), Micron Semiconductor B.V., a private company with limited liability organized under the laws of The Netherlands and a wholly owned subsidiary of Micron ("Buyer"), and the entities listed on Schedule 1 hereto (each, a "Seller" and collectively, the "Sellers"), for the purchase and sale of shares of capital stock of Rexchip Electronics Corporation, a corporation organized under the laws of the Republic of China (the "ROC") (the "Company"). References herein to "a party" or "the parties" refer to Micron, Buyer and/or one or more of the Sellers, as the context may require.

WHEREAS, as of the date hereof, the Sellers own 713,627,586 of the issued and outstanding shares of common stock of the Company;

WHEREAS, the Sellers wish to sell to Buyer, and Buyer wishes to purchase from the Sellers, all of the unencumbered shares of common stock of the Company owned by the Sellers as of the Closing (as defined herein) upon the terms and subject to the conditions of this Agreement (the "Share Purchase");

WHEREAS, concurrent with the execution and delivery hereof, Micron and Elpida Memory, Inc., a corporation organized under the laws of Japan ("Elpida"), are entering into a definitive Sponsor Agreement (the "Sponsor Agreement") relating to Micron's sponsorship of Elpida and Akita Elpida Memory, Inc. ("Akita") in their corporate reorganization proceedings;

WHEREAS, concurrent with the execution and delivery hereof, Powerchip Technology Corporation, a corporation organized under the laws of the ROC ("Powerchip"), which is one of the Sellers, and Elpida are entering into a definitive mutual standstill agreement (the "Standstill Agreement") whereby they are agreeing to suspend certain rights and remedies that each has against the other relating to various matters and to take certain further actions; and

WHEREAS, it is a condition to Elpida and Micron's willingness to enter into the Sponsor Agreement, and Powerchip and Elpida's willingness to enter into the Standstill Agreement, that Micron, Buyer and the Sellers enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Defined Terms. For all purposes of this Agreement, the following terms shall have the respective meanings set forth in this Section 1.1:

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise. For purposes of this Agreement, the Company shall be deemed to be an Affiliate of Elpida and, following the Sponsor Agreement Closing, Elpida shall be deemed an Affiliate of Micron.

"Agreement" has the meaning set forth in the Preamble.

"Akita" has the meaning set forth in the Preamble.

"Antitrust Laws" shall mean all Laws designed to prohibit, restrict or regulate actions for the purpose or effect of monopolization or restraint of trade.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in New York, New York and Taipei, Taiwan are authorized or obligated by Law to close.

"Buyer" has the meaning set forth in the Preamble.

"Closing" has the meaning set forth in Section 2.2.

"Closing Date" has the meaning set forth in Section 2.2.

"Company" has the meaning set forth in the Preamble.

"Company Shares" means shares of the Company's common stock with a par value of NT$10 per share.

"Confidential Information" has the meaning ascribed to such term in the Confidentiality Agreement.

"Confidentiality Agreement" means the Mutual Nondisclosure Agreement dated February 9, 2011 between Micron and Powerchip.

"Consideration" has the meaning set forth in Section 2.1.

"Contracts" means all agreements, contracts, indentures, deeds and other legally binding instruments of any kind.

"Elpida" has the meaning set forth in the Recitals.

"Examiner" means the examiner appointed by the Reorganization Court in the corporate reorganization proceedings of Elpida and Akita in Japan.

"Existing Licenses" means the agreements listed on Schedule 2 hereto.

"Governmental Authority" means any court, tribunal, authority, ministry, commission or other governmental or quasi-governmental regulatory or adjudicative body or authority of any kind of competent jurisdiction.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Insolvency Event" means, with respect to any Person, if such Person (A) applies for or consents to the appointment of, or the taking of possession by, a receiver, administrator, custodian, trustee, liquidator or the like of itself or all or a substantial portion of its assets; (B) makes a general assignment for the benefit of, or a composition with, creditors; (C) is adjudicated for bankruptcy or insolvency, or declared bankrupt or insolvent; (D) files a petition seeking to take advantage of any other Laws relating to bankruptcy, suspension of payments, insolvency, reorganization, rehabilitation, dissolution, liquidation, winding up, composition or adjustment of debts; (E) has a petition filed against it in an involuntary case under any such Laws; (F) acquiesces in, or fails to controvert in a timely manner, any petition filed against it in an involuntary case under any such Laws; or (G) takes any action for the purpose of effecting any of the foregoing. For purposes of this Agreement, a request by a debtor of its creditors to extend the maturity date of outstanding indebtedness will not, in and of itself, constitute an "Insolvency Event".

"Investment Commission" means the Investment Commission of the Ministry of Economic Affairs of the ROC.

"JBIC" has the meaning set forth in Section 6.3(d).

"JVA" means that certain Joint Venture Agreement dated January 25, 2007, as amended, between Elpida and Powerchip relating to the Company.

"JVA Rights and Remedies" has the meaning ascribed to such term in the Standstill Agreement.

"JVA Share Transfer Agreement" has the meaning ascribed to such term in the Standstill Agreement.

"Kingston" means Kingston Technology Corporation.

"Laws" means laws, statutes, rules of the common law, regulations, rules or other requirements of any Governmental Authority.

"Lender Consents" has the meaning set forth in Section 5.8(c).

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, hypothecation, charge, option, right of first refusal, voting agreement or trust, easement, servitude, transfer restriction or other restriction or encumbrance of any kind. For purposes of this Agreement, the Purchase Rights will be deemed to be Liens on the Company Shares to which they relate.

"Micron" has the meaning set forth in the Preamble.

"New Licenses" means [*].

"Orders" means orders, judgments, injunctions, awards, decrees or writs of any kind.

"Participating Lienholder" means each holder of Liens on any of the Sellers' Shares that has agreed to release the Liens pursuant to Section 5.4.

[*]

"Permitted Designee" means any direct or indirect wholly owned Subsidiary of Micron or a Governmental Authority in the ROC, in each case as designated by Micron in writing prior to the Closing.

"Person" means any individual, corporation, partnership, limited liability company, limited liability partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

"Powerchip" has the meaning set forth in the Recitals.

"Powerchip Released Party" has the meaning set forth in Section 5.13(b).

"Powerchip Rights" has the meaning set forth in Section 5.13(b).

[*]

"PwC" means PricewaterhouseCoopers, Taiwan.

"Regulatory Approvals" has the meaning set forth in Section 5.8(a).

"Released Party" has the meaning set forth in Section 5.13(a).

"Releasor Party" has the meaning set forth in Section 5.13(a).

"Reorganization Court" means the court presiding over the corporate reorganization proceedings of Elpida and Akita in Japan.

"ROC" has the meaning set forth in the Preamble.

"Securities and Futures Bureau" means the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan of the ROC.

"Seller" or "Sellers" has the meaning set forth in the Preamble.

"Sellers' Disclosure Letter" has the meaning set forth in the first paragraph of Article III.

"Sellers' Shares" means all Company Shares owned by each of the Sellers as of the date of this Agreement, which are set forth opposite each Seller's name on Schedule 1 hereto, and all securities received as a result of a stock dividend, distribution, subdivision or reclassification in respect of the Sellers' Shares.

"Share Purchase" has the meaning set forth in the Recitals.

"Solvent" means, with respect to a particular date and with respect to any Person, that on such date, (a) the value of the assets of the Person at "fair saleable value" will exceed the sum of (i) the value of all "liabilities of such Person (including a reasonable estimate of contingent liabilities)" as of such date, as such quoted terms are generally determined in accordance with applicable Laws governing determinations of the insolvency of debtors, and (ii) the amount that will be required to pay the probable liabilities (including a reasonable estimate of contingent liabilities) of such Person, as of such date, on its existing debts as such debts become absolute and mature, (b) such Person will be able to pay its liabilities (including a reasonable estimate of contingent liabilities) as such liabilities mature and (c) such Person will not have an unreasonably small amount of capital with which to conduct the business in which it is engaged or proposed to be engaged immediately following such date. For purposes of this definition, "not have an unreasonably small amount of capital with which to conduct the business in which it is engaged or proposed to be engaged immediately following such date" and "able to pay its liabilities (including a reasonable estimate of contingent liabilities) as such liabilities mature" means that such Person will be able to generate enough cash from operations, asset dispositions or refinancings, or a combination thereof, to meet its obligations as they become due.

"Sponsor Agreement" means that certain Sponsor Agreement, dated as of the date hereof and as the same may be amended from time to time, by and among Micron and Nobuaki Kobayashi and Yukio Sakamoto as trustees for Elpida and Akita.

"Sponsor Agreement Closing" means the closing of Micron's acquisition of Elpida in accordance with the terms and conditions of the Sponsor Agreement.

"Standstill Agreement" has the meaning set forth in the Recitals.

"Standstill Period" has the meaning ascribed to such term in the Standstill Agreement.

"Stock Transfer Agent" has the meaning set forth in Section 2.3(a).

"Subsidiary" means, in relation to any Person, any corporation or other entity of which the securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are owned directly or indirectly by such Person.

"Unencumbered Sellers' Shares" means all Sellers' Shares that are not subject to any Liens as of immediately prior to the Closing, including any such shares where the holder of Liens with respect to such shares agrees to release, and does in fact release, such Liens at the Closing.

[*]

[*]

1.2 Interpretation. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation." Any Law defined or referred to herein (or in any agreement or instrument that is referred to herein) means such Law as, from time to time, it may be amended, modified or supplemented, including by succession of comparable successor statutes. All references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require. All references in this Agreement to "NT$" shall mean New Taiwan Dollars and all references in this Agreement to "US$" shall mean United States Dollars. The Article and Section headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement. In the event that any action is required to be taken pursuant to this Agreement falls on a date that is not a Business Day, such date shall be deemed extended to the next Business Day.

ARTICLE II

PURCHASE AND SALE OF SHARES; PURCHASE PRICE

2.1 Sale and Purchase of Shares. At the Closing provided for in Section 2.2, upon the terms and subject to the conditions of this Agreement, each of the Sellers shall sell, transfer, assign, convey and deliver to Buyer or the Permitted Designee, if any, free and clear of all Liens, and Buyer

or the Permitted Designee, if any, shall purchase from each of the Sellers, all of the Unencumbered Sellers' Shares owned by each such Seller as of immediately prior to the Closing at a price per share equal to NT $14.03 in cash (the "Consideration"), in each case to be paid in accordance with Section 2.3.

2.2 Closing; Closing Date. The closing of the Share Purchase (the "Closing") shall take place at the offices of Jones Day (Taipei), located at 8F, 2 Tun Hwa S. Road, Sec. 2 Taipei 106, Taiwan, ROC at 9:00 a.m. local time, on the first day on which the conditions to Closing set forth in Article VI have been satisfied or (if permissible) waived, or such other time or date as the parties may mutually agree. The parties acknowledge their intent to effectuate the Closing concurrent with, and conditioned upon the occurrence of, the Sponsor Agreement Closing. The date upon which the Closing occurs is referred to herein as the "Closing Date" and the Closing shall be deemed to have occurred at 12:01 a.m. (local time) on the Closing Date.

2.3 Deliveries At Closing. At the Closing:

(a) if the Unencumbered Sellers' Shares are physically issued in certificated form, the Sellers shall (1) cause representatives of Participating Lienholders to bring all share certificates of the Unencumbered Sellers' Shares they hold, having duly endorsed on the back to cancel any and all Liens thereon, to the stock transfer agent of the Company ("Stock Transfer Agent") for verification and counting by the Stock Transfer Agent as well as by Buyer's representatives, and (2) further deliver or cause to be delivered to Buyer or the Permitted Designee, as the case may be, all share certificates representing the Unencumbered Sellers' Shares duly endorsed on the back in blank for transfer and free and clear of any Liens, and accompanied by the proper stock transfer application submitted to the Company duly completed and executed by each Seller for registering on the Company's shareholders register the transfer of the Unencumbered Shares to Buyer or the Permitted Designee, as the case may be;

(b) Powerchip shall deliver a copy of an extract from the Company's shareholders register showing Buyer or the Permitted Designee, as the case may be, as a shareholder of the Company holding the number of Unencumbered Sellers' Shares;

(c) the Sellers shall take such other actions as may be required under the Laws of the ROC and other applicable Laws to register the Unencumbered Sellers' Shares in the name of Buyer or the Permitted Designee, as the case may be;

(d) Buyer or the Permitted Designee, as the case may be, shall deliver or cause to be delivered: (1) to the trust account under Powerchip's name controlled by the syndicated bank lenders (which Powerchip shall inform Buyer or the Permitted Designee, as the case may be, at least two (2) Business Days prior to the Closing Date) the portion of the Consideration less the applicable ROC securities transaction tax for the Unencumbered Sellers' Shares sold by Powerchip, Li-Hsin Investment Co., Ltd. and Quantum Vision Corporation, by wire transfer of immediately available funds in New Taiwan Dollars, and (2) to Maxchip Electronics Corporation and Dr. Frank Huang their respective portion of the Consideration less the applicable ROC securities transaction tax for the Unencumbered Sellers' Shares sold by such Sellers by wire transfer of immediately

available funds in New Taiwan Dollars to the bank account or accounts designated at least two (2) Business Days prior to the Closing Date by such Seller in writing to Buyer or the Permitted Designee, as the case may be; and

(e) the Sellers shall deliver or cause to be delivered to Buyer or the Permitted Designee, as the case may be, reasonably satisfactory evidence that each of the Participating Lienholder who is not a bank has received an amount, from the Consideration paid into the trust account described in paragraph (d) above, equal to the full amount of the then outstanding debt (including all remaining balances on principal, interests, default interests and/or penalties) owed by Powerchip or such other Seller under the instruments governing the Lien over such Seller's Shares held by such Participating Lienholder immediately prior to the Closing.

2.4 Adjustments. If the Company shall, at any time and from time to time on or before the Closing Date, issue dividends or make distributions on Company Shares payable in Company Shares, or subdivide or reclassify outstanding Company Shares into a greater number of Company Shares, then the per share Consideration shall be proportionally decreased, and conversely, if the Company shall, at any time or from time to time on or before the Closing Date, combine or reclassify outstanding Company Shares into a smaller number of Company Shares, then the per share Consideration for the Unencumbered Sellers' Shares shall be proportionally increased. Upon the occurrence of any event that would require such an adjustment, or any other similar corporate event impacting the Company Shares, the parties shall make such other amendments or modifications to this Agreement to take into account in an equitable manner the occurrence of such event.

2.5 Agreement with Stock Transfer Agent. Prior to the Closing, Powerchip and Buyer or the Permitted Designee, as the case may be, will discuss and enter into an agreement with the Stock Transfer Agent on terms reasonably satisfactory to Powerchip and Micron whereby the Stock Transfer Agent undertakes to hold in custody all physical share certificates of the Sellers' Shares for the duration of the Closing and to immediately release and deliver all such share certificates to Buyer or the Permitted Designee, as the case may be, upon Buyer or the Permitted Designee delivering to the Stock Transfer Agent a copy of a wire transfer record of transfers made pursuant to Section 2.3(d). Fees and expenses charged by the Stock Transfer Agent shall be borne equally by Powerchip and Buyer or the Permitted Designee, as the case may be.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers hereby represent and warrant to Micron and Buyer, subject to such exceptions as are specifically disclosed in the disclosure letter delivered by the Sellers to Micron and Buyer and dated as of the date hereof (the "Sellers' Disclosure Letter") (which Sellers' Disclosure Letter shall be arranged in sections and subsections corresponding to the numbered and lettered sections and

subsections contained in this Article III, with the disclosure in any section or subsection of the Sellers' Disclosure Letter qualifying only the corresponding section or subsection in this Article III and such other sections or subsections in this Article III where the relevance of such disclosure to such section or subsection is reasonably apparent on its face), as follows:

3.1 Due Organization. Each entity Seller is a corporation or other legal entity duly organized, validly existing and in good standing (to the extent such concept is applicable in such jurisdiction) under the Laws of its jurisdiction of organization, which is indicated opposite such Seller's name on Schedule 1 hereto. Each entity Seller has the requisite power and authority to own, lease and operate its properties and to carry on its business as currently conducted.

3.2 Title to the Shares. Each Seller is the sole record and beneficial owner of the Company Shares set forth opposite such Seller's name on Schedule 1 hereto, and has good and valid title to such shares, free and clear of all Liens except those Liens listed in Section 3.2 of the Sellers' Disclosure Letter. No Seller owns any Company Shares other than those set forth opposite such Seller's name on Schedule 1 hereto, or holds any rights, options or warrants to acquire any Company Shares (including any rights to repurchase any Company Shares previously transferred by such Seller to any other Person), other than statutory preemptive rights. None of the Sellers has granted any options, warrants, calls or any other rights to purchase or otherwise acquire any such Company Shares or any interest therein to any other Person, or entered into any Contract with respect thereto except those options listed in Section 3.2 of the Sellers' Disclosure Letter. Each Seller has the sole power and authority to convey to Buyer or the Permitted Designee, as the case may be, all of its right, title and interest in and to the Unencumbered Sellers' Shares at Closing. Upon consummation of the Share Purchase, Buyer or the Permitted Designee, as the case may be, will acquire from the Sellers good and marketable title to the Unencumbered Sellers' Shares, free and clear of all Liens.

3.3 Authority and Enforceability. Each of the Sellers has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each Seller, the performance of each Seller's obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of each Seller. This Agreement has been duly executed and delivered by each Seller, and constitutes the legal, valid and binding obligation of each Seller, enforceable against each Seller in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar Laws, Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

3.4 Noncontravention. As to each Seller, the execution and delivery by such Seller of this Agreement, the performance by such Seller of its obligations under this Agreement and the consummation of the transactions contemplated hereby, do not and will not:

(a) violate the organizational documents of such Seller;

(b) require such Seller to obtain any consents, approvals or authorizations of, or make any filings with or give any notices to, any Governmental Authorities, except for (i) the

requirements under Antitrust Laws in connection with the transactions contemplated by the Sponsor Agreement and this Agreement, (ii) the applicable foreign investment approvals of the Investment Commission and, if applicable, filings with the Securities and Futures Bureau and (iii) as contemplated by Section 6.1(b);

(c) assuming that such consents, approvals and authorizations are received, and such filings are made and/or notices given, violate any Orders or Laws; or

(d) result in the breach of, or constitute (with or without notice or lapse of time, or both) a default under, any material Contract to which such Seller is a party or by or to which such Seller or its Sellers' Shares is bound (and where, in the case of a Contract to which such Seller is a party or by which it is bound, such breach or default would have a material adverse impact on its ability to perform its obligations hereunder or consummate the transactions contemplated hereby) or result in the creation of any Lien on the Sellers' Shares.

3.5 Contracts and Relationships. The Sellers have provided to Micron true and complete copies of all Contracts between any Seller or any of its Affiliates (excluding the Company and its Subsidiaries), on the one hand, and the Company and any of its Subsidiaries, on the other hand. Set forth on Section 3.5 of the Sellers' Disclosure Letter is a description, which is accurate and complete in all material respects, of: (i) all other ongoing material business or operational relationships between any Seller or any of its Affiliates (excluding the Company and its Subsidiaries), on the one hand, and the Company and any of its Subsidiaries, on the other hand, and (ii) the arrangements between Powerchip, Elpida and/or the Company on the contribution and licensing of intellectual property or technology between Powerchip and/or any of its Subsidiaries, on the one hand, and Elpida, the Company and/or any of their respective Subsidiaries, on the other hand.

3.6 Brokers. None of the Sellers nor any of their Affiliates has paid or agreed to pay, or received any claim with respect to, any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

3.7 Legal Proceedings and Orders.

(a) There is no action or proceeding pending or, to the knowledge of any Seller, threatened at law or in equity, before any court or before or by any Governmental Authority, or by any other Person, that challenges the validity or enforceability of, or that could reasonably be expected to have the effect of preventing, delaying, or making illegal, this Agreement or any of the transactions contemplated hereby.

(b) There is no Order to which any Seller, or to the knowledge of any Seller, to which the Company, is subject that has or could reasonably be expected to have the effect of preventing, delaying, or making illegal this Agreement or any of the transactions contemplated hereby.

3.8 Absence of Claims. None of the Sellers has any: (a) knowledge of any currently existing dispute or claim of any kind, character or nature whatsoever between the Company or any

of its Subsidiaries, on the one hand, and any Seller or any of its Affiliates, on the other hand, other than claims for overdue amounts owed by Powerchip to the Company or Elpida; or (b) knowledge of any currently existing facts or circumstances that would reasonably be expected to give rise to a dispute described in clause (a).

3.9 Solvency. No Seller is entering into this Agreement or agreeing to perform its obligations hereunder, including consummating the Share Purchase, with the actual intent to hinder, delay or defraud any of its present or future creditors. Each Seller will, after giving effect to the Share Purchase, be Solvent at and immediately after the Closing. There has not occurred an Insolvency Event with respect to any Seller.

3.10 Consideration; Opinion. The Consideration to be paid at the Closing for the Unencumbered Sellers' Shares constitutes reasonably equivalent value for such shares. On or prior to the date of this Agreement, the Sellers have received a fairness opinion from PwC that the Consideration constitutes reasonably equivalent value for the Unencumbered Sellers' Shares to be sold at the Closing, and has allowed Micron to review a copy thereof.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF MICRON AND BUYER

Micron and Buyer hereby represent and warrant to the Sellers that:

4.1 Due Incorporation and Authority.

(a) Micron is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Micron has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as currently conducted.

(b) Buyer has been duly organized and is validly existing as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) and in good standing (to the extent such concept is applicable) under the Laws of The Netherlands. Buyer has the requisite power and authority to own, lease and operate its properties and to carry on its business as currently conducted.

4.2 Authority and Enforceability. Micron and Buyer each has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each of Micron and Buyer, the performance of Micron's and Buyer's obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of each of Micron and Buyer. This Agreement has been duly executed and delivered by each of Micron and Buyer, and constitutes the legal, valid and binding obligation of each of Micron and Buyer, enforceable against each of Micron and Buyer in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar Laws, Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

4.3 Noncontravention. As to each of Micron and Buyer, the execution and delivery by it of this Agreement, the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby, do not and will not:

(a) violate its organizational documents;

(b) require it to obtain any consents, approvals or authorizations of, or make any filings with or give any notices to, any Governmental Authorities, except for (i) the requirements under Antitrust Laws in connection with the transactions contemplated by the Sponsor Agreement and this Agreement, (ii) the applicable foreign investment approvals of the Investment Commission and, if applicable, filings with the Securities and Futures Bureau and (iii) as contemplated by Section 6.1(b);

(c) assuming that such consents, approvals and authorizations are received, and such filings are made and/or notices given, violate any Orders or Laws; or

(d) result in the breach of, or constitute (with or without notice or lapse of time, or both) a default under, any material Contract to which it is a party or by or to which it is bound where such breach or default would have a material adverse impact on its ability to perform its obligations hereunder or consummate the transactions contemplated hereby.

4.4 Brokers. Except for fees and commissions that will be paid by Micron, Buyer or the Permitted Designee, no Person retained by or on behalf of Micron, Buyer or any of their respective Subsidiaries is entitled to any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

4.5 Legal Proceedings and Orders.

(a) There is no action or proceeding pending or, to the knowledge of Micron or Buyer, threatened at law or in equity, before any court or before or by any Governmental Authority, or by any other Person, that challenges the validity or enforceability of, or that could reasonably be expected to have the effect of preventing, delaying, or making illegal, this Agreement or any of the transactions contemplated hereby.

(b) There is no Order to which either Micron or Buyer is subject that has or could reasonably be expected to have the effect of preventing, delaying, or making illegal this Agreement or any of the transactions contemplated hereby.

4.6 Financial Ability. At the Closing, Buyer or the Permitted Designee, as the case may be, shall have cash on hand or access to other sources of immediately available funds to enable it to pay the Consideration in accordance with Sections 2.1 and 2.3(d).

ARTICLE V

COVENANTS AND AGREEMENTS

5.1 Voting of Shares. Between the date of this Agreement and the Closing Date, except as expressly contemplated by this Agreement or otherwise agreed to in writing by Micron, the Sellers shall not:

(a) vote the Sellers' Shares in favor of the amendment of, or otherwise permit the Company to amend (to the extent reasonably practicable through the exercise of such rights), the Company's articles of incorporation or other organizational documents;

(b) resolve on any increase in the paid-in capital of the Company;

(c) vote the Sellers' Shares to approve or otherwise permit (to the extent reasonably practicable through the exercise of such rights) the declaration, setting aside or payment of any dividend or other distribution on or in respect of, or any subdivision, combination or reclassification in respect of, the Company Shares or other securities of the Company; or

(d) grant any proxies or powers of attorney with respect to the Sellers' Shares, deposit any Sellers' Shares into a voting trust or enter into any Contract with respect to the voting of any Sellers' Shares.

5.2 Conduct of Business. Between the date of this Agreement and the Closing Date, except as expressly contemplated by this Agreement or otherwise agreed to in writing by Micron, the Sellers shall not exert their influence, through the voting of Company securities or otherwise, to cause the Company to take any of the following actions:

(a) operate the business of the Company other than in the ordinary course of business consistent with past practice or fail to maintain all of the facilities, assets and properties of the Company in their condition as of the date hereof, normal wear and tear excepted;

(b) (i) disrupt the Company's business organizations, (ii) terminate the services of the Company's present employees and other service providers or (iii) terminate the Company's present relationships with its material vendors, suppliers and customers and other Persons having business relationships with it;

(c) (i) make, solicit, encourage, cooperate with or facilitate (by way of furnishing information or otherwise) any inquiries or proposals for, or take any steps to effect, the acquisition of the stock, assets or business of the Company or (ii) acquire or dispose of any material assets, properties or interests, in each case other than (x) in the ordinary course of business consistent with past practice or (y) as expressly contemplated by this Agreement or the Sponsor Agreement;

(d) merge or consolidate with any other Person, amend or modify its articles of incorporation or other organizational documents, or effect any stock dividends or distributions or other issuance of Company Shares or other securities, subdivisions or combinations of Company Shares or any reclassification of Company Shares;

(e) enter into, or become obligated under, any material Contract;

(f) terminate or change, amend or otherwise modify any material Contract;

(g) take any action to implement, or decide to implement in the future, any material technology or process not in use by the Company on the date hereof;

(h) incur or guarantee any indebtedness or suffer or permit the creation of any Lien outside the ordinary course of business consistent with past practice upon any facilities, assets, properties or interests of the Company;

(i) release, settle or compromise any material claim, or waive any material right, of the Company or settle or compromise any pending or threatened material claim against the Company; and

(j) agree to take any action which would breach or violate clauses (a)-(i) of this Section 5.2.

5.3 No Transfer or Acquisition of Shares.

(a) Between the date of this Agreement and the Closing Date, and except as provided in Section 5.3(b) or Section 5.3(c) below or otherwise agreed to in writing by Micron, each Seller agrees not to, directly or indirectly, offer for sale, sell, transfer, tender, pledge, hypothecate, assign or otherwise dispose of, or grant or enter into any Contract, option, commitment or other arrangement or understanding with respect to, or consent to the offer for sale, sale, transfer, tender, pledge, hypothecation, assignment or other disposition of, or create or allow to exist any Lien on or with respect to, any or all of the Sellers' Shares owned by such Seller (or any interest therein).

(b) Between the date of this Agreement and the Closing Date, Sellers may pledge the Sellers' Shares to the extent required to obtain financing that is necessary for the operation of Powerchip's business consistent with past practice or to the extent required by the terms and conditions of Powerchip's existing syndicated bank lending arrangements, provided that:

(i) prior written notice is given to Elpida pursuant to Section 11.2 of the JVA, and

(ii) so long as any Person to whom any Sellers' Shares are pledged after the date hereof agrees at or prior to entering into the pledge arrangement:

(1) to the arrangements described in clauses (i) and (ii) of the first sentence of Section 5.4 below; and

(2) to release and cancel any such pledge and all other Liens on the Sellers' Shares upon delivery to such Person of the portion of the Consideration payable by Buyer or the Permitted Designee, as the case may be, for the Sellers' Shares that have been so pledged to such Person, or a lesser amount as determined by the instruments governing the pledge or as agreed by the applicable Seller and such Person.

(c) Powerchip shall be permitted to transfer such number of its Sellers' Shares to Kingston in order to satisfy its outstanding loan obligations to Kingston, subject to and conditioned upon Kingston agreeing, on or prior to such transfer, to sell such shares to Buyer or the Permitted Designee, as the case may be, on terms and conditions that are reasonably acceptable to Micron.

(d) Between the date of this Agreement and the Closing Date, none of the Sellers will acquire any Company Shares or any rights, options or warrants to acquire any Company Shares, or enter into any Contract with respect to the foregoing, other than the acquisition of any Company Shares issued by the Company as a stock dividend or distribution on in connection with a subdivision of the Company Shares.

5.4 Existing Liens on Sellers' Shares. To the extent not obtained prior to signing this Agreement, Powerchip shall use its reasonable best efforts to obtain, as promptly as practicable, the agreement of each lender to Powerchip or any other Seller that holds a Lien on any of the Sellers' Shares (i) for a period of eighteen (18) months from the date of this Agreement, not to exercise remedies with respect to such shares pending consummation of the Share Purchase, including the exercise of the rights of pledgees with respect to the shares or petitioning with a court or other Governmental Authority to foreclose the shares, and (ii) concurrent with the Closing, to release, terminate and cancel any or all Liens on such shares upon delivery to such holder, that is not a bank, an amount from the Consideration equal to the full amount of the then outstanding debt (including all remaining balances on principal, interests, default interests and/or penalties) owed by Powerchip or such other Seller under the instruments governing the Lien. Powerchip has delivered to Micron prior to the execution hereof accurate and complete copies of the consents of all of the Sellers' non-bank lenders to the foregoing arrangements and minutes of the bank meeting evidencing the approval of Powerchip's syndicated bank lenders of the foregoing arrangements, and shall use its reasonable best efforts to obtain the agreement from each of the syndicated bank lenders to the foregoing arrangements described in the first sentence of this Section 5.4 as promptly as practicable. Powerchip further agrees that it shall apply for appropriate relief from the Ministry of Economic Affairs of the ROC and other appropriate Governmental Authorities if any of the syndicated bank lenders do not promptly agree to the foregoing arrangements such that the arrangements can be imposed on the syndicated bank lenders that do not agree to such arrangements.

5.5 Confidentiality.

(a) The terms of the Confidentiality Agreement are hereby incorporated herein by reference and shall continue in full force and effect and survive the Closing, except that the non-

disclosure and non-use obligations of Micron and its Subsidiaries and their respective Representatives (as defined in the Confidentiality Agreement) under the Confidentiality Agreement in respect of information relating to the Company and its Subsidiaries shall terminate at the Closing. After the Closing, such information shall be deemed Confidential Information of Micron and, accordingly, Powerchip shall be subject to all restrictions under the Confidentiality Agreement with respect thereto. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect in all respects.

(b) Notwithstanding Section 5.5(a), Micron, Buyer and Powerchip are each hereby permitted to disclose Confidential Information to (i) Elpida and its representatives, including the trustees, the Reorganization Court and the Examiner under Elpida's corporate reorganization proceedings and (ii) the Company and its representatives, in each case of (i) and (ii) on a need to know basis in order for such Persons to evaluate and consummate the transactions contemplated hereby and by the Sponsor Agreement; provided, however, that neither Micron nor Buyer shall disclose to Elpida, the Company or their respective representatives the purchase price to be paid by Buyer or the Permitted Designee, as the case may be, for the Unencumbered Sellers' Shares unless (x) such purchase price has been disclosed by any Seller to any such Person or publicly or (y) such purchase price has been disclosed publicly by Micron if such disclosure is not in contravention of this Agreement; provided further that any such recipients of Confidential Information shall be subject to confidentiality and non-use obligations to the disclosing party that are at least as restrictive as those set forth in the Confidentiality Agreement.

5.6 Expenses. Except as otherwise provided herein, Micron, Buyer and each Seller shall bear their respective fees, expenses and taxes incurred in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the transactions contemplated hereby.

5.7 Publicity. Promptly following the execution and delivery of this Agreement by each of the parties, Micron and Powerchip shall each issue a press release in the forms previously agreed between them. Except as may be required by Law or by rules of any applicable stock exchange, the parties hereto agree that no further publicity release or announcement concerning this Agreement and the transactions contemplated hereby shall be made without advance consultation between Micron and Powerchip (except to the extent that compliance with this requirement would result in a violation of applicable Law), and prior to making such release or announcement, the announcing party will deliver a draft of such release or announcement to the other parties as well as Elpida and shall give the other parties and Elpida reasonable opportunity to comment thereon.

5.8 Required Approvals and Consents.

(a) Between the date hereof and the Closing Date, each of the parties agrees to cooperate with the other parties and to use its reasonable best efforts to obtain as promptly as practicable any authorizations or approvals of, and to make all required notices and filings with, Governmental Authorities required for the consummation of the transactions contemplated by this Agreement, including those required to be obtained under Antitrust Laws (the "Regulatory Approvals"). Each of the parties agrees to cooperate with the other parties and to use its reasonable

best efforts to contest any ruling, order or other legal action of any Governmental Authority seeking to restrict, prevent or prohibit the consummation of the transactions contemplated by this Agreement; provided, however, that nothing herein shall be construed to require Micron (or any of its Affiliates) to accept, or agree to accept, any action or restriction imposed by any Governmental Authority related to the assets, businesses, properties and operations of Micron (or any of its Affiliates) which could reasonably be expected to materially affect the economic or business benefits contemplated by this Agreement or the Sponsor Agreement, including the benefits resulting from the integration of Elpida with Micron and from the acquisition by Micron, directly or indirectly, of Company Shares.

(b) Between the date hereof and the Closing Date, each of the Sellers agrees to use its reasonable best efforts to obtain as promptly as practicable all necessary consents, waivers and approvals of all counterparties to Contracts to which such Seller is a party or by which it is bound as are required in order for such Seller to be able to consummate the Share Purchase on the terms and conditions set forth herein, including the agreement of each of [*] (i) not to exercise or transfer, sell or otherwise dispose of its respective [*] during the period between the date of this Agreement and the Closing and (ii) to terminate its respective [*] effective at or prior to the Closing. All such consents, waivers and approvals shall be in form and substance reasonably satisfactory to Micron.

(c) Without limiting the generality of Section 5.8(b), between the date hereof and the Closing Date, each of the Sellers agrees to use its reasonable best efforts to obtain as promptly as practicable all necessary consents, waivers and approvals of all lenders to the Sellers and all lenders to the Company as are required in order for such Seller to be able to consummate the Share Purchase on the terms and conditions set forth herein without resulting in a default or event of default under or otherwise give rise to any rights or remedies under any such loan arrangements (such consents, the "Lender Consents"). All such Lender Consents shall be in form and substance reasonably satisfactory to Micron.

5.9 Access to Information and Cooperation. Between the date of this Agreement and the Closing, the Sellers shall use reasonable best efforts to cause the Company to afford Micron, Buyer, the Permitted Designee, if any, and their respective representatives reasonable access during normal business hours and upon reasonable prior notice to the properties, personnel, Contracts, books and records of the Company and its Subsidiaries and to deliver or make available to Micron, Buyer, the Permitted Designee, if any, and their respective representatives information concerning the business, properties, assets and personnel of the Company and its Subsidiaries as such Persons may from time to time reasonably request. Nothing in this Section 5.9 shall obligate the Sellers to provide or to exercise efforts to cause the Company to provide information prior to the Closing the provision of which would be prohibited by Law, including as a result of Laws relating to privacy, competition or otherwise.

5.10 Change in Membership of Company Boards. The Sellers shall, and shall cause their representatives, as the case may be, on the Board of Directors, the Executive Committee, and any

other management body of the Company or any Subsidiaries of the Company to resign from such positions effective as of the Closing.

5.11 Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable best efforts to take or cause to be taken all actions and to do or cause to be done all things reasonably necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement, including executing any additional instruments necessary to consummate the transactions contemplated hereby. If at any time after the Closing Date any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall take all such necessary actions.

5.12 Elpida Licenses.

(a) [*] Micron will cause Elpida to enter into [*] the New Licenses at the Closing.

(b) [*]

(c) Micron will cause Elpida to cause the Existing Licenses to be in full force and effect in accordance with their terms as of immediately following the Closing (it being understood that this Section 5.12(c) shall not be deemed to amend or modify the terms of such licenses in any way or be a waiver, release or discharge of any breach by any party of any provision of the Existing Licenses).

5.13 Termination of Certain Rights and Remedies.

(a) Powerchip hereby agrees that, effective as of the Closing, the JVA Rights and Remedies, the JVA Share Transfer Agreement, and, to the extent still in effect, the JVA, shall automatically terminate, and Powerchip shall have no further rights, remedies or obligations thereunder or pursuant thereto. Effective upon such termination, Powerchip (the "Releasor Party") hereby irrevocably waives and releases and discharges each other party thereto and its Affiliates, and the shareholders, directors, officers, employees, trustees, examiners and representatives of such party and their respective Affiliates (each, a "Released Party") from and against any and all claims, causes of action, demands, orders, obligations and rights both at law and in equity, in each case with respect to the JVA Rights and Remedies, the JVA Share Transfer Agreement and otherwise arising under the JVA, that the Releasor Party has as of the time of termination, has ever had or at any time could have asserted against any of the Released Parties, whether in law, equity or otherwise, whether known or unknown, suspected or unsuspected.

(b) Powerchip hereby agrees that, effective as of the Closing, all of Powerchip's rights to capacity allocation and supply from the Company and any other rights associated with Powerchip's share ownership in the Company (other than rights generally available to shareholders

of the Company under its articles of incorporation and applicable Law) (the "Powerchip Rights") shall automatically terminate, even if Powerchip or any other Sellers continue to hold shares in the Company. Powerchip hereby agrees to and does hereby assign all such rights to capacity allocation and supply to Micron and its Subsidiaries effective as of the Closing. Effective upon such termination, Powerchip hereby irrevocably waives and releases and discharges the Company, Elpida and their respective Affiliates, and the shareholders, directors, officers, employees, trustees, examiners and representatives of the Company, Elpida and their respective Affiliates and their respective affiliates (each, a "Powerchip Released Party") from and against any and all claims, causes of action, demands, orders, obligations and rights both at law and in equity, in each case with respect to the Powerchip Rights that Powerchip has as of the time of termination, has ever had or at any time could have asserted against any of the Company, Elpida and their respective Affiliates, whether in law, equity or otherwise, whether known or unknown, suspected or unsuspected.

(c) Nothing in this Section 5.13 or elsewhere in this Agreement shall be deemed to be a waiver, release or discharge of any amounts owed by Powerchip to the Company or Elpida for the transfer of technology or intellectual property rights or the provision of products or services or the failure to satisfy payment or reimbursement obligations in connection therewith.

(d) Powerchip hereby agrees to enter into such further agreements and other instruments evidencing the terminations, waivers, releases, discharges and assignments set forth in Sections 5.13(a)-(b) as are reasonably requested by Micron, Elpida or any Released Party or Powerchip Released Party, as the case may be (including entry into or continuation of such licenses to existing Powerchip technology that is being used by the Company as of the Closing as may be necessary to allow the Company to manufacture products for Micron, Elpida and their respective Subsidiaries following the Closing; provided that, in the event of the continuation of any existing license of identified Powerchip technology that the Company determines is necessary for such manufacturing, Powerchip will be entitled to a license back of modifications and improvements to such identified technology if such license back is provided for in the existing license).

5.14 No-shop. Powerchip hereby agrees that, during the Standstill Period, it shall refrain from soliciting, engaging in any discussions or negotiations, or entering into any agreement or arrangement with any other Person or group of Persons relating to: (a) the transfer, sale, assignment, or other disposition of its purported right to require Elpida to sell all of the Company Shares owned by Elpida to Powerchip or a designee of Powerchip pursuant to Sections 14.2, 15.3(a)(i) and 15.3(b) of the JVA, (b) the designation of any Person or group of Persons as Powerchip's designee to purchase such shares from Elpida or (c) the financing of the purchase of such shares from Elpida.

5.15 Delisting and Going Private. Each of the Sellers agrees to take such actions as are reasonably necessary and within its power to cause (i) the delisting of the Company from the Emerging Market of the GreTai Securities Market as promptly as practicable after the date of this Agreement and in any event prior to the Closing and (ii) the withdrawal of public company status of the Company as promptly as practicable after the date of this Agreement and in any event prior to the Closing, including causing such matters to be brought before the board of directors and at a shareholders meeting of the Company for discussion, resolution and/or approval as required by

applicable Laws, causing the Seller's representatives on the board of directors of the Company to approve such matters (or, if such Seller is on the board of directors of the Company, to approve such matters), and voting its Company Shares in favor of such matters.

5.16 [*]

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATION OF THE PARTIES TO CLOSE

6.1 Mutual Conditions. The obligation of Buyer and the Sellers to consummate the Share Purchase at the Closing is subject to the fulfillment on or prior to the Closing Date of the following conditions, any of which may be waived by Micron and Powerchip:

(a) No Laws or Orders. No Governmental Authority shall have enacted, issued or enforced any Law or Order which is in effect on the Closing Date and has or would have the effect of prohibiting, enjoining or restraining the consummation of the transactions contemplated by this Agreement or otherwise making such transactions illegal.

(b) Regulatory Approvals. All Regulatory Approvals required under applicable Laws for the consummation of the Share Purchase shall have been obtained or made, and each such approval and filing shall be in full force and effect, any waiting period (or extensions thereof) applicable to the transactions contemplated by this Agreement under the HSR Act, the ROC Fair Trade Law, or other similar Laws of relevant jurisdictions shall have expired or been terminated and the foreign investment approvals of the Investment Commission and, if applicable, filings with the Securities and Futures Bureau shall have been obtained and made.

(c) Sponsor Agreement Closing. The Sponsor Agreement Closing shall have occurred prior to, or shall occur concurrent with, the Closing.

6.2 Conditions to Buyer's Obligations. The obligation of Buyer to consummate the Share Purchase at the Closing is further subject to the fulfillment on or prior to the Closing Date of the following conditions, any of which may be waived in whole or in part by Micron in its sole discretion:

(a) Accuracy of Representations and Warranties. The representations and warranties of each Seller shall have been true and correct in all material respects when made and shall be true and correct in all material respects at the Closing as if made at the Closing (except for any representations and warranties that are expressly made as of a specific date, which shall be true and correct in all material respects as of such date).

(b) Covenants. Each Seller shall have performed and complied in all material respects with each agreement, covenant and obligation that the Seller is required to so perform or comply with under this Agreement at or prior to the Closing.

(c) No Company Insolvency Event. No Insolvency Event shall have occurred with respect to the Company.

(d) No Seller Insolvency Event. No Insolvency Event shall have occurred with respect to any Seller.

(e) Opinion of Independent Accountant. At or prior to the date of this Agreement, the Sellers shall have received a fairness opinion from PwC, in form and substance reasonably satisfactory to Micron, that the Consideration constitutes reasonably equivalent value for the Unencumbered Sellers' Shares to be sold at the Closing; and such opinion shall not have been modified or rescinded at or prior to the Closing.

(f) Lender Consents. The Sellers shall have obtained all Lender Consents, which shall be in form and substance reasonably satisfactory to Micron, and shall have delivered copies thereof to Micron.

(g) Elpida Consent. The Examiner and the Reorganization Court shall have consented to (i) the Share Purchase, (ii) the arrangements contemplated by Section 5.12 and (iii) the [*] as contemplated by Section 6.3(d), each of which consents shall be in form and substance reasonably satisfactory to Micron.

(h) Release of Liens. The Sellers shall have taken all such actions necessary to cause all Liens on the Sellers' Shares to be sold at the Closing to have been terminated, cancelled and released in full, and Micron shall have received from the Sellers evidence reasonably satisfactory to Micron of the taking of any and all such actions and the effectiveness thereof.

(i) [Intentionally left blank].

(j) Sale of All Unencumbered Sellers' Shares. All of the Unencumbered Sellers' Shares will be sold by Sellers to Buyer or the Permitted Designee, if applicable, at the Closing.

(k) TDCC Book-Entry Share Transfer. In the event that the Sellers' Shares are in book-entry (scripless) form, to enable Buyer's or the Permitted Designee's designated securities agent to file the appropriate and complete application with the Taiwan Depository & Clearing Corporation ("TDCC") to effect book-entry transfer of the Unencumbered Sellers' Shares, at least two (2) Business Days prior to the Closing Date, the Sellers shall have delivered to Buyer's or the

Permitted Designee's designated securities agent: (1) a share transfer application form duly completed and chopped or signed, as appropriate, by each Seller for transfer of its portion of the Unencumbered Sellers' Shares, to Buyer or the Permitted Designee, as the case may be, (2) each Seller's TDCC securities passbook and relevant securities chop, (3) original filing record of Powerchip with the Securities and Futures Bureau for transfer of shares by Powerchip as a major shareholder of the Company, (4) any other instruments and documents necessary for the application to the TDCC to effect the release and cancellation of any share pledge or other Liens on or over the Unencumbered Sellers' Shares, and (5) any other instruments and documents necessary for the application to the TDCC to effect book-entry transfer of the Unencumbered Sellers' Shares. Promptly after the book-entry transfer of the Unencumbered Sellers' Shares has been completed, Buyer shall cause its designated securities agent to return the securities passbooks and chops referred to in clause (2) above to the Sellers.

(l) Physical Share Transfer. In the event that the Sellers' Shares are issued in physical certificated form, at least two (2) Business Days prior to the Closing Date, the Sellers shall have delivered to Buyer's or the Permitted Designee's counsel: (1) a share transfer application form duly completed and chopped or signed, as appropriate, by each Seller for transfer of its portion of the Unencumbered Sellers' Shares, to Buyer or the Permitted Designee, as the case may be, and (2) any other instruments and documents necessary for the release and cancellation of any share pledge or other Liens on or over the Unencumbered Sellers' Shares.

(m) Resignations. The Sellers shall have delivered to Micron, in form and substance reasonably satisfactory to Micron, resignation letters or other documentation evidencing the resignation or removal of all of the Sellers and the Sellers' representatives, as the case may be, from the Board of Directors, the Executive Committee, and any other management body of the Company and any Subsidiary of the Company effective as of the Closing.

(n) No Burdensome Regulatory Conditions. No Governmental Authority shall have enacted, issued, promulgated, enforced, entered or deemed applicable to the Share Purchase or any other transaction contemplated by this Agreement any Law or Order (whether temporary, preliminary or permanent) which is in effect and (i) which has the effect of (A) prohibiting Micron's, Buyer's or the Permitted Designee's direct or indirect ownership or operation of any portion of the Company Shares or the business of Elpida, the Company or any of their respective Subsidiaries, or (B) compelling Micron, Buyer or the Permitted Designee to dispose of or hold separate all or any portion of the Company Shares or the businesses or assets of Micron, Elpida or the Company or any of their respective Subsidiaries, or (iii) could reasonably be expected to materially affect the economic or business benefits contemplated by this Agreement or the Sponsor Agreement, including the benefits resulting from the integration of Elpida with Micron and from the acquisition by Micron, directly or indirectly, of Company Shares.

(o) Going Private Transaction. The Company shall have been delisted from the Emerging Market of the GreTai Securities Market and its public company status shall have been duly withdrawn.

(p) [*]

(q) Certificate. Micron shall have received from each Seller a certificate dated as of the Closing Date, executed by a duly authorized executive officer of such Seller (for each entity Seller) or by the Seller (if an individual), to the effect that the conditions set forth in Section 6.2(a) (with respect to the representations and warranties of such Seller), Section 6.2(b) (with respect to the agreements, covenants and obligations of such Seller) and Section 6.2(d) (with respect to an Insolvency Event of such Seller) have been satisfied.

6.3 Conditions to Sellers' Obligations. The obligation of Sellers to consummate the Share Purchase at the Closing is further subject to the fulfillment on or prior to the Closing Date of the following conditions, any of which may be waived in whole or in part by Powerchip in its sole discretion:

(a) Accuracy of Representations and Warranties. The representations and warranties of Micron and Buyer shall have been true and correct in all material respects when made and shall be true and correct in all material respects at the Closing as if made at the Closing (except for any representations and warranties that are expressly made as of a specific date, which shall be true and correct in all material respects as of such date).

(b) Covenants. Each of Micron and Buyer shall have performed and complied in all material respects with each agreement, covenant and obligation that Micron or Buyer, as the case may be, is required to so perform or comply with under this Agreement at or prior to the Closing.

(c) Certificate. Powerchip shall have received from Micron a certificate dated as of the Closing Date, executed by a duly authorized executive officer of Micron, to the effect that the conditions set forth in Section 6.3(a) and Section 6.3(b) have been satisfied.

(d) [*]

(e) New Licenses. [*] Elpida shall have executed and delivered the New Licenses.

ARTICLE VII

TERMINATION OF AGREEMENT

7.1 Termination. This Agreement may not be terminated prior to the Closing, except as follows:

(a) by mutual agreement of Micron and Powerchip;

(b) by Micron upon written notice to Powerchip, if an Insolvency Event with respect to the Company or any Seller occurs;

(c) in the event the Sponsor Agreement terminates in accordance with its terms prior to the Sponsor Agreement Closing, this Agreement will terminate automatically;

(d) by Micron, (i) if any of the representations and warranties of any of the Sellers set forth in this Agreement was not true and correct when made or shall have become untrue or incorrect, which failure to be true and correct would give rise to a failure of the closing condition in Section 6.2(a) or (ii) there shall have been a breach or failure to perform or comply with any of the agreements, covenants or obligations set forth in this Agreement on the part of the any Seller, which breach or failure would give rise to a failure of the closing condition in Section 6.2(b); provided that, in each case of (i) or (ii) (A) the failure to be true and correct, or the breach or failure to perform or comply, is not cured within twenty (20) Business Days after Micron has notified Powerchip in writing of its intent to terminate this Agreement pursuant to this Section 7.1(d) or which by its nature cannot be cured and, at (B) the time of such notice, neither Micron nor Buyer is in breach of this Agreement in any material respect;

(e) by Powerchip, (i) if any of the representations and warranties of Micron or Buyer set forth in this Agreement was not true and correct when made or shall have become untrue or incorrect, which failure to be true and correct would give rise to a failure of the closing condition in Section 6.3(a) or (ii) there shall have been a breach or failure to perform or comply with any of the agreements, covenants or obligations set forth in this Agreement on the part of Micron or Buyer, which breach or failure would give rise to a failure of the closing condition in Section 6.3(b); provided that, in each case of (i) or (ii), (A) the failure to be true and correct, or the breach or failure to perform or comply, is not cured within twenty (20) Business Days after Powerchip has notified Micron in writing of its intent to terminate this Agreement pursuant to this Section 7.1(e) or which by its nature cannot be cured and (B) at the time of such notice, neither Powerchip nor any other Seller is in breach of this Agreement in any material respect;

(f) by either Micron or Powerchip if any Governmental Authority (A) shall have enacted, issued, promulgated, entered, enforced or deemed applicable to any of the transactions contemplated by this Agreement any Law that is in effect and has the effect of making the consummation of any of the transactions contemplated by this Agreement illegal or which has the effect of prohibiting or otherwise preventing the consummation of any of the transactions contemplated by this Agreement, (B) shall have issued or granted any Order that is in effect and has the effect of making any of the transactions

contemplated by this Agreement illegal or which has the effect of prohibiting or otherwise preventing the consummation of any of the transactions contemplated by this Agreement, and such Order has become final and non-appealable or (C) which must grant a Regulatory Approval has denied such approval and such denial has become final and non-appealable;

(g) by Micron if any Governmental Authority shall have enacted, issued, promulgated, enforced, entered or deemed applicable to the Share Purchase or any other transaction contemplated by this Agreement any Law or Order which is in effect and is final and non-appealable and which has the effect of (i) prohibiting Micron's, Buyer's or the Permitted Designee's direct or indirect ownership or operation of any portion of the Company Shares or the business of Elpida, the Company or any of their respective Subsidiaries, or (ii) compelling Micron, Buyer or the Permitted Designee to dispose of or hold separate all or any portion of the Company Shares or the businesses or assets of Micron, Elpida or the Company or any of their respective Subsidiaries, in any case, in connection with the Share Purchase or any other transaction contemplated by this Agreement; or

(h) by either Micron or Powerchip if the Closing has not occurred on or prior to 11:59 p.m. Tokyo Time on the second anniversary of the date of this Agreement; provided, however, that the right to terminate this Agreement under this Section 7.1(h) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the primary cause of, or resulted in, the failure of the Closing to occur prior to such date.

7.2 Notice of Termination; Survival After Termination.

(a) In the event the Sponsor Agreement terminates prior to the Sponsor Agreement Closing, Micron will provide prompt notice of that event to Powerchip.

(b) In the event of the termination of this Agreement pursuant to Section 7.1, the provisions of this Agreement shall immediately become void and of no further force or effect (other than Sections 5.5, 5.6, 5.7, 5.13(c) and 5.16, this Section 7.2(b) and Article VIII, which shall survive the termination of this Agreement or any rescission, cancellation or unwinding of this Agreement or the transactions herein), and no party hereto will have any further obligations or liabilities hereunder except for obligations or liabilities arising under such surviving provisions; provided that the foregoing shall not be deemed to release any party from any liability resulting from such party's breach of this Agreement prior to such termination.

ARTICLE VIII

MISCELLANEOUS

8.1 Governing Law. Except to the extent that the Laws of the ROC are applicable to the transfer of the Unencumbered Sellers' Shares, this Agreement shall be governed by and construed in

accordance with the Laws of the State of Delaware, without regard to any conflict of laws rules thereof that might indicate the application of the Laws of any other jurisdiction.

8.2 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) on the day of delivery if delivered in person, or if delivered by facsimile upon confirmation of receipt or (b) on the third Business Day following the date of dispatch if delivered by an internationally recognized express courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated by notice given in accordance with this Section 8.2 by the party to receive such notice:

(a) if to Micron or Buyer, to:

Micron Technology, Inc.
8000 South Federal Way
Boise, Idaho 83716-9632
Attention: General Counsel
Facsimile: (208) 363-1309

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: John Fore
Michael Russell
Facsimile: (650) 493-6811

(b) if to the Sellers, to:

Powerchip Technology Corporation
No.12, Li-Hsin Rd. 1
Hsinchu Science Park
Hsinchu, Taiwan, R.O.C.
Attention: Jerry Shao
Facsimile: 886-3-5792057

with a copy (which shall not constitute notice) to:

Powerchip Technology Corporation
No.12, Li-Hsin Rd. 1
Hsinchu Science Park
Hsinchu, Taiwan, R.O.C.
Attention: Joe Wu
Facsimile: 886-3-5792014

8.3 Entire Agreement. This Agreement and the Confidentiality Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, between the parties with respect to the subject matter hereof.

8.4 Waivers and Amendments. This Agreement may be amended if, and only if, such amendment is in writing and signed by each of Micron and Powerchip. Any provision of this Agreement applicable to Micron, Buyer or the Permitted Designee, if any, may be waived by Micron in writing, and any provision of this Agreement applicable to any of the Sellers may be waived in writing by Powerchip. Any amendment or waiver agreed to, or any consent given, in writing (a) by Micron shall be binding on Micron, Buyer, the Permitted Designee, if any, and their respective successors and assigns, and (b) by Powerchip shall be binding on Powerchip and all other Sellers and their respective successors and assigns. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

8.5 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement is not assignable by any party without the prior written consent of the other parties, provided, however, that Buyer may assign its rights to purchase all or any portion of the Sellers' Shares to one or more Permitted Designees.

8.6 Construction. The parties acknowledge and agree that (a) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its preparation, (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement, and (c) the terms and provisions of this Agreement shall be construed fairly as to all parties, regardless of which party was generally responsible for the preparation of this Agreement.

8.7 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

8.8 Language. The Agreement shall be made and interpreted in the English language. Any translation hereof into Chinese or any other language shall be used for reference purposes only with no binding effect.

8.9 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the parties agree that such provision will be enforced to the maximum extent possible so as to effect the intent of the parties, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. If necessary to effect the intent of the parties, the parties agree to negotiate in good faith to amend this Agreement to replace the unenforceable language with enforceable language which as closely as possible reflects such intent.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

8.11 No Third Party Beneficiaries. Except as expressly provided herein in favor of Elpida or the Released Parties or the Powerchip Released Parties under Section 5.13, no provision of this Agreement is intended to, or shall, confer any third party beneficiary or other rights or remedies upon any Person other than the parties hereto.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

MICRON TECHNOLOGY, INC.

By: /s/ Michael Sadler
Name: Michael Sadler
Title: VP Corporate Development

MICRON SEMICONDUCTOR B.V.

By: /s/ Thomas L. Laws, Jr.
Name: Thomas L. Laws, Jr.
Title: Managing Director A

By: /s/ A. Konijn
Name: A. Konijn
Title: Managing Director B

SELLERS:

POWERCHIP TECHNOLOGY CORPORATION

By: /s/ Frank Huang
Name: Frank Huang
Title: CEO and Chairman

LI-HSIN INVESTMENT CO., LTD.

By: /s/ Frank Huang
Name: Frank Huang
Title: Chairman

QUANTUM VISION CORPORATION

By: /s/ Frank Huang
Name: Frank Huang
Title: Chairman

MAXCHIP ELECTRONICS CORPORATION

By: /s/ Michael Tsai
Name: Michael Tsai
Title: Chairman

DR. FRANK HUANG

/s/ Frank Huang

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE 1

Seller	Jurisdiction of organization	Number of Sellers' Shares
Powerchip Technology Corporation (fka Powerchip Semiconductor Corporation)	ROC	627,674,000
Li-Hsin Investment Co., Ltd.	ROC	63,462,749
Quantum Vision Corporation	ROC	10,625,000
Maxchip Electronics Corporation	ROC	6,831,651
Dr. Frank Huang	n/a	5,034,186
Total		713,627,586

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

THE FOLLOWING ATTACHMENTS TO THE SHARE PURCHASE AGREEMENT HAVE BEEN OMITTED IN ACCORDANCE WITH ITEM 601(B)(2) OF REGULATION S-K

- Schedule 2 - Existing Licenses
- Exhibit A - [*]
- Exhibit B - [*]
- Exhibit C - [*]

EXHIBIT 10.5

MICRON TECHNOLOGY, INC.
1997 NONSTATUTORY STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Plan are:

   - to attract and retain the best available personnel for positions of substantial responsibility,
   - to provide additional incentive to Employees and Consultants, and
   - to promote the success of the Company's business.

Nonstatutory stock options may be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means (i) any subsidiary or parent company of the Company, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(c) "Applicable Laws" means the legal requirements relating to the administration of stock option plans and the issuance of stock and stock options under federal securities laws, Delaware corporate and securities laws, the Code, and the applicable laws of any foreign country or jurisdiction where options will be or are being granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the acquisition by any person or entity, directly, indirectly or beneficially, acting alone or in concert, of more than thirty-five percent (35%) of the Common Stock of the Company outstanding at any time.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(h) "Common Stock" means the Common Stock of the Company.

(i) "Company" means Micron Technology, Inc., a Delaware corporation.

(j) "Consultant" means any person, including an advisor, engaged by the Company or a parent, subsidiary or Affiliate to render services. The term "Consultant" shall not include any person who is also an Officer or Director of the Company.

(k) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any parent, subsidiary, or Affiliate, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company, (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor or (iii) change in status from either an Employee to a Consultant or a Consultant to an Employee. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company.

(l) "Director" means a member of the Board.

(m)"Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Options that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, "Disability" has the meaning given such term in Section 409A of the Code.

(n) "Employee" means any person, except Officers and Directors, employed by the Company or any parent, subsidiary or Affiliate of the Company.

(o) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the average closing price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or, if more than one Exchange, the Exchange with the greatest volume of trading in the Stock) for such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(p) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is subject to the terms and conditions of the Option Agreement.

(q) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(r) "Option" means a nonstatutory stock option granted pursuant to the Plan. Such option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(t) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(u) "Optioned Stock" means the Common Stock subject to an Option.

(v) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(w) "Plan" means this Nonstatutory Stock Option Plan.

(x) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 800,000. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated).

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock;

(ii) to select the Consultants and Employees to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option (subject to Section 14(b) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(xii) to institute an Option Exchange Program;

(xiii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld; and

(xiv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted to Employees and Consultants. Employees and Consultants who are service providers to an Affiliate may be granted Options under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

6. Limitations. Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

7. Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect until terminated under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, but shall not be less than the Fair Market Value per share on the date of grant of the Option.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In doing so, the Administrator may specify that an Option may not be exercised until either the completion of a service period or the achievement of performance criteria with respect to the Company or the Optionee.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) a reduction in the amount of any Company liability to the Optionee, other than any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted thereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares, promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it as the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for 30 days following the Optionee's termination of Continuous Status as an Employee or Consultant. If, at the date of termination, the Optionee is not entitled to exercise his or

her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Suspension. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

11. Non-Transferability of Options. Unless otherwise specified by the Administrator in the Option Agreement, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger, or Asset Sale.

(a) Changes in Capitalization.

Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of issued shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding,

and conclusive. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 3 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor. To the extent that any adjustments made pursuant to this Section 12 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale.

Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization or combination or exchange of shares or any transaction described in Section 12(a)), the Administrator may, in its sole discretion, provide (i) that Options will be settled in cash rather than Common Stock, (ii) that Options will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Options will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Options may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Common Stock, as of a specified date associated with the transaction, over the exercise price of the Option, or (v) any combination of the foregoing. The Administrator's determination need not be uniform and may be different for different Optionees whether or not such Optionees are similarly situated.

(d) Change in Control. In the event of a Change in Control, the unexercised portion of the Option shall become immediately exercisable.

(e) General. Any discretionary adjustments made pursuant to this Section 12 shall be subject to the provisions of Section 14.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. Except as provided herein, the Board may at any time amend, alter, suspend, or terminate the Plan without shareholder approval; provided, however, that the Board may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any Optionee, nor may an amendment be made without prior approval of the shareholders of the Company if such amendment would:

(i) increase the number of shares that may be issued under the Plan;

(ii) change the designation of the employees (or class of employees) eligible for participation in the Plan; or

(iii) materially increase the benefits which may accrue to participants under the Plan.

(b) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

(c) Compliance Amendments. Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, the Committee may amend the Plan or any Notice of Grant, Option Agreement or other applicable agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan, Notice of Grant, Option Agreement or other applicable agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Option under this Plan, a Optionee agrees to any amendment made pursuant to this Section to any Option granted under the Plan without further consideration or action.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all Applicable Laws and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Restriction on Repricing. Without the prior approval of the shareholders of the Company, the Administrator shall not reprice any Options issued under the Plan through cancellation and regrant, by lowering the exercise price, or by any other means.

19. Special Provisions Related To Section 409A of the Code.

(a) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Notice of Grant, Option Agreement or other applicable agreement by reason of the occurrence of a Change in Control, or the Optionee's Disability or separation from service, such amount or benefit will not be payable or distributable to the Optionee by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Option upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Notice of Grant, Option Agreement or other applicable agreement that is permissible under Section 409A.

(b) If any one or more Options granted under the Plan to a Optionee could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Options in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Options or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or in any Notice of Grant, Option Agreement or other applicable agreement by reason of a Optionee's separation from service during a period in which the Optionee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Optionee's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Optionee's separation from service will be accumulated and the Optionee's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service, whereupon the accumulated amount will be paid or distributed to the Optionee and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

EXHIBIT 10.7

MICRON TECHNOLOGY, INC.
1998 NONSTATUTORY STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Plan are:

   - to attract and retain the best available personnel for positions of substantial responsibility,
   - to provide additional incentive to Employees and Consultants, and
   - to promote the success of the Company's business.

Nonstatutory stock options may be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means (i) any subsidiary or parent company of the Company, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(c) "Applicable Laws" means the legal requirements relating to the administration of stock option plans and the issuance of stock and stock options under federal and state securities laws, Delaware corporate law, the Code, and the applicable laws of any foreign country or jurisdiction where options will be or are being granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the acquisition by any person or entity, directly, indirectly or beneficially, acting alone or in concert, of more than thirty-five percent (35%) of the Common Stock of the Company outstanding at any time.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(h) "Common Stock" means the Common Stock of the Company.

(i) "Company" means Micron Technology, Inc., a Delaware corporation.

(j) "Consultant" means any person, including an advisor, engaged by the Company or a parent, subsidiary or Affiliate to render services. The term "Consultant" shall not include any person who is also an Officer or Director of the Company.

(k) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any parent, subsidiary, or Affiliate, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company, (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor or (iii) change in status from either an Employee to a Consultant or a Consultant to an Employee. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company.

(l) "Director" means a member of the Board.

(m)"Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Options that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, "Disability" has the meaning given such term in Section 409A of the Code.

(n) "Employee" means any person, except Officers and Directors, employed by the Company or any parent, subsidiary or Affiliate of the Company.

(o) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the average closing price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or, if more than one Exchange, the Exchange with the greatest volume of trading in the Stock) for such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(p) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is subject to the terms and conditions of the Option Agreement.

(q) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(r) "Option" means a nonstatutory stock option granted pursuant to the Plan. Such option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(t) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(u) "Optioned Stock" means the Common Stock subject to an Option.

(v) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(w) "Plan" means this Nonstatutory Stock Option Plan.

(x) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 1,750,000. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated).

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock;

(ii) to select the Consultants and Employees to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option (subject to Section 14(b) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(xii) to institute and Option Exchange Program;

(xiii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld; and

(xiv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted to Employees and Consultants. Employees and Consultants who are service providers to an Affiliate may be granted Options under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

6. Limitations. Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

7. Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect until terminated under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, but shall not be less than the Fair Market Value per share on the date of grant of the Option.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In doing so, the Administrator may specify that an Option may not be exercised until either the completion of a service period or the achievement of performance criteria with respect to the Company or the Optionee.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) a reduction in the amount of any Company liability to the Optionee, other than any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted thereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares, promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it as the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for 30 days following the Optionee's termination of Continuous Status as an Employee or Consultant.

If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Suspension. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

11. Non-Transferability of Options. Unless otherwise specified by the Administrator in the Option Agreement, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger, or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of issued shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding, and conclusive. Without limiting the foregoing, in the event of a

subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limit under Section 3 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor. To the extent that any adjustments made pursuant to this Section 12 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale.

Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization or combination or exchange of shares or any transaction described in Section 12(a)), the Administrator may, in its sole discretion, provide (i) that Options will be settled in cash rather than Common Stock, (ii) that Options will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Options will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Options may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Common Stock, as of a specified date associated with the transaction, over the exercise price of the Option, or (v) any combination of the foregoing. The Administrator's determination need not be uniform and may be different for different Optionees whether or not such Optionees are similarly situated.

(d) Change in Control. In the event of a Change in Control, the unexercised portion of the Option shall become immediately exercisable.

(e) General. Any discretionary adjustments made pursuant to this Section 12 shall be subject to the provisions of Section 14.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. Except as provided herein, the Board may at any time amend, alter, suspend, or terminate the Plan without shareholder approval; provided, however, that the Board may condition any amendment or modification on the approval of shareholders of the Company

if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any Optionee, nor may an amendment be made without prior approval of the shareholders of the Company if such amendment would:

(i) increase the number of shares that may be issued under the Plan;

(ii) change the designation of the employees (or class of employees) eligible for participation in the Plan; or

(iii) materially increase the benefits which may accrue to participants under the Plan..

(b) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

(c) Compliance Amendments. Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, the Committee may amend the Plan or any Notice of Grant, Option Agreement or other applicable agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan, Notice of Grant, Option Agreement or other applicable agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Option under this Plan, a Optionee agrees to any amendment made pursuant to this Section to any Option granted under the Plan without further consideration or action.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all Applicable Laws and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Restriction on Repricing. Without the prior approval of the shareholders of the Company, the Administrator shall not reprice any Options issued under the Plan through cancellation and regrant, by lowering the exercise price, or by any other means.

19. Special Provisions Related To Section 409A of the Code.

(a) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Notice of Grant, Option Agreement or other applicable agreement by reason of the occurrence of a Change in Control, or the Optionee's Disability or separation from service, such amount or benefit will not be payable or distributable to the Optionee by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Option upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Notice of Grant, Option Agreement or other applicable agreement that is permissible under Section 409A.

(b) If any one or more Options granted under the Plan to a Optionee could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Options in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Options or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or in any Notice of Grant, Option Agreement or other applicable agreement by reason of a Optionee's separation from service during a period in which the Optionee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Optionee's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Optionee's separation from service will be accumulated and the Optionee's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service, whereupon the accumulated amount will be paid or distributed to the Optionee and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

EXHIBIT 10.8

MICRON TECHNOLOGY, INC.

2001 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Option Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors, and Consultants, and
- to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means (i) any subsidiary or parent company of the Company, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(c) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under Delaware corporate and securities laws and the Code.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the acquisition by any person or entity, directly, indirectly or beneficially, acting alone or in concert, of more than thirty-five percent (35%) of the Common Stock of the Company outstanding at any time.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(h) "Common Stock" means the Common Stock of the Company.

(i) "Company" means Micron Technology, Inc., a Delaware corporation.

(j) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services.

(k) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) military leave, sick leave, or any personal leave of absence approved by the Company, or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor, or (iii) in the discretion of the Administrator as specified at or prior to such occurrence, in the case of a spin-off, sale, or disposition of the Optionee's employer from the Company or any Parent or Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such

leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(l) "Director" means a member of the Board.

(m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Options that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, "Disability" has the meaning given such term in Section 409A of the Code.

(n) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(p) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, including without limitation the New York Stock Exchange ("NYSE"), or a national market system, the Fair Market Value of a Share of Common Stock shall be the average closing price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system (or the exchange with the greatest volume of trading in Common Stock) for the last market trading day prior to the day of determination, as reported by Bloomberg L.P. or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported by Bloomberg L.P. or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(q) "Incentive Stock Option" means an Option that qualifies as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(r) "Nonstatutory Stock Option" means an Option that does not qualify as an Incentive Stock Option.

(s) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is subject to the terms and conditions of the Option Agreement.

(t) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "Option" means a stock option granted pursuant to the Plan.

(v) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(w) "Optioned Stock" means the Common Stock subject to an Option.

(x) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(y) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) "Plan" means this 2001 Option Plan.

(aa) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(bb) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

(cc) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code. In the case of an Option that is not intended to qualify as an Incentive Stock Option, the term "Subsidiary" shall also include any other entity in which the Company, or any Parent or Subsidiary of the Company has a significant ownership interest.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 47,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of two or more directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3) and "outside directors" (within the meaning of Code Section 162(m)). However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board, in its discretion, may delegate to a special Committee all or part of the Administrator's authority and duties with respect to grants and awards to individuals who at the time of grant are not, and are not anticipated to become, either (i) "covered employees," as defined in Code Section 162(m)(3), or (ii) persons subject to the reporting and other provisions of Section 16 of the Exchange Act. The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the delegate or delegates that were consistent with the terms of the Plan.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o) of the Plan;

(ii) to select the Employees, Directors, and Consultants to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times

when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(viii) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(ix) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(x) to make all other determinations deemed necessary or advisable for administering the Plan; and

(xi) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Nonstatutory Stock Options may be granted to Employees, Directors, and Consultants. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee or Consultant who has been granted an Option may be granted additional Options. Employees and Consultants who are service providers to an Affiliate may be granted Options under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

6. Limitations.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to an Optionee's Incentive Stock Options granted by the Company or any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

(i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 2,000,000 Shares.

(ii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.

7. Term of Plan. Subject to Section 18 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Notice of Grant, but shall not exceed ten (10) years; provided, however, that in the case of an Incentive Stock Option granted to an Optionee who, at the time Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall not be longer than five (5) years from the date of grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, but shall not be less than the Fair Market Value per share on the date of grant of the Option. In the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or Parent or Subsidiary, the per share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In doing so, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. The Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) to the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and the Company's adoption of such program in connection with the Plan, the delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect a so-called " cashless exercise" whereby the broker sells the Option Shares and delivers cash sales proceeds to the Company in payment of the exercise price and any applicable taxes (in which case the date of exercise shall be deemed to be the date on which notice of exercise is received by the Company, and the exercise price shall be delivered to the Company on the settlement date);

(vi) a reduction in the amount of any Company liability to the Optionee, other that any liability attributable to the Optionee's participation in any Company- sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent approved by the Administrator and permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted thereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate, either in book entry form or in certificate form, promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it as the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for thirty 30 days following the Optionee's termination of Continuous Status as an Employee or Consultant. In the case of an Incentive Stock Option, such period of time shall not exceed thirty (30) days from the date of termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Suspension. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

11. Non-Transferability of Options. Unless determined otherwise by the Administrator, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option transferable, such Option shall contain such additional terms and conditions as the Administrator deems appropriate.

12. Adjustments Upon Changes in Capitalization, Dissolution, Corporate Transaction, or Change in Control.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the authorization limits under Sections 3 and 6(c)(i) of the Plan shall be adjusted proportionately and the number of shares

of Common Stock covered by each outstanding Option, and the number of issued shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding, and conclusive. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 3 and 6(c) shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor. To the extent that any adjustments made pursuant to this Section 12 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

(b) Dissolution or Liquidation. To the extent not previously exercised, Options will terminate immediately prior to the consummation of any proposed dissolution or liquidation of the Company. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 6(a), the excess Options shall be deemed to be Nonstatutory Stock Options.

(c) Corporate Transaction.Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization or combination or exchange of shares or any transaction described in Section 12(a)), the Administrator may, in its sole discretion, provide (i) that Options will be settled in cash rather than Common Stock, (ii) that Options will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Options will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Options may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Common Stock, as of a specified date associated with the transaction, over the exercise price of the Option, or (v) any combination of the foregoing. The Administrator's determination need not be uniform and may be different for different Optionees whether or not such Optionees are similarly situated.

(d) Change in Control. In the event of a Change in Control, the unexercised portion of each Option then outstanding shall become wholly vested and immediately exercisable. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 6(a), the excess Options shall be deemed to be Nonstatutory Stock Options.

(e) General. Any discretionary adjustments made pursuant to this Section 12 shall be subject to the provisions of Section 14. To the extent that any adjustments made pursuant to this Section 12 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. Except as provided herein, the Board may at any time amend, alter, suspend, or terminate the Plan without shareholder approval; provided, however, that the Board may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any Optionee, nor may an amendment be made without prior approval of the shareholders of the Company if such amendment would:

(i) increase the number of shares that may be issued under the Plan;

(ii) change the designation of the employees (or class of employees) eligible for participation in the Plan; or

(iii) materially increase the benefits which may accrue to participants under the Plan.

(b) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

(c) Compliance Amendments. Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, the Committee may amend the Plan or any Notice of Grant, Option Agreement or other applicable agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan, Notice of Grant, Option Agreement or other applicable agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Option under this Plan, a Optionee agrees to any amendment made pursuant to this Section to any Option granted under the Plan without further consideration or action.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Option shall be void with respect to such excess Optioned Stock, unless shareholder approval of an amendment sufficiently increasing the number of shares subject to the Plan is timely obtained in accordance with Section 14(b) of the Plan.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and Delaware law.

19. Restriction on Repricing. Without the prior approval of the shareholders of the Company, the Administrator shall not reprice any Options issued under the Plan through cancellation and regrant, by lowering the exercise price, or by any other means.

20. Special Provisions Related To Section 409A of the Code.

(a) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Notice of Grant, Option Agreement or other applicable agreement by reason of the occurrence of a Change in Control, or the Optionee's Disability or separation from service, such amount or benefit will not be payable or distributable to the Optionee by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Option upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Notice of Grant, Option Agreement or other applicable agreement that is permissible under Section 409A.

(b) If any one or more Options granted under the Plan to a Optionee could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Options in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Options or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or in any Notice of Grant, Option Agreement or other applicable agreement by reason of a Optionee's separation from service during a period in which the Optionee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Optionee's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Optionee's separation from service will be accumulated and the Optionee's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service, whereupon the accumulated amount will be paid or distributed to the Optionee and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

EXHIBIT 10.11

MICRON TECHNOLOGY, INC.
2004 EQUITY INCENTIVE PLAN

ARTICLE 1
PURPOSE

1.1. *GENERAL.* The purpose of the Micron Technology, Inc. 2004 Equity Incentive Plan (the "Plan") is to promote the success, and enhance the value, of Micron Technology, Inc. (the "Company"), by linking the personal interests of employees, officers, directors and consultants of the Company or any Affiliate (as defined below) to those of Company stockholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, officers, directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, officers, directors and consultants of the Company and its Affiliates.

ARTICLE 2
DEFINITIONS

2.1. *DEFINITIONS.* When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) "Affiliate" means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) "Award" means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Deferred Stock Unit Award, Performance Share, Dividend Equivalent Award, or Other Stock-Based Award granted to a Participant under the Plan.

(c) "Award Certificate" means a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award. Award Certificates may be in the form of individual award agreements or certificates or a program document describing the terms and provisions of an Awards or series of Awards under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means and includes the occurrence of any one of the following events:

(i) individuals who, on the Effective Date, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the Effective Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; *provided*, *however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any person is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of either (A) 35% or more of the then-outstanding shares of common stock of the Company ("Company Common Stock") or (B) securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors (the "Company Voting Securities"); *provided, however*, that for purposes of this subsection (ii), the following acquisitions shall not constitute a Change in Control: (w) an acquisition directly from the Company, (x) an acquisition by the Company or a Subsidiary of the Company, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary of the Company, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a "Reorganization"), or the sale or other disposition of all or substantially all of the Company's assets (a "Sale") or the acquisition of assets or stock of another corporation (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Reorganization, Sale or Acquisition (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets or stock either directly or through one or more subsidiaries, the "Surviving Corporation") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any Subsidiary of the Company, (y) the Surviving Corporation or its ultimate parent corporation, or (z) any employee benefit plan or related trust) sponsored or maintained by any of the foregoing is the beneficial owner, directly or indirectly, of 35% or more of the total common stock or 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Corporation, and (C) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and includes a reference to the underlying final regulations. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means the committee of the Board described in Article 4.

(h) "Company" means Micron Technology, Inc., a Delaware corporation, or any successor corporation.

(i) "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee, officer, consultant or director of the Company or any Affiliate, as applicable; provided, however, that for purposes of an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee of the Company or any Parent or Subsidiary, as applicable, pursuant to applicable tax regulations. Continuous Status as a Participant shall not be considered interrupted in the case of any leave of absence authorized in writing by the Company prior to its commencement; provided, however, that for purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(j) "Covered Employee" means a covered employee as defined in Code Section 162(m)(3).

(k) "Disability" or "Disabled" has the same meaning as provided in the long-term disability plan or policy maintained by the Company or if applicable, most recently maintained, by the Company or if applicable, an Affiliate, for the Participant, whether or not such Participant actually receives disability benefits under such plan or policy. If no long-term disability plan or policy was ever maintained on behalf of Participant or if the determination of Disability relates to an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Awards that constitute a nonqualified deferred compensation plan within the meaning of Section 409A (d) of the Code, Disability has the meaning given such term in Section 409A of the Code. In the event of a dispute, the determination whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

(l) "Deferred Stock Unit" means a right granted to a Participant under Article 11.

(m) "Dividend Equivalent" means a right granted to a Participant under Article 12.

(n) "Effective Date" has the meaning assigned such term in Section 3.1.

(o) "Eligible Participant" means an employee, officer, consultant or director of the Company or any Affiliate.

(p) "Exchange" means the New York Stock Exchange or any other national securities exchange or national market system on which the Stock may from time to time be listed or traded.

(q) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the average closing price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or the Exchange with the greatest volume of trading in the Stock) for the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(r) "Full Value Award" means an Award other than in the form of an Option or SAR, and which is settled by the issuance of Stock.

(s) "Grant Date" of an Award means the first date on which all necessary corporate action has been taken to approve the grant of the Award as provided in the Plan, or such later date as is determined and specified as part of that authorization process. Notice of the grant shall be provided to the grantee within a reasonable time after the Grant Date.

(t) "Incentive Stock Option" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

(u) "Non-Employee Director" means a director of the Company who is not a common law employee of the Company or an Affiliate.

(v) "Nonstatutory Stock Option" means an Option that is not an Incentive Stock Option.

(w) "Option" means a right granted to a Participant under Article 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(x) "Other Stock-Based Award" means a right, granted to a Participant under Article 13 that relates to or is valued by reference to Stock or other Awards relating to Stock.

(y) "Parent" means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

(z) "Participant" means a person who, as an employee, officer, director or consultant of the Company or any Affiliate, has been granted an Award under the Plan; provided that in the case of the death of a Participant, the term "Participant" refers to a beneficiary designated pursuant to Section 14.5 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

(aa) "Performance Share" means any right granted to a Participant under Article 9 to a unit to be valued by reference to a designated number of Shares to be paid upon achievement of such performance goals as the Committee establishes with regard to such Performance Share.

(bb) "Person" means any individual, entity or group, within the meaning of Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(cc) "Plan" means the Micron Technology, Inc. 2004 Equity Incentive Plan, as amended from time to time.

(dd) "Public Offering" shall occur on closing date of a public offering of any class or series of the Company's equity securities pursuant to a registration statement filed by the Company under the 1933 Act.

(ee) "Qualified Performance-Based Award" means an Award that is either (i) intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Business Criteria as set forth in Section 14.10(b), or (ii) an Option or SAR.

(ff) "Qualified Business Criteria" means one or more of the Business Criteria listed in Section 14.10(b) upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee.

(gg) "Restricted Stock Award" means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(hh) "Restricted Stock Unit Award" means the right granted to a Participant under Article 10 to receive shares of Stock (or the equivalent value in cash or other property if the Committee so provides) in the future, which right is subject to certain restrictions and to risk of forfeiture.

(ii) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

(jj) "Shares" means shares of the Company's Stock. If there has been an adjustment or substitution pursuant to Section 15.1, the term "Shares" shall also include any shares of stock or other securities that are substituted for Shares or into which Shares are adjusted pursuant to Section 15.1.

(kk) "Stock" means the $.10 par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 15.

(ll) "Stock Appreciation Right" or "SAR" means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the base price of the SAR, all as determined pursuant to Article 8.

(mm) "Subsidiary" means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Subsidiary shall have the meaning set forth in Section 424(f) of the Code.

(nn) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(oo) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 3
EFFECTIVE TERM OF PLAN

3.1. *EFFECTIVE DATE.* The Plan shall be effective as of the date it is approved by both the Board and the stockholders of the Company (the "Effective Date").

3.2. *TERMINATION OF PLAN.* The Plan shall terminate on the tenth anniversary of the Effective Date unless earlier terminated as provided herein. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination.

ARTICLE 4
ADMINISTRATION

4.1. *COMMITTEE.* The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of at least two directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that at least two of the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and "outside directors" (within the meaning of Code Section 162 (m)) and that any such members of the Committee who do not so qualify shall abstain from participating in any decision to make or administer Awards that are made to Eligible Participants who at the time of consideration for such Award (i) are persons subject to the short‑swing profit rules of Section 16 of the 1934 Act, or (ii) are reasonably anticipated to become Covered Employees during the term of the Award. However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements or shall fail to abstain from such action shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board may reserve to itself any or all of the authority and responsibility of the Committee under the Plan or may act as administrator of the Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board. To the extent any action of the Board under the Plan conflicts with actions taken by the Committee, the actions of the Board shall control.

4.2. *ACTION AND INTERPRETATIONS BY THE COMMITTEE.* For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3. *AUTHORITY OF COMMITTEE.* Except as provided below, the Committee has the exclusive power, authority and discretion to:

(a) Grant Awards;

(b) Designate Participants;

(c) Determine the type or types of Awards to be granted to each Participant;

(d) Determine the number of Awards to be granted and the number of Shares or dollar amount to which an Award will relate;

(e) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, base price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;

(f) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, in accordance with Article 14, based in each case on such considerations as the Committee in its sole discretion determines;

(g) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(h) Prescribe the form of each Award Certificate, which need not be identical for each Participant;

(i) Decide all other matters that must be determined in connection with an Award;

(j) Establish, adopt or revise any rules, regulations, guidelines or procedures as it may deem necessary or advisable to administer the Plan;

(k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan;

(l) Amend the Plan or any Award Certificate as provided herein; and

(m) Adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or any Affiliate may operate, in order to assure the viability of the benefits of Awards granted to participants located in such other jurisdictions and to meet the objectives of the Plan.

Notwithstanding the foregoing, grants of Awards to Non-Employee Directors hereunder shall be made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Non-Employee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Non-Employee Directors.

Notwithstanding the above, the Board or the Committee may, by resolution, expressly delegate to a special committee, consisting of one or more directors who are also officers of the Company, the authority, within specified parameters, to (i) designate officers, employees and/or consultants of the Company or any of its Affiliates to be recipients of Awards under the Plan, and (ii) to determine the number of such Awards to be received by any such Participants; provided, however, that such delegation of duties and responsibilities to an officer of the Company may not be made with respect to the grant of Awards to eligible participants (a) who are subject to Section 16(a) of the 1934 Act at the Grant Date, or (b) who as of the Grant Date are reasonably anticipated to be become Covered Employees during the term of the Award. The acts of such delegates shall be treated hereunder as acts of the Board and such delegates shall report regularly to the Board and the Compensation Committee regarding the delegated duties and responsibilities and any Awards so granted.

4.4. *AWARD CERTIFICATES.* Each Award shall be evidenced by an Award Certificate. Each Award Certificate shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

ARTICLE 5
SHARES SUBJECT TO THE PLAN

5.1. *NUMBER OF SHARES.* Subject to adjustment as provided in Sections 5.2 and 15.1, the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan shall be 76,000,000; provided, however, that each Share issued under the Plan pursuant to a Full Value Award shall reduce the number of available Shares by two (2) shares. The maximum number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall be 2,000,000.

5.2. *SHARE COUNTING.* Shares covered by an Award shall be subtracted from the Plan share reserve as of the date of the grant, but shall be added back to the Plan share reserve in accordance with Section 5.2.

(a) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued or forfeited Shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under the Plan.

(c) Substitute Awards granted pursuant to Section 14.14 of the Plan shall not count against the Shares otherwise available for issuance under the Plan under Section 5.1.

5.3. *STOCK DISTRIBUTED.* Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4. *LIMITATION ON AWARDS.* Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 15.1), the maximum number of Shares with respect to one or more Options and/or SARs that may be granted during any one calendar year under the Plan to any one Participant shall be 2,000,000. The maximum aggregate grant with respect to Awards of Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares or other Stock‑Based Awards (other than Options or SARs) granted in any one calendar year to any one Participant shall be 2,000,000.

ARTICLE 6
ELIGIBILITY

6.1. *GENERAL.* Awards may be granted only to Eligible Participants; except that Incentive Stock Options may be granted to only to Eligible Participants who are employees of the Company or a Parent or Subsidiary as defined in Section 424 (e) and (f) of the Code. Eligible Participants who are service providers to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

ARTICLE 7
STOCK OPTIONS

7.1. *GENERAL.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per Share under an Option shall be determined by the Committee; provided that the exercise price for any Option shall not be less than the Fair Market Value as of the Grant Date.

(b) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(d). The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested. The Committee may waive any exercise or vesting provisions at any time in whole or in part based upon factors as the Committee may determine in its sole discretion so that the Option becomes exercisable or vested at an earlier date. The Committee may permit an arrangement whereby receipt of Stock upon exercise of an Option is delayed until a specified future date.

(c) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, Shares, or other property (including "cashless exercise" arrangements), and the methods by which Shares shall be delivered or deemed to be delivered to Participants; provided, however, that if Shares are used to pay the exercise price of an Option, such Shares must have been held by the Participant for at least such period of time, if any, as necessary to avoid the recognition of an expense under generally accepted accounting principles as a result of the exercise of the Option.

(d) EXERCISE TERM. In no event may any Option be exercisable for more than six years from the Grant Date.

(e) SUSPENSION. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

7.2. *INCENTIVE STOCK OPTIONS.* The terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) EXERCISE PRICE. The exercise price of an Incentive Stock Option shall not be less than the Fair Market Value as of the Grant Date.

(b) LAPSE OF OPTION. Subject to any earlier termination provision contained in the Award Certificate, an Incentive Stock Option shall lapse upon the earliest of the following circumstances; provided, however, that the Committee may, prior to the lapse of the Incentive Stock Option under the circumstances described in subsections (3), (4) or (5) below, provide in writing that the Option will extend until a later date, but if an Option is so extended and is exercised after the dates specified in subsections (3) and (4) below, it will automatically become a Nonstatutory Stock Option:

(1) The expiration date set forth in the Award Certificate.

(2) The tenth anniversary of the Grant Date.

(3) Three months after termination of the Participant's Continuous Status as a Participant for any reason other than the Participant's Disability or death.

(4) One year after the Participant's Continuous Status as a Participant by reason of the Participant's Disability.

(5) One year after the termination of the Participant's death if the Participant dies while employed, or during the three-month period described in paragraph (3) or during the one-year period described in paragraph (4) and before the Option otherwise lapses.

Unless the exercisability of the Incentive Stock Option is accelerated as provided in Article 14, if a Participant exercises an Option after termination of employment, the Option may be exercised only with respect to the Shares that were otherwise vested on the Participant's termination of employment. Upon the Participant's death, any exercisable Incentive Stock Options may be exercised by the Participant's beneficiary, determined in accordance with Section 14.5.

(c) INDIVIDUAL DOLLAR LIMITATION. The aggregate Fair Market Value (determined as of the Grant Date) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000.00.

(d) TEN PERCENT OWNERS. No Incentive Stock Option shall be granted to any individual who, at the Grant Date, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary unless the exercise price per share of such Option is at least 110% of the Fair Market Value per Share at the Grant Date and the Option expires no later than five years after the Grant Date.

(e) EXPIRATION OF AUTHORITY TO GRANT INCENTIVE STOCK OPTIONS. No Incentive Stock Option may be granted pursuant to the Plan after the day immediately prior to the tenth anniversary of the date the Plan was adopted by the Board, or the termination of the Plan, if earlier.

(f) RIGHT TO EXERCISE. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant or, in the case of the Participant's Disability, by the Participant's guardian or legal representative.

(g) ELIGIBLE GRANTEES. The Committee may not grant an Incentive Stock Option to a person who is not at the Grant Date an employee of the Company or a Parent or Subsidiary.

ARTICLE 8
STOCK APPRECIATION RIGHTS

8.1. *GRANT OF STOCK APPRECIATION RIGHTS.* The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

(1) The Fair Market Value of one Share on the date of exercise; over

(2) The base price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date.

(b) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Certificate. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Certificate. In no event may any Stock Appreciation Rights be exercisable for more than six years from the Grant Date.

ARTICLE 9
PERFORMANCE SHARES

9.1. *GRANT OF PERFORMANCE SHARES.* The Committee is authorized to grant Performance Shares to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Shares granted to each Participant, subject to Section 5.4, and to designate the provisions of such Performance Shares as provided in Section 4.3. All Performance Shares shall be evidenced by an Award Certificate or a written program established by the Committee, pursuant to which Performance Shares are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

9.2. *PERFORMANCE GOALS.* The Committee may establish performance goals for Performance Shares which may be based on any criteria selected by the Committee. Such performance goals may be described in terms of Company-wide objectives or in terms of objectives that relate to the performance of the Participant, an Affiliate or a division, region, department or function within the Company or an Affiliate. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Committee may determine that the performance goals or performance period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the participant in amount determined by the Committee. The foregoing two sentences shall not apply with respect to an Award of Performance Shares that is intended to be a Qualified Performance-Based Award.

9.3. *RIGHT TO PAYMENT.* The grant of a Performance Share to a Participant will entitle the Participant to receive at a specified later time a specified number of Shares, or the equivalent value in cash or other property, if the performance goals established by the Committee are achieved and the other terms and conditions thereof are satisfied. The Committee shall set performance goals and other terms or conditions to payment of the Performance Shares in its discretion which, depending on the extent to which they are met, will determine the number of the Performance Shares that will be earned by the Participant.

9.4. *OTHER TERMS.* Performance Shares may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Certificate.

ARTICLE 10
RESTRICTED STOCK AND RESTRICTED STOCK UNIT AWARDS

10.1. *GRANT OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS.* Subject to the terms and conditions of this Article 10, the Committee is authorized to make Awards of Restricted Stock or Restricted Stock Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. An Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Certificate setting forth the terms, conditions, and restrictions applicable to the Award.

10.2. *ISSUANCE AND RESTRICTIONS.* Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock); provided, however, at a minimum, all Restricted Stock and Restricted Stock Units shall be subject to the restrictions set forth in Section 14.4 for a period of no less than (a) one year from the date of award with respect to Restricted Stock or Restricted Stock Units subject to restrictions that lapse based upon satisfaction of performance goals, and (b) three years from the date of award with respect to Restricted Stock or Restricted Stock Units subject to time-based restrictions that lapse based upon one's Continuous Status as a Participant. For avoidance of doubt, nothing in the foregoing shall preclude any applicable restriction, including those set forth in Section 14.4 hereof, from lapsing ratably, including, but not limited to, roughly annual increments over three years, with respect to the Restricted Stock or Restricted Stock Units referred to in Section 10.2(b). Moreover, nothing in the foregoing shall preclude or be interpreted to preclude Awards to Non-employee Directors from containing a period of restriction shorter than that set forth above. Finally, nothing in this Section 10.2 shall be deemed or interpreted to preclude the waiver, lapse or the acceleration of lapse, of any restrictions with respect to Restricted Stock or Restricted Stock Units in accordance with or as permitted by Sections 14.7 through Section 14.9, respectively, Article 15 or any other provision of the Plan. Subject to the remaining terms and conditions of the Plan, these restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Except as otherwise provided in an Award Certificate or any special Plan document governing an Award, the Participant shall have all of the rights of a stockholder with respect to the Restricted Stock, and the Participant shall have none of the rights of a stockholder with respect to Restricted Stock Units until such time as Shares of Stock are paid in settlement of the Restricted Stock Units.

10.3. *FORFEITURE.* Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Continuous Status as a Participant during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide in any Award Certificate, subject to the terms and conditions of the Plan, that restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units will be waived in whole or in part in the event of terminations resulting from specified causes, including, but not limited to, death, Disability, or for the convenience or in the best interests of the Company.

10.4. *DELIVERY OF RESTRICTED STOCK.* Shares of Restricted Stock shall be delivered to the Participant at the time of grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its employees) designated by the Committee, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing shares of Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

ARTICLE 11
DEFERRED STOCK UNITS

11.1. *GRANT OF DEFERRED STOCK UNITS.* The Committee is authorized to grant Deferred Stock Units to Participants subject to such terms and conditions as may be selected by the Committee. Deferred Stock Units shall entitle the Participant to receive Shares of Stock (or the equivalent value in cash or other property if so determined by the Committee) at a future time as determined by the Committee, or as determined by the Participant within guidelines established by the Committee in the case of voluntary deferral elections. An Award of Deferred Stock Units shall be evidenced by an Award Certificate setting forth the terms and conditions applicable to the Award.

ARTICLE 12
DIVIDEND EQUIVALENTS

12.1. *GRANT OF DIVIDEND EQUIVALENTS.* The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to all or a portion of the number of Shares subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional Shares, or otherwise reinvested. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be paid or distributed no later than the 15th day of the 3rd month following the later of (i) the calendar year in which the corresponding dividends were paid to shareholders, or (ii) the first calendar year in which the Participant's right to such Dividends Equivalents is no longer subject to a substantial risk of forfeiture.

ARTICLE 13
STOCK OR OTHER STOCK-BASED AWARDS

13.1. *GRANT OF STOCK OR OTHER STOCK-BASED AWARDS.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation Shares awarded purely as a "bonus" and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, and Awards valued by reference to book value of Shares or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.

ARTICLE 14
PROVISIONS APPLICABLE TO AWARDS

14.1. *STAND-ALONE AND TANDEM AWARDS.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, any other Award granted under the Plan. Subject to Section 16.2, awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

14.2. *TERM OF AWARD.* The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from its Grant Date (or, if Section 7.2(d) applies, five years from its Grant Date).

14.3. *FORM OF PAYMENT FOR AWARDS.* Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or (except with respect to Options or SARs) on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

14.4. *LIMITS ON TRANSFER.* No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers (other than transfers for value) where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to so qualify, and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable Awards.

14.5. *BENEFICIARIES.* Notwithstanding Section 14.4, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Certificate applicable to the Participant, except to the extent the Plan and Award Certificate otherwise provide, and to any additional restrictions deemed necessary or appropriate by the

Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

14.6. *STOCK CERTIFICATES.* All Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

14.7. *ACCELERATION UPON A CHANGE IN CONTROL.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, all outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, and all time-based vesting restrictions on outstanding Awards shall lapse. Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, the target payout opportunities attainable under all outstanding performance-based Awards shall be deemed to have been fully earned as of the effective date of the Change in Control based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be prorata payout to Participants within thirty (30) days following the effective date of the Change in Control based upon the length of time within the performance period that has elapsed prior to the Change in Control.

14.8 *ACCELERATION UPON DEATH OR DISABILITY.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the Participant's death or Disability during his or her Continuous Status as a Participant, (i) all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, (ii) all time-based vesting restrictions on the Participant's outstanding Awards shall lapse, and (iii) the target payout opportunities attainable under all of such Participant's outstanding performance-based Awards shall be deemed to have been fully earned as of the date of termination based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be a payout to the Participant or his or her estate within thirty (30) days following the date of termination. Any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Awards Certificate. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.9. *ACCELERATION FOR ANY OTHER REASON.* Regardless of whether an event has occurred as described in Section 14.7 or 14.8 above, and subject to Section 14.11 as to Qualified Performance-Based Awards, the Committee may in its sole discretion at any time determine that all or a portion of a Participant's Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully or partially exercisable, that all or a part of the time-based vesting restrictions on all or a portion of the outstanding Awards shall lapse, and/or that any performance-based criteria with respect to any Awards shall be deemed to be wholly or partially satisfied, in each case, as of such date as the Committee may, in its sole discretion, declare; provided, however, the Committee shall not exercise such discretion with respect to Full Value Awards comprised of Shares of Restricted Stock or Restricted Stock Units which, in the aggregate, exceed five percent (5%) of the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan; provided, further, that when calculating whether the five percent (5%) maximum has been reached, the Committee shall not count or consider any Shares of Restricted Stock or Restricted Stock Units granted to Non-Employee Directors or regarding which the Committee accelerated vesting rights, waived restrictions or determined performance-based criteria had been satisfied resulting from an event described in Section 14.7, 24.8. Article 15, a Participant's termination of employment or separation from service resulting from death, Disability or for the convenience or in the bests interests of the Company. The Committee may discriminate among Participants and among Awards granted to a Participant in exercising its discretion pursuant to this Section 14.9.

14.10. *EFFECT OF ACCELERATION.* If an Award is accelerated under Section 14.7, Section 14.8 or Section 14.9, the Committee may, in its sole discretion, provide (i) that the Award will expire after a designated period of time after such acceleration to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to a transaction giving rise to the acceleration or otherwise be equitably converted or substituted in connection with such transaction, (iv) that the Award may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. To the extent that such acceleration causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.11. *QUALIFIED PERFORMANCE-BASED AWARDS.*

(a) The provisions of the Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Covered Employee shall qualify for the Section 162(m) Exemption; provided that the exercise or base price of such Award is not less than the Fair Market Value of the Shares on the Grant Date.

(b) When granting any other Award, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for such Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Business Criteria, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of an Affiliate or a unit, division, region, department or function within the Company or an Affiliate:

- Gross and/or net revenue (including whether in the aggregate or attributable to specific products)
- Cost of Goods Sold and Gross Margin
- Costs and expenses, including Research & Development and Selling, General & Administrative
- Income (gross, operating, net, etc.)
- Earnings, including before interest, taxes, depreciation and amortization (whether in the aggregate or on a per share basis
- Cash flows and share price
- Return on investment, capital, equity
- Manufacturing efficiency (including yield enhancement and cycle time reductions), quality improvements and customer satisfaction
- Product life cycle management (including product and technology design, development, transfer, manufacturing introduction, and sales price optimization and management)
- Economic profit or loss
- Market share
- Employee retention, compensation, training and development, including succession planning
- Objective goals consistent with the Participant's specific officer duties and responsibilities, designed to further the financial, operational and other business interests of the Company, including goals and objectives with respect to regulatory compliance matters.

Performance goals with respect to the foregoing Qualified Business Criteria may be specified in absolute terms (including completion of pre-established projects, such as the introduction of specified products), in percentages, or in terms of growth from period to period or growth rates over time as well as measured relative to an established or specially-created performance index of Company competitors, peers or other members of high tech industries. Any member of an index that disappears during a measurement period shall be disregarded for the entire measurement period. Performance Goals need not be based upon an increase or positive result under a business criterion and could include, for example, the maintenance of the status quo or the limitation of economic losses (measured, in each case, by reference to a specific business criterion).

(c) Each Qualified Performance-Based Award (other than an Option or SAR) shall be earned, vested and payable (as applicable) only upon the achievement of performance goals established by the Committee based upon one or more of the Qualified Business Criteria, together with the satisfaction of any other conditions, including the

condition as to continued employment as set forth in subsection (g) below, as the Committee may determine to be appropriate; provided, however, that the Committee may provide, in its sole and absolute discretion, either in connection with the grant thereof or by amendment thereafter, that achievement of such performance goals will be waived upon the death or Disability of the Participant, or upon a Change in Control. Performance periods established by the Committee for any such Qualified Performance-Based Award may be as short as ninety (90) days and may be any longer period.

(d) The Committee may provide in any Qualified Performance-Based Award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (a) asset write-downs or impairment charges; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (f) acquisitions or divestitures; and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form and at a time that meets the requirements of Code Section 162(m) for deductibility.

(e) Any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied. Written certification may take the form of a Committee resolution passed by a majority of the Committee at a properly convened meeting or through unanimous action by the Committee via action by written consent. The certification requirement also may be satisfied by a separate writing executed by the Chairman of the Committee, acting in his capacity as such, following the foregoing Committee action or by the Chairman executing approved minutes of the Committee in which such determinations were made. Except as specifically provided in subsection (c), no Qualified Performance-Based Award held by a Covered Employee or an employee who in the reasonable judgment of the Committee may be a Covered Employee on the date of payment, may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under the Plan with respect to a Qualified Performance-Based Award under the Plan, in any manner to waive the achievement of the applicable performance goal based on Qualified Business Criteria or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

(f) Section 5.4 sets forth the maximum number of Shares or dollar value that may be granted in any one-year period to a Participant in designated forms of Qualified Performance-Based Awards.

(g) With respect to a Participant who is an officer of the Company, any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the officer having remained continuously employed by the Company or an Affiliate for the entire performance or measurement period, including, as well, through the date of determination and certification of the payment of any such Award pursuant to subsection (e) above (the "Certification Date"). For purposes of the Plan, with respect to any given performance or measurement period, an officer of the Company who (i) terminates employment (regardless of cause) or who otherwise ceases to be an officer, prior to the Certification Date and (ii) who, pursuant to a separate contractual arrangement with the Company is entitled to receive payments from the Company thereunder extending to or beyond such Certification Date as a result of such termination or cessation in officer status, shall be deemed to have been employed by the Company as an officer through the Certification Date for purposes of payment eligibility.

14.12. *TERMINATION OF EMPLOYMENT.* Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A Participant's Continuous Status as a Participant shall not be deemed to terminate (i) in a circumstance in which a Participant transfers from the Company to an Affiliate, transfers from an Affiliate to the Company, or transfers from one Affiliate to another Affiliate, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Affiliate. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Sections 424(e) and 424(f) of the Code, the Options held by such Participant shall be deemed to be Nonstatutory Stock Options.

14.13. *DEFERRAL.* Subject to applicable law, the Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units, or the satisfaction of any requirements or goals with respect to Performance Shares, and Other Stock-Based Awards. If any such deferral election is required or permitted, the Board shall, in its sole discretion, establish rules and procedures for such payment deferrals in compliance with Section 409A of the Code and other applicable law.

14.14. *FORFEITURE EVENTS.* The Committee may specify in an Award Certificate that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Affiliate policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate.

14.15. *SUBSTITUTE AWARDS.* The Committee may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another entity who become employees of the Company or an Affiliate as a result of a merger or consolidation of the former employing entity with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the former employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

ARTICLE 15
CHANGES IN CAPITAL STRUCTURE

15.1. *MANDATORY ADJUSTMENTS.* Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Award, and the number of issued shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per share of Common Stock covered by each such outstanding Award, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding, and conclusive. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 and 5.4 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

15.2 *DISCRETIONARY ADJUSTMENTS.* Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization or combination or exchange of shares or any transaction described in Section 15.1), the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, (v) that applicable performance targets and performance periods for Awards will be modified, consistent with Code Section 162(m) where applicable, or (vi) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

15.3 *GENERAL.* Any discretionary adjustments made pursuant to this Article 15 shall be subject to the provisions of Article 16. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

ARTICLE 16
AMENDMENT, MODIFICATION AND TERMINATION

16.1. *AMENDMENT, MODIFICATION AND TERMINATION.* The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without stockholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Board or the Committee, either (i) materially increase the number of Shares available under the Plan, (ii) expand the types of awards under the Plan, (iii) materially expand the class of participants eligible to participate in the Plan, (iv) materially extend the term of the Plan, or (v) otherwise constitute a material change requiring stockholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of an Exchange, then such amendment shall be subject to stockholder approval; and provided, further, that the Board or Committee may condition any other amendment or modification on the approval of stockholders of the Company for any reason, including by reason of such approval being necessary or deemed advisable to (i) permit Awards made hereunder to be exempt from liability under Section 16(b) of the 1934 Act, (ii) to comply with the listing or other requirements of an Exchange, or (iii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

16.2. *AWARDS PREVIOUSLY GRANTED.* At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however:

(a) Subject to the terms of the applicable Award Certificate, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment or termination over the exercise or base price of such Award);

(b) The original term of an Option may not be extended without the prior approval of the stockholders of the Company;

(c) Except as otherwise provided in Article 15, the exercise price of an Option or SAR may not be reduced, directly or indirectly by cancellation and exchange for cash or another award or otherwise, without the prior approval of the stockholders of the Company, and the Company may not, without the prior approval of stockholders of the Company, repurchase an Option or SAR for value from a Participant if the current Fair Market Value of the Shares underlying the Option or SAR is lower than the exercise price or base price per share of the Option or SAR.

(d) No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant affected thereby. An outstanding Award shall not be deemed to be "adversely affected" by a Plan amendment if such amendment would not reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment over the exercise or base price of such Award).

16.3. *COMPLIANCE AMENDMENTS.* Notwithstanding anything in the Plan or in any Award Certificate to the contrary, the Committee may amend the Plan or an Award Certificate, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or Award Certificate to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 16.3 to any Award granted under the Plan without further consideration or action.

ARTICLE 17
GENERAL PROVISIONS

17.1. *NO RIGHTS TO AWARDS; NON-UNIFORM DETERMINATIONS.* No Participant or any Eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Affiliates nor the Committee is obligated to treat Participants or Eligible Participants uniformly, and determinations made under the Plan may be made by the Committee selectively among Eligible Participants who receive, or are eligible to receive, Awards (whether or not such Eligible Participants are similarly situated).

17.2. *NO STOCKHOLDER RIGHTS.* No Award gives a Participant any of the rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

17.3. SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE.

(a) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Award Certificate by reason of the occurrence of a Change in Control, or the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the vesting of any Award upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A.

(b) If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Awards or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, provided, however, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

17.4. *WITHHOLDING.* The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the Plan. If Shares are surrendered to the Company to satisfy withholding obligations in excess of the minimum withholding obligation, such Shares must have been held by the Participant as fully vested shares for such period of time, if any, as necessary to avoid the recognition of an expense under generally accepted accounting principles. The Company shall have the authority to require a Participant to remit cash to the Company in lieu of the surrender of Shares for tax withholding

obligations if the surrender of Shares in satisfaction of such withholding obligations would result in the Company's recognition of expense under generally accepted accounting principles. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes.

17.5. *NO RIGHT TO CONTINUED SERVICE.* Nothing in the Plan, any Award Certificate or any other document or statement made with respect to the Plan, shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment or status as an officer, director or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer, director or consultant of the Company or any Affiliate, whether for the duration of a Participant's Award or otherwise.

17.6. *UNFUNDED STATUS OF AWARDS.* The Plan is intended to be an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Certificate shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate. This Plan is not intended to be subject to ERISA.

17.7. *RELATIONSHIP TO OTHER BENEFITS.* No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Affiliate unless provided otherwise in such other plan.

17.8. *EXPENSES.* The expenses of administering the Plan shall be borne by the Company and its Affiliates.

17.9. *TITLES AND HEADINGS.* The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.10. *GENDER AND NUMBER.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.11. *FRACTIONAL SHARES.* No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down.

17.12. *GOVERNMENT AND OTHER REGULATIONS.*

(a) Notwithstanding any other provision of the Plan, no Participant who acquires Shares pursuant to the Plan may, during any period of time that such Participant is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act), sell such Shares, unless such offer and sale is made (i) pursuant to an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) pursuant to an appropriate exemption from the registration requirement of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

(b) Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Shares covered by an Award upon any Exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase or receipt of Shares thereunder, no Shares may be purchased, delivered or received pursuant to such Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any Participant receiving or purchasing Shares pursuant to an Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement.

17.13. *GOVERNING LAW.* To the extent not governed by federal law, the Plan and all Award Certificates shall be construed in accordance with and governed by the laws of the State of Delaware.

17.14. *ADDITIONAL PROVISIONS.* Each Award Certificate may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of the Plan.

17.15. *NO LIMITATIONS ON RIGHTS OF COMPANY.* The grant of any Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The Plan shall not restrict the authority of the Company, for proper corporate purposes, to draft or assume awards, other than under the Plan, to or with respect to any person. If the Committee so directs, the Company may issue or transfer Shares to an Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer such Shares to a Participant in accordance with the terms of an Award granted to such Participant and specified by the Committee pursuant to the provisions of the Plan.

17.16. *INDEMNIFICATION.* Each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Article 4 shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

EXHIBIT 10.13

MICRON TECHNOLOGY, INC.
NONSTATUTORY STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Plan are:

   - to attract and retain the best available personnel for positions of substantial responsibility,
   - to provide additional incentive to Employees and Consultants, and
   - to promote the success of the Company's business.

Nonstatutory stock options may be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means (i) any subsidiary or parent company of the Company, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(c) "Applicable Laws" means the legal requirements relating to the administration of stock option plans and the issuance of stock and stock options under federal securities laws, Delaware corporate and securities laws, the Code, and the applicable laws of any foreign country or jurisdiction where options will be or are being granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the acquisition by any person or entity, directly, indirectly or beneficially, acting alone or in concert, of more than thirty-five percent (35%) of the Common Stock of the Company outstanding at any time.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(h) "Common Stock" means the Common Stock of the Company.

(i) "Company" means Micron Technology, Inc., a Delaware corporation.

(j) "Consultant" means any person, including an advisor, engaged by the Company or a parent, subsidiary or Affiliate to render services. The term "Consultant" shall not include any person who is also an Officer or Director of the Company.

(k) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any parent, subsidiary, or Affiliate, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company, (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor or (iii) change in status from either an Employee to a Consultant or a Consultant to an Employee. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company.

(l) "Director" means a member of the Board.

(m)"Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Options that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, "Disability" has the meaning given such term in Section 409A of the Code.

(n) "Employee" means any person, except Officers and Directors, employed by the Company or any parent, subsidiary or Affiliate of the Company.

(o) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the average closing price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or, if more than one Exchange, the Exchange with the greatest volume of trading in the Stock) for such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by *Market Sweep*, a service from Interactive Data Services, Inc., or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(p) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is subject to the terms and conditions of the Option Agreement.

(q) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(r) "Option" means a nonstatutory stock option granted pursuant to the Plan. Such option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(t) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(u) "Optioned Stock" means the Common Stock subject to an Option.

(v) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(w) "Plan" means this Nonstatutory Stock Option Plan.

(x) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares, which may be optioned and sold under the Plan, is 59,603,088. The Shares may be authorized, but, unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated).

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock;

(ii) to select the Consultants and Employees to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option (subject to Section 14(b) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(xii) to institute and Option Exchange Program;

(xiii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld; and

(xiv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted to Employees and Consultants. Employees and Consultants who are service providers to an Affiliate may be granted Options under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

6. Limitations. Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

7. Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect until terminated under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, but shall not be less than the Fair Market Value per share on the date of grant of the Option.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In doing so, the Administrator may specify that an Option may not be exercised until either the completion of a service period or the achievement of performance criteria with respect to the Company or the Optionee.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) a reduction in the amount of any Company liability to the Optionee, other than any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted thereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares, promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it as the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for 30 days following the Optionee's termination of Continuous Status as an Employee or Consultant. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, all vesting restrictions on the Option shall lapse and the Option will become fully exercisable. The Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Suspension. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution form the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

11. Non-Transferability of Options. Unless otherwise specified by the Administrator in the Option Agreement, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger, or Asset Sale.

(a) Changes in Capitalization.

Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of issued shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding, and conclusive. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limit under Section 3 shall

automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor. To the extent that any adjustments made pursuant to this Section 12 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale.

Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization or combination or exchange of shares or any transaction described in Section 12(a)), the Administrator may, in its sole discretion, provide (i) that Options will be settled in cash rather than Common Stock, (ii) that Options will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Options will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Options may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Common Stock, as of a specified date associated with the transaction, over the exercise price of the Option, or (v) any combination of the foregoing. The Administrator's determination need not be uniform and may be different for different Optionees whether or not such Optionees are similarly situated.

(d) Change in Control. In the event of a Change in Control, the unexercised portion of the Option shall become immediately exercisable.

(e) General. Any discretionary adjustments made pursuant to this Section 12 shall be subject to the provisions of Section 14.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. Except as provided herein, the Board may at any time amend, alter, suspend, or terminate the Plan without shareholder approval; provided, however, that the Board may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any Optionee, nor may an amendment be made without prior approval of the shareholders of the Company if such amendment would:

(i) increase the number of shares that may be issued under the Plan;

(ii) change the designation of the employees (or class of employees) eligible for participation in the Plan; or

(iii) materially increase the benefits which may accrue to participants under the Plan.

(b) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

(c) Compliance Amendments. Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, the Committee may amend the Plan or any Notice of Grant, Option Agreement or other applicable agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan, Notice of Grant, Option Agreement or other applicable agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Option under this Plan, a Optionee agrees to any amendment made pursuant to this Section to any Option granted under the Plan without further consideration or action.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all Applicable Laws and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Restriction on Repricing. Without the prior approval of the shareholders of the Company, the Administrator shall not reprice any Options issued under the Plan through cancellation and regrant, by lowering the exercise price, or by any other means.

19. Special Provisions Related To Section 409A of the Code.

(a) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Notice of Grant, Option Agreement or other applicable agreement by reason of the occurrence of a Change in Control, or the Optionee's Disability or separation from service, such amount or benefit will not be payable or distributable to the Optionee by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Option upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Notice of Grant, Option Agreement or other applicable agreement that is permissible under Section 409A.

(b) If any one or more Options granted under the Plan to a Optionee could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Options in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Options or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Notice of Grant, Option Agreement or other applicable agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or

distributable under this Plan or in any Notice of Grant, Option Agreement or other applicable agreement by reason of a Optionee's separation from service during a period in which the Optionee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Optionee's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Optionee's separation from service will be accumulated and the Optionee's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Optionee's death or the first day of the seventh month following the Optionee's separation from service, whereupon the accumulated amount will be paid or distributed to the Optionee and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term “Specified Employee” has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

EXHIBIT 10.48

MICRON TECHNOLOGY, INC.
2007 EQUITY INCENTIVE PLAN

ARTICLE 1
PURPOSE

1.1. *GENERAL.* The purpose of the Micron Technology, Inc. 2007 Equity Incentive Plan (the "Plan") is to promote the success, and enhance the value, of Micron Technology, Inc. (the "Company"), by linking the personal interests of employees, non-employee directors and consultants of the Company or any Affiliate (as defined below) to those of Company stockholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, non-employee directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, non-employee directors and consultants of the Company and its Affiliates; provided, however, that no officer, including without limitation the chief executive officer of the Company, is eligible to be a Participant in the Plan.

ARTICLE 2
DEFINITIONS

2.1. *DEFINITIONS.* When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) "Affiliate" means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) "Award" means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Deferred Stock Unit Award, Performance Share, Dividend Equivalent Award, Other Stock‑Based Award, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

(c) "Award Certificate" means a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award. Award Certificates may be in the form of individual award agreements or certificates or a program document describing the terms and provisions of an Awards or series of Awards under the Plan. The Committee may provide for the use of electronic, internet or other non-paper Award Certificates, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means and includes the occurrence of any one of the following events:

(i) individuals who, on the Effective Date, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the Effective Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; *provided*, *however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any person is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of either (A) 35% or more of the then-outstanding shares of common stock of the Company ("Company Common Stock") or (B) securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors (the "Company Voting Securities"); *provided*, *however*, that for purposes of this subsection (ii), the following acquisitions shall not constitute a Change in Control: (w) an acquisition directly from the Company, (x) an acquisition by the Company or a Subsidiary of the Company, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary of the Company, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a "Reorganization"), or the sale or other disposition of all or substantially all of the Company's assets (a "Sale") or the acquisition of assets or stock of another corporation (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Reorganization, Sale or Acquisition (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets or stock either directly or through one or more subsidiaries, the "Surviving Corporation") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any Subsidiary of the Company, (y) the Surviving Corporation or its ultimate parent corporation, or (z) any employee benefit plan or related trust) sponsored or maintained by any of the foregoing is the beneficial owner, directly or indirectly, of 35% or more of the total common stock or 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Corporation, and (C) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

(g) "Committee" means the committee of the Board described in Article 4.

(h) "Company" means Micron Technology, Inc., a Delaware corporation, or any successor corporation.

(i) "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee, officer, consultant or non-employee director of the Company or any Affiliate, as applicable; provided, however, that for purposes of an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee of the Company or any Parent or Subsidiary, as applicable, pursuant to applicable tax regulations. Continuous Status as a Participant shall not be considered interrupted in the case of any leave of absence authorized in writing by the Company prior to its commencement; provided, however, that for purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(j) "Covered Employee" means a covered employee as defined in Code Section 162(m)(3).

(k) "Disability" or "Disabled" has the same meaning as provided in the long-term disability plan or policy maintained by the Company or if applicable, most recently maintained, by the Company or if applicable, an Affiliate, for the Participant, whether or not such Participant actually receives disability benefits under such plan or policy. If no long-term disability plan or policy was ever maintained on behalf of Participant or if the determination of Disability relates to an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Awards that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, Disability has the meaning given such term in Section 409A of the Code. In the event of a dispute, the determination whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

(l) "Deferred Stock Unit" means a right granted to a Participant under Article 11.

(m) "Dividend Equivalent" means a right granted to a Participant under Article 12.

(n) "Effective Date" has the meaning assigned such term in Section 3.1.

(o) "Eligible Participant" means an employee, consultant or non-employee director of the Company or any Affiliate; provided, however, that no officer, including without limitation the chief executive officer of the Company, is eligible to be a Participant in the Plan.

(p) "Exchange" means the New York Stock Exchange or any other national securities exchange or national market system on which the Stock may from time to time be listed or traded.

(q) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the closing sales price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or, if more than one Exchange, the Exchange with the greatest volume of trading in the Stock) for such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by Market Sweep, a service from Interactive Data Services, Inc., or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by Market Sweep, a service from Interactive Data Services, Inc. or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(r) "Full Value Award" means an Award other than in the form of an Option or SAR, and which is settled by the issuance of Stock.

(s) "Grant Date" of an Award means the first date on which all necessary corporate action has been taken to approve the grant of the Award as provided in the Plan, or such later date as is determined and specified as part of that authorization process. Notice of the grant shall be provided to the grantee within a reasonable time after the Grant Date.

(t) "Incentive Stock Option" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

(u) "Non-Employee Director" means a director of the Company who is not a common law employee of the Company or an Affiliate.

(v) "Nonstatutory Stock Option" means an Option that is not an Incentive Stock Option.

(w) "Option" means a right granted to a Participant under Article 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(x) "Other Stock-Based Award" means a right, granted to a Participant under Article 13 that relates to or is valued by reference to Stock or other Awards relating to Stock.

(y) "Parent" means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

(z) "Participant" means a person who, as an employee, non-employee director or consultant of the Company or any Affiliate, has been granted an Award under the Plan; provided that in the case of the death of a Participant, the term "Participant" refers to a beneficiary designated pursuant to Section 14.5 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision. Notwithstanding the foregoing, a Participant shall not include the chief executive officer or any other officers of the Company.

(aa) "Performance Share" means any right granted to a Participant under Article 9 to a unit to be valued by reference to a designated number of Shares to be paid upon achievement of such performance goals as the Committee establishes with regard to such Performance Share.

(bb) "Person" means any individual, entity or group, within the meaning of Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(cc) "Plan" means the Micron Technology, Inc. 2007 Equity Incentive Plan, as amended from time to time.

(dd) "Qualified Performance-Based Award" means an Award that is either (i) intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Business Criteria as set forth in Section 14.10(b), or (ii) an Option or SAR.

(ee) "Qualified Business Criteria" means one or more of the Business Criteria listed in Section 14.10 (b) upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee.

(ff) "Restricted Stock Award" means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(gg) "Restricted Stock Unit Award" means the right granted to a Participant under Article 10 to receive shares of Stock (or the equivalent value in cash or other property if the Committee so provides) in the future, which right is subject to certain restrictions and to risk of forfeiture.

(hh) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

(ii) "Shares" means shares of the Company's Stock. If there has been an adjustment or substitution pursuant to Section 15.1, the term "Shares" shall also include any shares of stock or other securities that are substituted for Shares or into which Shares are adjusted pursuant to Section 15.1.

(jj) "Stock" means the $.10 par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 15.

(kk) "Stock Appreciation Right" or "SAR" means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the base price of the SAR, all as determined pursuant to Article 8.

(ll) "Subsidiary" means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Subsidiary shall have the meaning set forth in Section 424(f) of the Code.

(mm) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(nn) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 3
EFFECTIVE TERM OF PLAN

3.1. *EFFECTIVE DATE.* The Plan shall be effective as of the date it is approved by both the Board and the stockholders of the Company (the "Effective Date").

3.2. *TERMINATION OF PLAN.* The Plan shall terminate on the tenth anniversary of the Effective Date unless earlier terminated as provided herein, which shall continue to be governed by the applicable terms and conditions of this Plan. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination. No Incentive Stock Options may be granted more than ten years after the earlier of (a) adoption of this Plan by the Board, or (b) the Effective Date.

ARTICLE 4
ADMINISTRATION

4.1. *COMMITTEE.* The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of at least two directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that at least two of the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and "outside directors" (within the meaning of Code Section 162(m)) and that any such members of the Committee who do not so qualify shall abstain from participating in any decision to make or administer Awards that are made to Eligible Participants who at the time of consideration for such Award (i) are persons subject to the short-swing profit rules of Section 16 of the 1934 Act, or (ii) are reasonably anticipated to become Covered Employees during the term of the Award. However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements or shall fail to abstain from such action shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board may reserve to itself any or all of the authority and responsibility of the Committee under the Plan or may act as administrator of the Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board. To the extent any action of the Board under the Plan conflicts with actions taken by the Committee, the actions of the Board shall control.

4.2. *ACTION AND INTERPRETATIONS BY THE COMMITTEE.* For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3. *AUTHORITY OF COMMITTEE.* Except as provided below, the Committee has the exclusive power, authority and discretion to:

(a) Grant Awards;

(b) Designate Participants;

(c) Determine the type or types of Awards to be granted to each Participant;

(d) Determine the number of Awards to be granted and the number of Shares or dollar amount to which an Award will relate;

(e) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, base price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;

(f) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, in accordance with Article 14, based in each case on such considerations as the Committee in its sole discretion determines;

(g) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(h) Prescribe the form of each Award Certificate, which need not be identical for each Participant;

(i) Decide all other matters that must be determined in connection with an Award;

(j) Establish, adopt or revise any rules, regulations, guidelines or procedures as it may deem necessary or advisable to administer the Plan;

(k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan;

(l) Amend the Plan or any Award Certificate as provided herein; and

(m) Adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or any Affiliate may operate, in order to assure the viability of the benefits of Awards granted to participants located in such other jurisdictions and to meet the objectives of the Plan.

Notwithstanding the foregoing, grants of Awards to Non-Employee Directors hereunder shall be made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Non-Employee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Non-Employee Directors.

Notwithstanding the above, the Board may, by resolution, expressly delegate to a special committee, consisting of one or more directors who may but need not be officers of the Company, the authority, within specified parameters, to (i) designate officers, employees and/or consultants of the Company or any of its Affiliates to be recipients of Awards under the Plan, and (ii) to determine the number of such Awards to be received by any such Participants; provided, however, that such delegation of duties and responsibilities to an officer of the Company may not be made with respect to the grant of Awards to eligible participants (a) who are subject to Section 16(a) of the 1934 Act at the Grant Date, or (b) who as of the Grant Date are reasonably anticipated to be become Covered Employees during the term of the Award. The acts of such delegates shall be treated hereunder as acts of the Board and such delegates shall report regularly to the Board and the Compensation Committee regarding the delegated duties and responsibilities and any Awards so granted.

4.4. *AWARD CERTIFICATES.* Each Award shall be evidenced by an Award Certificate. Each Award Certificate shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

ARTICLE 5
SHARES SUBJECT TO THE PLAN

5.1. *NUMBER OF SHARES.* Subject to adjustment as provided in Sections 5.2 and 15.1, the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan shall be 60,000,000; provided, however, that each Share issued under the Plan pursuant to a Full Value Award shall reduce the number of available Shares by two (2) shares. The maximum number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall be 2,000,000.

5.2. *SHARE COUNTING.* Shares covered by an Award shall be subtracted from the Plan share reserve as of the date of grant, but shall be added back to the Plan share reserve in accordance with this Section 5.2.

(a) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued or forfeited Shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under the Plan.

(c) Substitute Awards granted pursuant to Section 14.14 of the Plan shall not count against the Shares otherwise available for issuance under the Plan under Section 5.1.

5.3. *STOCK DISTRIBUTED.* Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4. *LIMITATION ON AWARDS.* Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 15.1), the maximum number of Shares with respect to one or more Options and/or SARs that may be granted during any one calendar year under the Plan to any one Participant shall be 2,000,000. The maximum aggregate grant with respect to Awards of Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares or other Stock‑Based Awards (other than Options or SARs) granted in any one calendar year to any one Participant shall be 2,000,000.

ARTICLE 6
ELIGIBILITY

6.1. *GENERAL.* Awards may be granted only to Eligible Participants; except that Incentive Stock Options may be granted to only to Eligible Participants who are employees of the Company or a Parent or Subsidiary as defined in Section 424(e) and (f) of the Code. Eligible Participants who are service providers to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

ARTICLE 7
STOCK OPTIONS

7.1. *GENERAL.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per Share under an Option shall be determined by the Committee; provided that the exercise price for any Option (other than an Option issued as a substitute Award pursuant to Section 14.14) shall not be less than the Fair Market Value as of the Grant Date.

(b) PROHIBITION ON REPRICING. Except as otherwise provided in Section 15.1, the exercise price of an Option may not be reduced, directly or indirectly by cancellation and regrant or otherwise, without the prior approval of the shareholders of the Company.

(c) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(e). The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested.

(d) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, Shares, or other property (including "cashless exercise" arrangements), and the methods by which Shares shall be delivered or deemed to be delivered to Participants.

(e) EXERCISE TERM. No option granted under the Plan shall be exercisable for more than six years from the Grant Date.

(f) NO DEFERRAL FEATURE. No Option shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the Option.

(g) SUSPENSION. Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions to the Plan.

7.2. *INCENTIVE STOCK OPTIONS.* The terms of any Incentive Stock Options granted under the Plan must comply with the requirements of Section 422 of the Code. If all of the requirements of Section 422 of the Code are not met, the Option shall automatically become a Nonstatutory Stock Option.

ARTICLE 8
STOCK APPRECIATION RIGHTS

8.1. *GRANT OF STOCK APPRECIATION RIGHTS.* The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

(1) The Fair Market Value of one Share on the date of exercise; over

(2) The base price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date.

(b) PROHIBITION ON REPRICING. Except as otherwise provided in Section 15.1, the base price of a SAR may not be reduced, directly or indirectly by cancellation and regrant or otherwise, without the prior approval of the shareholders of the Company.

(c) EXERCISE TERM. No SAR granted under the Plan shall be exercisable for more than six years from the Grant Date.

(d) NO DEFERRAL FEATURE. No SAR shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the SAR.

(e) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Certificate. Subject to the limitations of this Article 8, the terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Certificate.

ARTICLE 9
PERFORMANCE SHARES

9.1. *GRANT OF PERFORMANCE SHARES.* The Committee is authorized to grant Performance Shares to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Shares granted to each Participant, subject to Section 5.4, and to designate the provisions of such Performance Shares as provided in Section 4.3. All Performance Shares shall be evidenced by an Award Certificate or a written program established by the Committee, pursuant to which Performance Shares are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

9.2. *PERFORMANCE GOALS.* The Committee may establish performance goals for Performance Shares which may be based on any criteria selected by the Committee. Such performance goals may be described in terms of Company-wide objectives or in terms of objectives that relate to the performance of the Participant, an Affiliate or a division, region, department or function within the Company or an Affiliate. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Committee may determine that the performance goals or performance period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the participant in amount determined by the Committee. The foregoing two sentences shall not apply with respect to an Award of Performance Shares that is intended to be a Qualified Performance‑Based Award.

9.3. *RIGHT TO PAYMENT.* The grant of a Performance Share to a Participant will entitle the Participant to receive at a specified later time a specified number of Shares, or the equivalent value in cash or other property, if the performance goals established by the Committee are achieved and the other terms and conditions thereof are satisfied. The Committee shall set performance goals and other terms or conditions to payment of the Performance Shares in its discretion which, depending on the extent to which they are met, will determine the number of the Performance Shares that will be earned by the Participant.

9.4. *OTHER TERMS.* Performance Shares may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Certificate.

ARTICLE 10
RESTRICTED STOCK AND RESTRICTED STOCK UNIT AWARDS

10.1. *GRANT OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS.* Subject to the terms and conditions of this Article 10, the Committee is authorized to make Awards of Restricted Stock or Restricted Stock Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. An Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Certificate setting forth the terms, conditions, and restrictions applicable to the Award.

10.2. *ISSUANCE AND RESTRICTIONS.* Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock); provided, however, at a minimum, all Restricted Stock and Restricted Stock Units shall be subject to the restrictions set forth in Section 14.4 for a period of no less than (a) one year from the date of award with respect to Restricted Stock or Restricted Stock Units subject to restrictions that lapse based upon satisfaction of performance goals, and (b) three years from the date of award with respect to Restricted Stock or Restricted Stock Units subject to time-based restrictions that lapse based upon one's Continuous Status as a Participant. For avoidance of doubt, nothing in the foregoing shall preclude any applicable restriction, including those set forth in Section 14.4 hereof, from lapsing ratably, including, but not limited to, roughly annual increments over three years, with respect to the Restricted Stock or Restricted Stock Units referred to in Section 10.2(b). Moreover, nothing in the foregoing shall preclude or be interpreted to preclude Awards to Non-employee Directors from containing a period of restriction shorter than that set forth above. Finally, nothing in this Section 10.2 shall be deemed or interpreted to preclude the waiver, lapse or the acceleration of lapse, of any restrictions with respect to Restricted Stock or Restricted Stock Units in accordance with or as permitted by Sections 14.7 through Section 14.9, respectively, Article 15 or any other provision of the Plan. Subject to the remaining terms and conditions of the Plan, these restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Except as otherwise provided in an Award Certificate or any special Plan document governing an Award, the Participant shall have all of the rights of a stockholder with respect to the Restricted Stock, and the Participant shall have none of the rights of a stockholder with respect to Restricted Stock Units until such time as Shares of Stock are paid in settlement of the Restricted Stock Units.

10.3. *FORFEITURE.* Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Continuous Status as a Participant during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide in any Award Certificate, subject to the terms and conditions of the Plan, that restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units will be waived in whole or in part in the event of terminations resulting from specified causes, including, but not limited to, death, Disability, or for the convenience or in the best interests of the Company.

10.4. *DELIVERY OF RESTRICTED STOCK.* Shares of Restricted Stock shall be delivered to the Participant at the time of grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its employees) designated by the Committee, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing shares of Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

ARTICLE 11
DEFERRED STOCK UNITS

11.1. *GRANT OF DEFERRED STOCK UNITS.* The Committee is authorized to grant Deferred Stock Units to Participants subject to such terms and conditions as may be selected by the Committee. Deferred Stock Units shall entitle the Participant to receive Shares of Stock (or the equivalent value in cash or other property if so determined by the Committee) at a future time as determined by the Committee, or as determined by the Participant within guidelines established by the Committee in the case of voluntary deferral elections. An Award of Deferred Stock Units shall be evidenced by an Award Certificate setting forth the terms and conditions applicable to the Award.

ARTICLE 12
DIVIDEND EQUIVALENTS

12.1. *GRANT OF DIVIDEND EQUIVALENTS.* The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to all or a portion of the number of Shares subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional Shares, or otherwise reinvested. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be paid or distributed no later than the 15th day of the 3rd month following the later of (i) the calendar year in which the corresponding dividends were paid to shareholders, or (ii) the first calendar year in which the Participant's right to such Dividends Equivalents is no longer subject to a substantial risk of forfeiture.

ARTICLE 13
STOCK OR OTHER STOCK-BASED AWARDS

13.1. *GRANT OF STOCK OR OTHER STOCK-BASED AWARDS.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation Shares awarded purely as a "bonus" and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, and Awards valued by reference to book value of Shares or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.

ARTICLE 14
PROVISIONS APPLICABLE TO AWARDS

14.1. *STAND-ALONE AND TANDEM AWARDS.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, any other Award granted under the Plan. Subject to Section 16.2, awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

14.2. *TERM OF AWARD.* The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from its Grant Date.

14.3. *FORM OF PAYMENT FOR AWARDS.* Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or (except with respect to Options or SARs) on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

14.4. *LIMITS ON TRANSFER.* No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable Awards.

14.5. *BENEFICIARIES.* Notwithstanding Section 14.4, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Certificate applicable to the Participant, except to the extent the Plan and Award Certificate otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

14.6. *STOCK TRADING RESTRICTIONS.* All Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

14.7. *ACCELERATION UPON A CHANGE IN CONTROL.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, all outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, and all time-based vesting restrictions on outstanding Awards shall lapse. Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, the target payout opportunities attainable under all outstanding performance-based Awards shall be deemed to have been fully earned as of the effective date of the Change in Control based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be prorata payout to Participants within thirty (30) days following the effective date of the Change in Control (or any later date required by Section 17.3 of the Plan) based upon the length of time within the performance period that has elapsed prior to the Change in Control.

14.8. *ACCELERATION UPON DEATH OR DISABILITY.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the Participant's death or Disability during his or her Continuous Status as a Participant, (i) all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, (ii) all time-based vesting restrictions on the Participant's outstanding Awards shall lapse, and (iii) the target payout opportunities attainable under all of such Participant's outstanding performance-based Awards shall be deemed to have been fully earned as of the date of termination based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be a payout to the Participant or his or her estate within thirty (30) days following the date of termination (or any later date required by Section 17.3 of the Plan). Any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Awards Certificate. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Code Section 422(d), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.9. *ACCELERATION FOR ANY OTHER REASON.* Regardless of whether an event has occurred as described in Section 14.7 or 14.8 above, and subject to Section 14.11 as to Qualified Performance-Based Awards, the Committee may in its sole discretion at any time determine that all or a portion of a Participant's Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully or partially exercisable, that all or a part of the time-based vesting restrictions on all or a portion of the outstanding Awards shall lapse, and/or that any performance-based criteria with respect to any Awards shall be deemed to be wholly or partially satisfied, in each case, as of such date as the Committee may, in its sole discretion, declare; provided, however, the Committee shall not exercise such discretion with respect to Full Value Awards comprised of Shares of Restricted Stock or Restricted Stock Units which, in the aggregate, exceed five percent (5%) of the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan; provided, further, that when calculating whether the five percent (5%) maximum has been reached, the Committee shall not count or

consider any Shares of Restricted Stock or Restricted Stock Units granted to Non-Employee Directors or regarding which the Committee accelerated vesting rights, waived restrictions or determined performance-based criteria had been satisfied resulting from an event described in Section 14.7, Article 15, a Participant's termination of employment or separation from service resulting from death, Disability or for the convenience or in the bests interests of the Company. The Committee may discriminate among Participants and among Awards granted to a Participant in exercising its discretion pursuant to this Section 14.9.

14.10. *EFFECT OF ACCELERATION.* If an Award is accelerated under Section 14.7, Section 14.8 or Section 14.9, the Committee may, in its sole discretion, provide (i) that the Award will expire after a designated period of time after such acceleration to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to a transaction giving rise to the acceleration or otherwise be equitably converted or substituted in connection with such transaction, (iv) that the Award may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. To the extent that such acceleration causes Incentive Stock Options to exceed the dollar limitation set forth in Code Section 422 (d), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.11. QUALIFIED PERFORMANCE-BASED AWARDS.

(a) The provisions of the Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Covered Employee shall qualify for the Section 162(m) Exemption; provided that the exercise or base price of such Award is not less than the Fair Market Value of the Shares on the Grant Date.

(b) When granting any other Award, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for such Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Business Criteria, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of an Affiliate or a unit, division, region, department or function within the Company or an Affiliate:

- Gross and/or net revenue (including whether in the aggregate or attributable to specific products)
- Cost of Goods Sold and Gross Margin
- Costs and expenses, including Research & Development and Selling, General & Administrative
- Income (gross, operating, net, etc.)
- Earnings, including before interest, taxes, depreciation and amortization (whether in the aggregate or on a per share basis
- Cash flows and share price
- Return on investment, capital, equity
- Manufacturing efficiency (including yield enhancement and cycle time reductions), quality improvements and customer satisfaction
- Product life cycle management (including product and technology design, development, transfer, manufacturing introduction, and sales price optimization and management)
- Economic profit or loss
- Market share
- Employee retention, compensation, training and development, including succession planning

- Objective goals consistent with the Participant's specific duties and responsibilities, designed to further the financial, operational and other business interests of the Company, including goals and objectives with respect to regulatory compliance matters.

Performance goals with respect to the foregoing Qualified Business Criteria may be specified in absolute terms (including completion of pre-established projects, such as the introduction of specified products), in percentages, or in terms of growth from period to period or growth rates over time as well as measured relative to an established or specially-created performance index of Company competitors, peers or other members of high tech industries. Any member of an index that disappears during a measurement period shall be disregarded for the entire measurement period. Performance Goals need not be based upon an increase or positive result under a business criterion and could include, for example, the maintenance of the status quo or the limitation of economic losses (measured, in each case, by reference to a specific business criterion).

(c) Each Qualified Performance-Based Award (other than an Option or SAR) shall be earned, vested and payable (as applicable) only upon the achievement of performance goals established by the Committee based upon one or more of the Qualified Business Criteria, together with the satisfaction of any other conditions, including the condition as to continued employment as set forth in subsection (g) below, as the Committee may determine to be appropriate; provided, however, that the Committee may provide, in its sole and absolute discretion, either in connection with the grant thereof or by amendment thereafter, that achievement of such performance goals will be waived upon the death or Disability of the Participant, or upon a Change in Control. In addition, the Committee has the right, in connection with the grant of a Qualified Performance-Based Award, to exercise negative discretion to determine that the portion of such Award actually earned, vested and /or payable (as applicable) shall be less than the portion that would be earned, vested and/or payable based solely upon application of the applicable performance goals. Performance periods established by the Committee for any such Qualified Performance-Based Award may be as short as ninety (90) days and may be any longer period.

(d) The Committee may provide in any Qualified Performance-Based Award, at the time the performance goals are established, that any evaluation of performance shall include, exclude or otherwise equitably adjust for any of the following events that occurs during a performance period: (a) asset write-downs or impairment charges; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and /or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (f) acquisitions or divestitures; and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form and at a time that meets the requirements of Code Section 162(m) for deductibility.

(e) Any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied. Written certification may take the form of a Committee resolution passed by a majority of the Committee at a properly convened meeting or through unanimous action by the Committee via action by written consent. The certification requirement also may be satisfied by a separate writing executed by the Chairman of the Committee, acting in his capacity as such, following the foregoing Committee action or by the Chairman executing approved minutes of the Committee in which such determinations were made. Except as specifically provided in subsection (c), no Qualified Performance-Based Award held by a Covered Employee or an employee who in the reasonable judgment of the Committee may be a Covered Employee on the date of payment, may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under the Plan with respect to a Qualified Performance-Based Award under the Plan, in any manner to waive the achievement of the applicable performance goal based on Qualified Business Criteria or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

(f) Section 5.4 sets forth the maximum number of Shares that may be granted in any one-year period to a Participant in designated forms of stock-based Awards.

(g) With respect to a Participant who is an officer of the Company, any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the officer having remained continuously employed by the Company or an Affiliate for the entire performance or measurement period, including, as well, through the date of determination and certification of the payment of any such Award pursuant to subsection (e) above (the "Certification Date"). For purposes of the Plan, with respect to any given performance or measurement period, an officer of the Company (i) who terminates employment (regardless of cause) or who otherwise ceases to be an officer, prior to the Certification Date, and (ii) who, pursuant to a separate contractual arrangement with the Company is entitled to receive payments from the Company thereunder extending to or beyond such Certification Date as a result of such termination or cessation in officer status, shall be deemed to have been employed by the Company as an officer through the Certification Date for purposes of payment eligibility.

14.12. *TERMINATION OF EMPLOYMENT.* Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A Participant's Continuous Status as a Participant shall not be deemed to terminate (i) in a circumstance in which a Participant transfers from the Company to an Affiliate, transfers from an Affiliate to the Company, or transfers from one Affiliate to another Affiliate, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Affiliate. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Sections 424 (e) and 424(f) of the Code, the Options held by such Participant shall be deemed to be Nonstatutory Stock Options.

14.13. *FORFEITURE EVENTS.* The Committee may specify in an Award Certificate that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Affiliate policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate.

14.14. *SUBSTITUTE AWARDS.* The Committee may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another entity who become employees of the Company or an Affiliate as a result of a merger or consolidation of the former employing entity with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the former employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

ARTICLE 15
CHANGES IN CAPITAL STRUCTURE

15.1. *MANDATORY ADJUSTMENTS.* In the event of a nonreciprocal transaction between the Company and its stockholders that causes the per-share value of the Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the authorization limits under Section 5.1 and 5.4 shall be adjusted proportionately, and the Committee shall make such adjustments to the Plan and Awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. Action by the Committee may include: (i) adjustment of the number and kind of shares that may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Awards or the measure to be used to determine the amount of the benefit payable on an Award; and (iv) any other adjustments that the Committee determines to be equitable. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 and 5.4 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically, without the necessity for any additional action by the Committee, be adjusted proportionately without any change in the aggregate purchase price therefor.

15.2. *DISCRETIONARY ADJUSTMENTS.* Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization, combination or exchange of shares, or any transaction described in Section 15.1), the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding

Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, (v) that performance targets and performance periods for Performance Awards will be modified, consistent with Code Section 162(m) where applicable, or (vi) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

15.3. *GENERAL.* Any discretionary adjustments made pursuant to this Article 15 shall be subject to the provisions of Section 16.2. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

ARTICLE 16
AMENDMENT, MODIFICATION AND TERMINATION

16.1. *AMENDMENT, MODIFICATION AND TERMINATION.* The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without stockholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Board or the Committee, either (i) materially increase the number of Shares available under the Plan, (ii) expand the types of awards under the Plan, (iii) materially expand the class of participants eligible to participate in the Plan, (iv) materially extend the term of the Plan, or (v) otherwise constitute a material change requiring stockholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of an Exchange, then such amendment shall be subject to stockholder approval; and provided, further, that the Board or Committee may condition any other amendment or modification on the approval of stockholders of the Company for any reason, including by reason of such approval being necessary or deemed advisable to (i) to comply with the listing or other requirements of an Exchange, or (ii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

16.2. *AWARDS PREVIOUSLY GRANTED.* At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however:

(a) Subject to the terms of the applicable Award Certificate, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment or termination over the exercise or base price of such Award);

(b) The original term of an Option may not be extended without the prior approval of the stockholders of the Company;

(c) Except as otherwise provided in Article 15, the exercise price of an Option may not be reduced, directly or indirectly, without the prior approval of the stockholders of the Company; and

(d) No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant affected thereby. An outstanding Award shall not be deemed to be "adversely affected" by a Plan amendment if such amendment would not reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment over the exercise or base price of such Award).

16.3. *COMPLIANCE AMENDMENTS.* Notwithstanding anything in the Plan or in any Award Certificate to the contrary, the Committee may amend the Plan or an Award Certificate, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or Award Certificate to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 16.3 to any Award granted under the Plan without further consideration or action.

ARTICLE 17
GENERAL PROVISIONS

17.1. *NO RIGHTS TO AWARDS; NON-UNIFORM DETERMINATIONS.* No Participant or any Eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Affiliates nor the Committee is obligated to treat Participants or Eligible Participants uniformly, and determinations made under the Plan may be made by the Committee selectively among Eligible Participants who receive, or are eligible to receive, Awards (whether or not such Eligible Participants are similarly situated).

17.2. *NO STOCKHOLDER RIGHTS.* No Award gives a Participant any of the rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

17.3. SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE.

(a) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Award Certificate by reason of the occurrence of a Change in Control, or the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Award upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A.

(b) If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Company's President) shall determine which Awards or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

17.4. *WITHHOLDING.* The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the Plan. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. All such elections shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

17.5. *NO RIGHT TO CONTINUED SERVICE.* Nothing in the Plan, any Award Certificate or any other document or statement made with respect to the Plan, shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment or status as an officer, director or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer, director or consultant of the Company or any Affiliate, whether for the duration of a Participant's Award or otherwise. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any Affiliate and, accordingly, subject to Article 16, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board of Directors without giving rise to any liability on the part of the Company or an of its Affiliates.

17.6. *UNFUNDED STATUS OF AWARDS.* The Plan is intended to be an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Certificate shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate. This Plan is not intended to be subject to ERISA.

17.7. *RELATIONSHIP TO OTHER BENEFITS.* No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Affiliate unless provided otherwise in such other plan.

17.8. *EXPENSES.* The expenses of administering the Plan shall be borne by the Company and its Affiliates.

17.9. *TITLES AND HEADINGS.* The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.10. *GENDER AND NUMBER.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.11. *FRACTIONAL SHARES.* No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down.

17.12. GOVERNMENT AND OTHER REGULATIONS.

(a) Notwithstanding any other provision of the Plan, no Participant who acquires Shares pursuant to the Plan may, during any period of time that such Participant is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act), sell such Shares, unless such offer and sale is made (i) pursuant to an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) pursuant to an appropriate exemption from the registration requirement of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

(b) Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Shares covered by an Award upon any Exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase or receipt of Shares thereunder, no Shares may be purchased, delivered or received pursuant to such Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any Participant receiving or purchasing Shares pursuant to an Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to the Committee's determination that all related

requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement.

17.13. *GOVERNING LAW.* To the extent not governed by federal law, the Plan and all Award Certificates shall be construed in accordance with and governed by the laws of the State of Delaware.

17.14. *ADDITIONAL PROVISIONS.* Each Award Certificate may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of the Plan.

17.15. *NO LIMITATIONS ON RIGHTS OF COMPANY.* The grant of any Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The Plan shall not restrict the authority of the Company, for proper corporate purposes, to draft or assume awards, other than under the Plan, to or with respect to any person. If the Committee so directs, the Company may issue or transfer Shares to an Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer such Shares to a Participant in accordance with the terms of an Award granted to such Participant and specified by the Committee pursuant to the provisions of the Plan.

17.16. *INDEMNIFICATION.* Each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Article 4 shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

EXHIBIT 10.117

ATAT07448109-42731APAP 3537679183-1-3 163949

J. Aron & Company | 200 West Street | New York, New York 10282-2198
Tel: 212-902-1000

REVISED Confirmation

DATE:	Jul 3 2012
TO:	MICRON TECHNOLOGY, INC.
ATTENTION:	FX OPERATIONS
FROM:	J. Aron & Company
SUBJECT:	Currency Option Transaction
REFERENCE NUMBER:	SDB3616575404-3537679183

The purpose of this **revised** communication (a "Confirmation") is to confirm the terms and conditions of the above-referenced Transaction entered into on the Trade Date specified below (the "Transaction") between J. Aron & Company **("ARON")** and MICRON TECHNOLOGY, INC. **("Counterparty")** . This communication constitutes a "Confirmation". This Confirmation shall supercede and replace any standard short form confirmation or electronic confirmation message that is sent to you in connection with this Transaction.

1. This Confirmation is subject to, and incorporates, the definitions and provisions contained in the 1998 FX and Currency Option Definitions (as amended and supplemented by the 1998 ISDA Euro Definitions, collectively referred to hereinafter as the "1998 FX Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), the Emerging Markets Traders Association and The Foreign Exchange Committee.

If ARON and Counterparty have entered into a master agreement governing transactions of this type, (the "Agreement"), then this Transaction shall be governed thereby. If, and so long as, the parties have not entered into such an Agreement, then this Transaction shall constitute a "Transaction" within the scope of, and shall be deemed to be governed by, the terms of the **2002** ISDA Master Agreement (provided that (i) "Termination Currency" shall be USD (ii) Subparagraph (ii) of Section 2(c) (Netting) will not apply to Transactions, (iii) the Governing Law shall be the State of New York**, (iv) the "Cross-Default" provisions of Section 5(a)(vi) will apply to ARON and will apply to Counterparty, provided that (i) the phrase "or becoming capable at such time of being declared" shall be deleted from clause (1) of such Section 5(a)(vi); and (ii) the following language shall be added to the end thereof: "Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay and (v) "Threshold Amount" means in the case of ARON, an amount equal to 3% of the shareholder equity of the Credit Support Provider of ARON as published in its latest audited annual financial accounts and in the case of Counterparty, USD 100,000,000.00, or its equivalent in any currency** (as so modified, the "ISDA Terms")). Upon execution and delivery of an Agreement governing transactions of this type, such Agreement shall supercede the ISDA Terms, and all transactions then outstanding shall be governed thereby. All provisions contained in, or incorporated by reference to, the ISDA Terms or the Agreement, as applicable, will govern this Confirmation except as expressly modified herein. In the event of any inconsistencies between this Confirmation and the 1998 FX Definitions or the Agreement, as applicable, this Confirmation will govern.

2. The terms of the particular Transaction to which this Confirmation relates are as follows.

Trade Date:	Jul 02 2012
Buyer:	Counterparty
Seller:	ARON
Currency Option Style:	European
Currency Option Type:	USD Put / JPY Call
Call Currency and Call Currency Amount:	JPY 100,000,000,000.00
Put Currency and Put Currency Amount:	USD 1,263,743,207.38
Strike Price:	79.130 JPY/USD

Expiration Date:	Apr 03 2013
Expiration Time:	10:00 a.m. New York time
Automatic Exercise:	Applicable
Settlement Date:	Apr 05 2013
Settlement:	Deliverable
Premium:	USD 45,933,485.00, payable by Counterparty to ARON on the Premium Payment Date
Premium Payment Date:	Apr 05 2013

3. Definitions:

Credit Support Provider of ARON:	**The Goldman Sachs Group, Inc.**
4. Other terms and conditions:	None
5. Calculation Agent:	ARON, unless otherwise specified in the Agreement

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (Reference Number: SDB3616575404-3537679183) by signing this **revised** Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of FX Operations at 212 428 3338.

Very truly yours,

J. Aron & Company

By: /s/ Arthur Ambrose
Name: Arthur Ambrose
Title: Vice President

Agreed and Accepted By:
MICRON TECHNOLOGY, INC.

By: /s/ Josh Ingram

(Reference Number: SDB3616575404-3537679183)

EXHIBIT 10.118

ATAT07448111-26474APAP 3537683027-1-2 163949

J. Aron & Company | 200 West Street | New York, New York 10282-2198
Tel: 212-902-1000

REVISED Confirmation

DATE:	Jul 3 2012
TO:	MICRON TECHNOLOGY, INC.
ATTENTION:	FX OPERATIONS
FROM:	J. Aron & Company
SUBJECT:	Currency Option Transaction
REFERENCE NUMBER:	SDB3616575406-3537683027

The purpose of this **revised** communication (a "Confirmation") is to confirm the terms and conditions of the above-referenced Transaction entered into on the Trade Date specified below (the "Transaction") between J. Aron & Company **("ARON")** and MICRON TECHNOLOGY, INC. **("Counterparty")** . This communication constitutes a "Confirmation". This Confirmation shall supercede and replace any standard short form confirmation or electronic confirmation message that is sent to you in connection with this Transaction.

1. This Confirmation is subject to, and incorporates, the definitions and provisions contained in the 1998 FX and Currency Option Definitions (as amended and supplemented by the 1998 ISDA Euro Definitions, collectively referred to hereinafter as the "1998 FX Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), the Emerging Markets Traders Association and The Foreign Exchange Committee.

If ARON and Counterparty have entered into a master agreement governing transactions of this type, (the "Agreement"), then this Transaction shall be governed thereby. If, and so long as, the parties have not entered into such an Agreement, then this Transaction shall constitute a "Transaction" within the scope of, and shall be deemed to be governed by, the terms of the **2002** ISDA Master Agreement (provided that (i) "Termination Currency" shall be USD (ii) Subparagraph (ii) of Section 2(c) (Netting) will not apply to Transactions, (iii) the Governing Law shall be the State of New York**, (iv) the "Cross-Default" provisions of Section 5(a)(vi) will apply to ARON and will apply to Counterparty, provided that (i) the phrase "or becoming capable at such time of being declared" shall be deleted from clause (1) of such Section 5(a)(vi); and (ii) the following language shall be added to the end thereof: "Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay and (v) "Threshold Amount" means in the case of ARON, an amount equal to 3% of the shareholder equity of the Credit Support Provider of ARON as published in its latest audited annual financial accounts and in the case of Counterparty, USD 100,000,000.00, or its equivalent in any currency** (as so modified, the "ISDA Terms")). Upon execution and delivery of an Agreement governing transactions of this type, such Agreement shall supercede the ISDA Terms, and all transactions then outstanding shall be governed thereby. All provisions contained in, or incorporated by reference to, the ISDA Terms or the Agreement, as applicable, will govern this Confirmation except as expressly modified herein. In the event of any inconsistencies between this Confirmation and the 1998 FX Definitions or the Agreement, as applicable, this Confirmation will govern.

2. The terms of the particular Transaction to which this Confirmation relates are as follows.

Trade Date:	Jul 02 2012
Buyer:	ARON
Seller:	Counterparty
Currency Option Style:	European
Currency Option Type:	USD Call / JPY Put
Call Currency and Call Currency Amount:	USD 600,096,015.36
Put Currency and Put Currency Amount:	JPY 50,000,000,000.00
Strike Price:	83.320 JPY/USD

Expiration Date:	Apr 03 2013
Expiration Time:	10:00 a.m. New York time
Automatic Exercise:	Applicable
Settlement Date:	Apr 05 2013
Settlement:	Deliverable
Premium:	USD 9,851,000.00, payable by ARON to Counterparty on the Premium Payment Date
Premium Payment Date:	Apr 05 2013

3. Definitions:

Credit Support Provider of ARON:	**The Goldman Sachs Group, Inc.**
4. Other terms and conditions:	None
5. Calculation Agent:	ARON, unless otherwise specified in the Agreement

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (Reference Number: SDB3616575406-3537683027) by signing this **revised** Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of FX Operations at 212 428 3338.

Very truly yours,

J. Aron & Company

By: /s/ Arthur Ambrose
Name: Arthur Ambrose
Title: Vice President

Agreed and Accepted By:
MICRON TECHNOLOGY, INC.

By: /s/ Josh Ingram

(Reference Number: SDB3616575406-3537683027)

EXHIBIT 10.119

ATAT07448110-42923APAP 3537682647-1-2 163949

J. Aron & Company | 200 West Street | New York, New York 10282-2198
Tel: 212-902-1000

REVISED Confirmation

DATE:	Jul 3 2012
TO:	MICRON TECHNOLOGY, INC.
ATTENTION:	FX OPERATIONS
FROM:	J. Aron & Company
SUBJECT:	Currency Option Transaction
REFERENCE NUMBER:	SDB3616575405-3537682647

The purpose of this **revised** communication (a "Confirmation") is to confirm the terms and conditions of the above-referenced Transaction entered into on the Trade Date specified below (the "Transaction") between J. Aron & Company **("ARON")** and MICRON TECHNOLOGY, INC. **("Counterparty")** . This communication constitutes a "Confirmation". This Confirmation shall supercede and replace any standard short form confirmation or electronic confirmation message that is sent to you in connection with this Transaction.

1. This Confirmation is subject to, and incorporates, the definitions and provisions contained in the 1998 FX and Currency Option Definitions (as amended and supplemented by the 1998 ISDA Euro Definitions, collectively referred to hereinafter as the "1998 FX Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), the Emerging Markets Traders Association and The Foreign Exchange Committee.

If ARON and Counterparty have entered into a master agreement governing transactions of this type, (the "Agreement"), then this Transaction shall be governed thereby. If, and so long as, the parties have not entered into such an Agreement, then this Transaction shall constitute a "Transaction" within the scope of, and shall be deemed to be governed by, the terms of the **2002** ISDA Master Agreement (provided that (i) "Termination Currency" shall be USD (ii) Subparagraph (ii) of Section 2(c) (Netting) will not apply to Transactions, (iii) the Governing Law shall be the State of New York**, (iv) the "Cross-Default" provisions of Section 5(a)(vi) will apply to ARON and will apply to Counterparty, provided that (i) the phrase "or becoming capable at such time of being declared" shall be deleted from clause (1) of such Section 5(a)(vi); and (ii) the following language shall be added to the end thereof: "Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay and (v) "Threshold Amount" means in the case of ARON, an amount equal to 3% of the shareholder equity of the Credit Support Provider of ARON as published in its latest audited annual financial accounts and in the case of Counterparty, USD 100,000,000.00, or its equivalent in any currency** (as so modified, the "ISDA Terms")). Upon execution and delivery of an Agreement governing transactions of this type, such Agreement shall supercede the ISDA Terms, and all transactions then outstanding shall be governed thereby. All provisions contained in, or incorporated by reference to, the ISDA Terms or the Agreement, as applicable, will govern this Confirmation except as expressly modified herein. In the event of any inconsistencies between this Confirmation and the 1998 FX Definitions or the Agreement, as applicable, this Confirmation will govern.

2. The terms of the particular Transaction to which this Confirmation relates are as follows.

Trade Date:	Jul 02 2012
Buyer:	ARON
Seller:	Counterparty
Currency Option Style:	European
Currency Option Type:	USD Put / JPY Call
Call Currency and Call Currency Amount:	JPY 50,000,000,000.00
Put Currency and Put Currency Amount:	USD 661,638,216.22
Strike Price:	75.570 JPY/USD

Expiration Date:	Apr 03 2013
Expiration Time:	10:00 a.m. New York time
Automatic Exercise:	Applicable
Settlement Date:	Apr 05 2013
Settlement:	Deliverable
Premium:	USD 11,721,518.00, payable by ARON to Counterparty on the Premium Payment Date
Premium Payment Date:	Apr 05 2013

3. Definitions:

Credit Support Provider of ARON:	**The Goldman Sachs Group, Inc.**
4. Other terms and conditions:	None
5. Calculation Agent:	ARON, unless otherwise specified in the Agreement

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (Reference Number: SDB3616575405-3537682647) by signing this **revised** Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of FX Operations at 212 428 3338.

Very truly yours,

J. Aron & Company

By: /s/ Arthur Ambrose
Name: Arthur Ambrose
Title: Vice President

Agreed and Accepted By:
MICRON TECHNOLOGY, INC.

By: /s/ Josh Ingram

(Reference Number: SDB3616575405-3537682647)

EXHIBIT 10.120

JPMorgan Chase Bank, N.A.
Chaseside WB01-0560
Bournemouth
BH7 7DA
United Kingdom

Direct Line: U.S. 1 212 8342211
Direct Line: U.K. 44 1202 325444
Facsimile: U.S. 1 212 8346641
Facsimile: U.K. 44 1202 325 163

Switchboard: U.K. 44 1202 322000

MICRON TECHNOLOGY INCORPORATED
Facsimile: 001 2083685763

2 July 2012

Reference Number: 8000031078419 (LHCZGIJ00)
Internal Reference: 30940179 / 30781719 / 31014429

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between JPMorgan Chase Bank, N.A., ("JPMorgan") and MICRON TECHNOLOGY INCORPORATED, (the "Counterparty") on the Trade Date specified below.

The definitions and provisions contained in the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., (the "2006 Definitions") and in the 1998 FX and Currency Option Definitions as published by International Swaps and Derivatives Association, Inc., the Emerging Market Traders Association and The Foreign Exchange Committee (the "1998 Definitions", and together with the 2006 Definitions, the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the 2006 Definitions and the 1998 Definitions, the 1998 Definitions will govern. In the event of any inconsistency between either set of Definitions and this Confirmation, this Confirmation will govern.

1. If the parties have executed an ISDA 2002 Master Agreement, a 1992 ISDA Master Agreement (Multicurrency-Cross Border) or an ISDA Interest Rate and Currency Exchange Agreement (each an "ISDA Agreement"), this Confirmation between JPMorgan and such Counterparty supplements, forms part of, and is subject to such ISDA Agreement. All provisions contained in the ISDA Agreement shall govern this Confirmation except as expressly modified below.

If the parties have not executed an ISDA Agreement but have executed an International Currency Options Market Master Agreement ("ICOM"), or a Foreign Exchange and Options Master Agreement ("FEOMA"), this Confirmation supplements, forms part of, and is subject to such ICOM or FEOMA, as the case may be, as amended and supplemented from time to time (the "FX Agreement"). In such case, all provisions contained in the FX Agreement shall govern this Confirmation except as expressly modified below.

If the parties have not executed either an ISDA Agreement or an FX Agreement, until JPMorgan and the Counterparty execute an ISDA Agreement or FX Agreement, this Confirmation, together with all other documents referring to the ISDA Agreement (each an "ISDA Confirmation") confirming transactions (each a "Transaction") entered into between JPMorgan and the Counterparty (notwithstanding anything to the contrary in an ISDA Confirmation), shall supplement, form a part of, and be subject to an agreement in the form of the ISDA 2002 Master Agreement as if JPMorgan and the Counterparty had executed an agreement in such form (but without any Schedule except for the election of the laws of the State of New York as the

governing law and United States dollars as the Termination Currency) on the Trade Date of the first such Transaction between JPMorgan and the Counterparty. In the event of any inconsistency between provisions of that agreement and this Confirmation, this Confirmation will prevail for the purpose of the Transaction to which this Confirmation relates.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:
Option 1:

(a) General Terms:

Internal Reference:	30940179
Trade Date:	02 July 2012
Buyer:	Counterparty
Seller:	JPMorgan
Currency Option Style:	European
Currency Option Type:	USD Put / JPY Call
Call Currency and Call Currency Amount:	JPY 40,000,000,000
Put Currency and Put Currency Amount:	USD 505,369,551.48
Strike Price:	79.15 JPY/USD
Expiration Date:	03 April 2013
Expiration Time:	10:00 New York Time
Settlement Date:	05 April 2013
Premium:	USD 9,960,000.00
Premium Payment Date:	05 April 2013

Option 2:

(a) General Terms:

Internal Reference:	30781719
Trade Date:	02 July 2012
Buyer:	JPMorgan
Seller:	Counterparty

Currency Option Style:	European
Currency Option Type:	USD Put / JPY Call
Call Currency and Call Currency Amount:	JPY 20,000,000,000
Put Currency and Put Currency Amount:	USD 264,655,286.49
Strike Price:	75.57 JPY/USD
Expiration Date:	03 April 2013
Expiration Time:	10:00 New York Time
Settlement Date:	05 April 2013
Premium:	Zero
Premium Payment Date:	Not Applicable

Option 3:

(a) General Terms:

Internal Reference:	31014429
Trade Date:	02 July 2012
Buyer:	JPMorgan
Seller:	Counterparty
Currency Option Style:	European
Currency Option Type:	JPY Put / USD Call
Call Currency and Call Currency Amount:	USD 240,038,406.14
Put Currency and Put Currency Amount:	JPY 20,000,000,000
Strike Price:	83.32 JPY/USD
Expiration Date:	03 April 2013
Expiration Time:	10:00 New York Time
Settlement Date:	05 April 2013
Premium:	Zero
Premium Payment Date:	Not Applicable

3. Calculation Agent: JPMorgan, acting in good faith and in a commercially reasonable manner, and whose determinations and calculations will be binding in the absence of manifest error.

4. Offices:
The Office of JPMorgan for this Transaction is NEW YORK.
The Office of the Counterparty for this Transaction is BOISE.

5. Office and Address for notices in connection with this Transaction

JPMorgan :	JPMorgan Chase Bank, N.A., NEW YORK Chaseside WB01-0560 Bournemouth BH7 7DA United Kingdom Direct Line: U.S. 1 212 8342211 Direct Line: U.K. 44 1202 325444 Facsimile: U.S. 1 212 8346641 Facsimile: U.K. 44 1202 325 163

6. Documents to be delivered. Each party shall deliver to the other, at the time of its execution of this Confirmation, evidence of the specimen signature and incumbency of each person who is executing the Confirmation on the party's behalf, unless such evidence has previously been supplied in connection with this Agreement and remains true and in effect.

7. Representations and Warranties: Absent a written agreement to the contrary, each party represents and warrants to the other party that (i) it is not relying on any advice (whether written or oral) of the other party regarding this Transaction; (ii) it has the capacity to evaluate (internally or through independent professional advice) this Transaction and has made its own decision to enter into this Transaction; (iii) it understands the terms, conditions and risks of this Transaction and is willing to accept those terms and conditions and to assume (financially and otherwise) those risks; and (iv) the other party (1) is not acting as a fiduciary or financial, investment or commodity trading advisor for it, (2) has not given to it (directly or indirectly through any other person) any assurance, guaranty or representation whatsoever as to the merits (either legal, regulatory, tax, financial, accounting or otherwise) of this Transaction or any documentation related thereto, and (3) has not committed to unwind this Transaction.

This Confirmation supersedes and replaces any other confirmation (including any other written confirmation, SWIFT MT305 or phone/oral confirmation) issued by JPMorgan in connection with this Transaction on or prior to the date hereof.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to the above address.

Yours faithfully,

JPMORGAN CHASE BANK, N.A.

/s/ Philip D. Glackin

Name: Philip D Glackin

Title: Executive Director

Accepted and confirmed as of the date first written

MICRON TECHNOLOGY INCORPORATED

/s/ Anne Miller

Name: Anne Miller

Title: Senior Manager, Worldwide Treasury Operations

Your Reference Number:

EXHIBIT 10.121

HSBC Bank USA, National Association
452 Fifth Avenue, 10018
Tel: 02079919151 Fax: 020 7992 4493

To:	MICRON TECHNOLOGY INC
Attn:	Rob Brown
Email:	Rlbrown@micron.com
Date:	11th July 2012
Ref :	8878658 / 578383

GEARED SEAGULL CONFIRMATION

Dear Sir or Madam:

The purpose of this letter agreement (a "Confirmation") is to confirm the terms and conditions of the Transaction entered into on the Trade Date specified below (the "Transaction") between HSBC Bank USA, National Association ("Party A") and MICRON TECHNOLOGY INC ("Party B"). This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 2006 Definitions and the 1998 FX and Currency Option Definitions (the "FX Definitions") (as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and The Foreign Exchange Committee) are incorporated into this Confirmation. In the event of any inconsistency between the FX Definitions and the 2006 Definitions, the FX Definitions will prevail. In the event of any inconsistency between the FX Definitions or the 2006 Definitions and this Confirmation, this Confirmation will prevail.

If you and we are parties to either an ISDA Interest Rate and Currency Exchange Agreement (for which purpose this Transaction shall constitute a "Swap Transaction") or an ISDA Master Agreement (in each case as "Agreement") then this Confirmation supplements forms part of and is subject to such agreement. If you and we are not yet parties to an Agreement then this Confirmation evidences a complete and binding agreement between both parties as to the terms of the Transaction to which this Confirmation relates. In addition Party A and Party B agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Form") with such modifications as you and we will in good faith agree. Upon execution by both Party A and Party B of such an agreement, this Confirmation will supplement, form part of, and be subject to that agreement. All provisions contained or incorporated by reference in that agreement upon its execution will govern this Confirmation. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "Confirmation") confirming transactions (each a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation) shall supplement, form a part of, and be subject to an agreement in the form of the ISDA Form as if we had executed an agreement to the Trade Date of the first such Transaction between us in such form with the Schedule thereto (i) specifying only that (a) the governing laws of the State of New York and the Termination Currency is U.S. Dollars. In the event of any inconsistencies between this Confirmation and the provisions of that agreement, this confirmation shall prevail for the purpose of this Transaction.

Each of Party A and Party B represents to the other that it has entered into this Transaction in reliance upon such tax, accounting, regulatory, legal, and financial advice as it deems necessary and not upon any view expressed by the other.

The terms of the Transaction to which this Confirmation relates are as follows:

Trade Date:	02 July 2012
Calculation Agent:	Party A, whose determinations in respect of this Transaction shall be conclusive and binding save for manifest error and who shall also determine whether the applicable Spot Rate has traded at or above the Forward Rate, or below the Forward Rate.
Notional Currency and Amount (i):	JPY 60,000,000,000.00
Notional Currency and Amount (ii):	JPY 30,000,000,000.00
Reference Currency:	USD, in accordance with the Settlement Terms
Strike Rate:	Either (i).79.2000 being the currency exchange rate, expressed as the amount of JPY per one unit of USD; or (ii).83.3200 being the currency exchange rate, expressed as the amount of JPY per one unit of USD (iii).75.5700 being the currency exchange rate, expressed as the amount of JPY per one unit of USD
Limit Rate:	75.5700 being the currency exchange rate, expressed as the amount of JPY per one unit of USD; in accordance with the Settlement Terms.
Limit Event Period:	From Trade Time on Trade Date up to, and including, Expiration Time on Expiration Date.
Expiration Time:	10:00am New York
Expiration Date:	03April 2013
Settlement Date:	05 April 2013
Premium Amount:	JPY 14,933,574.00
Premium Payer:	Party B
Premium Payment Date:	05 April 2013

Settlement Terms:	(i) If the Spot Exchange Rate is at or below 79.2000 JPY/USD at the Expiration Time on the Expiration Date, Party A shall pay the Notional Currency and Amount (i) to Party B in Exchange for an amount in the Reference Currency by applying Strike Rate (i) on the Settlement Date. (ii) If the Spot Exchange Rate at Expiration Time on Expiration Date is **at or above** 83.3200 JPY/USD at the Expiration Time on the Expiration Date, Party A shall pay the Notional Currency and Amount (ii) in Exchange for an amount in the Reference Currency by applying Strike Rate (ii) on the Settlement Date. (iii) If a Limit Event has occurred and the Spot Rate is below 75.5700 JPY/USD at the Expiration Time on the Expiration Date, Party A shall pay the Notional Currency and Amount (ii), in exchange for an amount in the Reference Currency, calculated as follows: (Notional amount (i) / Strike Rate (i)) - (Notional amount (ii) / Limit Rate)
Type of Order	: at Market
Venue Identification	**HSBC Bank USA, National Association** : 452 Fifth Avenue, 10018

The time that this transaction was effected can be supplied upon request. We have effected this transaction as principal.

Definitions

The definitions and other terms below apply to the Transaction. In the event of any inconsistency between this Confirmation and the terms of the Agreement, this Confirmation shall prevail.

"Limit Event" shall be treated as having occurred in relation to the Seagull Transaction if the Spot Exchange Rate during the Limit Event Period has been **at or below** the Limit Rate as determined by the Calculation Agent. All determinations of the Calculation Agent shall be made in good faith and in a commercially reasonable manner.

"Spot Exchange Rate" Is the price at the time at which such price is to be determined in the Spot Market for foreign exchange transactions involving the currency pair which is the subject of this Transaction determined by reference either to rates for the exchange of currencies in such currency pair or to cross-rates as the Calculation Agent shall determine acting in good faith and in a commercially reasonable manner.

"Spot Market" means, the Global Spot Foreign Exchange Market, which, for these purposes, shall, unless otherwise agreed, be treated as being open continuously from 5:00 a.m. Sydney time on a Monday in any week to 5:00 p.m. New York time on the Friday of that week.

Withholding Tax

All payments to be made by either Party pursuant to or in connection with this transaction or the Agreement shall be made free and clear of and without deduction or withholding for or on account of tax (which term shall for the purposes hereof include any tax, levy, impost, duty, charge, fee deduction or withholding of any nature) unless a Party (the "Payer") is required by applicable law to make a payment (the "Relevant Payment") subject to the deduction or withholding of tax, in which case the sum of the Relevant Payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Party receiving the Relevant Payment (the "Payee") receives and retains (free from any liability in respect of such deductions or withholding) a net sum equal to the sum which it would have received and retained had no such deduction or withholding been made or required to be made.

If and to the extent that the Payer's obligation to pay an increased sum as aforesaid can be mitigated by virtue of the provisions of any applicable double tax convention, the Payee shall use its reasonable endeavours (including, without limitation, the submission to the relevant fiscal authorities of all requisite forms and information) to ensure the application of such double tax convention.

Representations and Warranties

Absent a written agreement to the contrary, each party represents and warrants to the other party that (i) it is not relying on any advice (whether written or oral) of the other party regarding this Transaction; (ii) it has the capacity to evaluate (internally or through independent professional advice) this Transaction and has made its own decision to enter into this Transaction; (iii) it understands the terms, conditions and risks of this Transaction and is willing to accept those terms and conditions and to assume (financially or otherwise) those risks; and (iv) the other party (1) is not acting as a fiduciary or financial, investment or commodity trading advisor for it, (2) has not given to it (directly or indirectly through any other person) any assurance, guaranty, or representation whatsoever as to the merits (either legal, regulatory, tax, financial, accounting or otherwise) of this Transaction or any documentation related thereto, and (3) has not committed to unwind this Transaction.

Disclosure

The Parties acknowledge that HSBC Bank USA, National Association is regularly engaged in the business of buying and selling foreign exchange spot, forward and options contracts and, as a result, HSBC Bank USA, National Association may from time to time engage in activities in the foreign exchange markets which may affect the value of this transaction. It is further acknowledged that HSBC Bank USA, National Association, for its own risk management purposes, may from time to time enter into foreign exchange contracts which it deems necessary to hedge (or to reduce or remove any hedge) risks related to this transaction. In particular, the Parties acknowledge that as a result of such risk management activities, whenever it becomes reasonably likely that the Spot Exchange Rate may be less than or equal to the Strike Rate, in anticipation of such probability HSBC Bank USA, National Association may engage in transactions to hedge (or to reduce or remove hedges) and that such transactions may increase the probability that the Spot Exchange Rate will be less than or equal to the Strike Rate.

Documentation

Please confirm the forgoing correctly confirms the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter of facsimile substantially similar to this letter, which letter or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates your agreement to those terms.

Yours faithfully,

/s/ Luke Cunningham

Duly authorised for and on behalf of
HSBC Bank USA, National Association

Name:	HSBC Bank USA, N.A.
Title:	

Duly authorised for and on behalf of
MICRON TECHNOLOGY INC

By:	/s/ Anne Miller
Name:	Anne Miller
Title	Senior Manager, Worldwide Treasury Operations
Trade Ref:	8878658 / 578383

EXHIBIT 21.1

MICRON TECHNOLOGY, INC.

SUBSIDIARIES OF THE REGISTRANT

Name	State (or Jurisdiction) in which Organized
IM Flash Technologies, LLC	Delaware
Micron Consumer Products Group, Inc.	Delaware
Micron Europe Limited[1]	United Kingdom
Micron Japan, Ltd.[1]	Japan
Micron Semiconductor Asia Pte. Ltd.[1]	Singapore
Micron Semiconductor B.V.	Netherlands
Micron Semiconductor Israel Ltd.	Israel
Micron Semiconductor Italia S.r.l.	Italy
Micron Semiconductor Malaysia Sdn. Bhd.	Malaysia
Micron Semiconductor Products, Inc.[1]	Idaho
Micron Semiconductor (Xi'an) Co., Ltd.	China
Micron Technology (Shanghai) Co, Ltd.	China
Micron Technology Italia S.r.l.	Italy
Micron Technology Puerto Rico, Inc.	Puerto Rico
Micron Technology Services, Inc.	Idaho
Numonyx B.V.	Netherlands
Numonyx B.V., Rolle Branch	Switzerland
Numonyx Holdings B.V.	Netherlands

[1] Also does business as Micron Consumer Products Group

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File Nos. 333-143026, 333-158473) and S-8 (File Nos. 333-17073, 333-50353, 333-71249, 333-102545, 333-103341, 333-111170, 333-120620, 333-133667, 333-135459, 333-140091, 333-148357, 333-159711, 333-167536, 333-167536a, 333-171717, 333-179592) of Micron Technology, Inc. of our report dated October 29, 2012 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Jose, CA
October 29, 2012

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements on Form S-3 (File Nos. 333-143026, 333-158473) and S-8 (File Nos. 333-17073, 333-50353, 333-71249, 333-102545, 333-103341, 333-111170, 333-120620, 333-133667, 333-135459, 333-140091, 333-148357, 333-159711, 333-167536, 333-167536a, 333-171717, 333-179592) of Micron Technology, Inc. of our audit report dated October 9, 2012, with respect to the balance sheets of Inotera Memories Inc. as of December 31, 20010 and 2011, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year ended December 31, 2011, which report appears in the August 30, 2012 annual report on Form 10-K of Micron Technology, Inc.

Our report contains an explanatory paragraph that states that as further described in Notes 14 and 27(g) to the financial statements, Inotera Memories Inc. did not maintain a minimum current ratio of 1:1 and a maximum debt to equity ratio of 1.5:1 at December 31, 2011, as part of the financial covenants originally required of Inotera Memories Inc. under its syndicated bank loan agreements. On June 8, 2012, the syndicate banks formally agreed to waive the requirement of the Company to comply with its financial loan covenants for the financial statement year ended December 31, 2011. However, the Company was unable to maintain the same ratios as of June 30, 2012 and has until November 30, 2012 to cure the breach. In July 2012, the Company has submitted a request for a waiver from complying with these financial covenants, so that the managing bank can convene a meeting of the Banks to consider whether to grant such waiver. The potential consequences to the Company of a violation of any of its financial covenants pursuant to its syndicated bank loan agreements are also described in Notes 19(b)(iii) and 27(g) to the financial statements.

Our report contains an explanatory paragraph that states effective January 1, 2009, Inotera Memories Inc. adopted the newly revised SFAS No. 10 “Inventories”, under which, the unallocated fixed overhead and direct labor cost of NT$12,903,228 thousand and gain from price recovery of inventories of NT$1,767,684 thousand were charged to costs of goods sold for the year ended December 31, 2009.

/s/ KPMG

October 26, 2012
Taipei, Taiwan (the Republic of China)

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, D. Mark Durcan, certify that:

1. I have reviewed this annual report on Form 10-K of Micron Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2012

/s/ D. Mark Durcan

D. Mark Durcan
Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF
CHIEF FINANCIAL OFFICER

I, Ronald C. Foster, certify that:

1. I have reviewed this annual report on Form 10-K of Micron Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2012

/s/ Ronald C. Foster

Ronald C. Foster
Vice President of Finance and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350

I, D. Mark Durcan, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Micron Technology, Inc. on Form 10-K for the period ended August 30, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: October 29, 2012

/s/ D. Mark Durcan

D. Mark Durcan
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350

I, Ronald C. Foster, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Micron Technology, Inc. on Form 10-K for the period ended August 30, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: October 29, 2012

/s/ Ronald C. Foster

Ronald C. Foster
Vice President of Finance and Chief Financial Officer

EXHIBIT 99.1

INOTERA MEMORIES, INC.

Financial Statements
DECEMBER 31, 2009, 2010 AND 2011
(With Report of Independent Registered Public Accounting Firm)

Report of Independent Registered Public Accounting Firm

The Board of Directors
Inotera Memories, Inc.

We have audited the accompanying balance sheets of Inotera Memories, Inc. (the "Company") as of December 31, 2010 and 2011, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inotera Memories, Inc. as of December 31, 2010 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with the accounting principles generally accepted in the Republic of China.

As further described in Notes 14 and 27(g) to the financial statements, the Company did not maintain a minimum current ratio of 1:1 and a maximum debt to equity ratio of 1.5:1 at December 31, 2011, as part of the financial covenants originally required of the Company under its syndicated bank loan agreements. On June 8, 2012, the syndicate banks formally agreed to waive the requirement of the Company to comply with its financial loan covenants for the financial statement year ended December 31, 2011. However, the Company was unable to maintain the same ratios as of June 30, 2012 and has until November 30, 2012 to cure the breach. In July 2012, the Company has submitted a request for a waiver from complying with these financial covenants, so that the managing bank can convene a meeting of the Banks to consider whether to grant such waiver. The potential consequences to the Company of a violation of any of its financial covenants pursuant to its syndicated bank loan agreements are also described in Notes 19(b)(iii) and 27 (g) to the financial statements.

As described in Note 3 to the financial statements, effective January 1, 2009, the Company adopted the newly revised

SFAS No. 10 “Inventories”, under which, the unallocated fixed overhead and direct labor cost of NT$12,903,228 thousand and gain from price recovery of inventories of NT$1,767,684 thousand were charged to cost of goods sold for the year ended December 31, 2009.

Accounting principles generally accepted in the Republic of China vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature of such differences is presented in Note 27 to the financial statements.

/s/ KPMG

Taipei, Taiwan (the Republic of China)
October 9, 2012

INOTERA MEMORIES, INC.

BALANCE SHEETS

DECEMBER 31, 2010 and 2011
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2010	December 31, 2011	Liabilities and Stockholders' Equity	December 31, 2010	December 31, 2011
Current assets:			**Current liabilities:**		
Cash and cash equivalents (notes 4 and 19)	$ 5,108,667	5,463,640	Short-term loans (notes 12 and 19)	$ —	1,874,600
Current portion of lease receivables (notes 7 and 20)	6,211	6,586	Notes and accounts payable (note 19)	10,794,063	3,050,762
Accounts receivable-related parties (notes 19 and 20)	5,729,041	7,459,495	Accounts payable-related parties (notes 19 and 20)	112,880	213,752
Other receivables (note 20)	758,693	273,456	Accrued expenses (note 15)	1,659,833	1,357,219
Other receivables-related parties (notes 7 and 20)	14,106	—	Financial liabilities reported at fair value through profit or loss (notes 5 and 19)	223,302	27,054
Inventories, net (note 6)	4,505,664	3,142,990	Other payables-related parties (notes 19 and 20)	4,947,134	22,161,459
Prepayments	1,748,948	2,112,458	Current portion of bonds payable (notes 13 and 19)	2,039,083	13,998,754
Deferred income tax assets-current, net (note 16)	—	—	Current portion of long-term loans (notes 14 and 19)	12,866,141	16,495,166
Total current assets	17,871,330	18,458,625	Unearned receipts and other current liabilities	19,666	69,677
			Current portion of lease payables (notes 9 and 20)	149,323	165,728
Property, plant and equipment (notes 7, 8, 9, 14, 20 and 21):			**Total current liabilities**	32,811,425	59,414,171
Land	2,830,117	2,830,117			
Buildings	5,738,572	5,755,543	**Long-term liabilities:**		
Machinery and equipment	207,382,022	217,402,758	Bonds payable (notes 13 and 19)	13,991,778	—
Vehicles	5,485	5,416	Long-term loans (notes 14 and 19)	39,512,012	26,620,000
Leased assets	2,656,223	2,656,223	Lease payables-long-term (notes 9 and 20)	2,664,183	2,498,455
Miscellaneous equipment	18,216,290	19,955,312	**Total long-term liabilities**	56,167,973	29,118,455
	236,828,709	248,605,369			
Less: accumulated depreciation	(129,452,518)	(152,335,171)	**Other liabilities:**		
Less: accumulated impairment-machinery and equipment	(236,763)	—	Accrued pension liabilities (note 15)	16,964	8,313
Construction in progress	14,124,078	3,919,469	Guarantee deposits	3,647	2,731
Net property, plant and equipment	121,263,506	100,189,667	**Total other liabilities**	20,611	11,044
			Total liabilities	89,000,009	88,543,670
Intangible asset:					
Technical know-how (note 10)	723,422	—	**Stockholders' equity (note 17):**		
			Common stock	46,378,990	46,416,950
Other assets:			Capital collected in advance	3,940	—
Idle assets (notes 8, 14 and 20)	1,686,190	1,686,190	Capital surplus	41,615,903	41,761,490
Refundable deposits	80,905	14,582	Legal reserve	2,364,141	2,364,141
Deferred charges	10,400	13,375	Special reserve	542,605	542,605
Lease receivables-long-term (notes 7 and 20)	311,077	304,491	Accumulated deficit (note16)	(37,636,298)	(58,639,466)
Overdue receivables (note 11)	—	—	**Total stockholders' equity**	53,269,281	32,445,720
Deferred income tax assets-non-current, net (note 16)	322,460	322,460	**Commitments and contingencies (note 22)**		
Total other assets	2,411,032	2,341,098	**Subsequent event (note 24)**		
Total Assets	**$ 142,269,290**	**120,989,390**	**Total Liabilities and Stockholders' Equity**	**$ 142,269,290**	**120,989,390**

See accompanying notes to financial statements.

INOTERA MEMORIES, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 and 2011
(Expressed in thousands of New Taiwan Dollars, except for loss per share)

	For the years ended December 31,		
	2009	**2010**	**2011**
Operating revenues			
Sales revenue	$ 36,107,257	41,455,431	37,392,381
Sales returns	(3,219)	(1,410)	(7,148)
Sales allowances	(452)	(2)	(92)
Net operating revenues (note 20)	36,103,586	41,454,019	37,385,141
Cost of goods sold (notes 6, 9, 15, 17 and 20)	(44,742,915)	(48,856,906)	(55,547,973)
Gross loss	(8,639,329)	(7,402,887)	(18,162,832)
Operating expenses (note 17):			
Administrative and general expenses	(320,472)	(333,070)	(306,191)
Research and development expenses (note 10)	(681,033)	(1,477,893)	(1,400,804)
Total operating expenses	(1,001,505)	(1,810,963)	(1,706,995)
Operating loss	(9,640,834)	(9,213,850)	(19,869,827)
Non-operating income and gains:			
Interest income (notes 7 and 20)	74,001	32,232	44,329
Gain on disposal of fixed assets (note 20)	—	30,771	90,726
Foreign exchange gain, net	—	111,990	384,454
Gain on valuation of financial assets (note 5)	—	2,713	—
Others (notes 7, 9 and 20)	131,916	38,413	24,372
Total non-operating income and gains	205,917	216,119	543,881
Non-operating expenses and losses:			
Interest expenses (notes 8, 9 and 20)	(1,622,682)	(1,305,063)	(1,644,361)
Foreign exchange loss, net	(86,988)	—	—
Impairment loss (note 8)	(1,098)	(236,763)	—
Loss on valuation of financial assets (note 5)	(80,091)	—	—
Loss on valuation of financial liabilities (note 5)	(229,677)	(91,439)	(5,975)
Others	(21,474)	(30,316)	(26,886)
Total non-operating expenses and losses	(2,042,010)	(1,663,581)	(1,677,222)
Loss before income tax	(11,476,927)	(10,661,312)	(21,003,168)
Income tax expense (note 16)	—	—	—
Net loss	**$ (11,476,927)**	**(10,661,312)**	**(21,003,168)**
Basic loss per share (note 18)			
Before tax	**$ (3.19)**	**(2.34)**	**(4.53)**
After tax	**$ (3.19)**	**(2.34)**	**(4.53)**

See accompanying notes to financial statements.

INOTERA MEMORIES, INC.

Statements of Changes in Stockholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 and 2011
(Expressed in thousands of New Taiwan Dollars)

				Retained earnings			
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total
Balance as of January 1, 2009	$ 33,375,120	—	29,333,675	2,364,141	542,605	(15,498,059)	50,117,482
Increase in capital through offering of GDSs	6,400,000	—	3,704,546	—	—	—	10,104,546
Recognition of compensation costs from exercise of employee stock options	—	—	83,097	—	—	—	83,097
Net loss for the year ended December 31, 2009	—	—	—	—	—	(11,476,927)	(11,476,927)
Balance as of December 31, 2009	39,775,120	—	33,121,318	2,364,141	542,605	(26,974,986)	48,828,198
Capital increase in cash	6,400,000	—	7,995,000	—	—	—	14,395,000
Shares issued from exercise of employee stock options	203,870	3,940	—	—	—	—	207,810
Recognition of compensation costs from exercise of employee stock options	—	—	499,585	—	—	—	499,585
Net loss for the year ended December 31, 2010	—	—	—	—	—	(10,661,312)	(10,661,312)
Balance as of December 31, 2010	46,378,990	3,940	41,615,903	2,364,141	542,605	(37,636,298)	53,269,281
Shares issued from exercise of employee stock options	37,960	(3,940)	—	—	—	—	34,020
Recognized compensation costs on employee stock options	—	—	145,587	—	—	—	145,587
Net loss for the year ended December 31, 2011	—	—	—	—	—	(21,003,168)	(21,003,168)
Balance as of December 31, 2011	**$ 46,416,950**	—	**41,761,490**	**2,364,141**	**542,605**	**(58,639,466)**	**32,445,720**

See accompanying notes to financial statements.

INOTERA MEMORIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 2009, 2010 and 2011
(Expressed in thousands of New Taiwan Dollars

	For the years ended December 31,		
	2009	2010	2011
Cash flows from operating activities:			
Net loss	$ (11,476,927)	(10,661,312)	(21,003,168)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	29,603,228	31,137,115	31,896,756
Amortization of deferred charges	244,132	776,469	782,041
Compensation costs arising from share-based payments	83,097	499,585	145,587
(Gain from price recovery) loss on obsolescence of inventories	(1,767,684)	797,068	557,238
Gain on disposal of fixed and idle assets	(8,526)	(30,771)	(90,726)
Loss on impairment of fixed assets and idle assets	1,098	236,763	—
Unrealized foreign currency exchange (gain) loss, net	(292,456)	(510,742)	215,365
Interest income from capital lease	(19,175)	(18,841)	(18,487)
Interest expense from capital lease	291,824	294,788	280,007
Gain on terminated capital lease agreement	(7,833)	—	—
Change in operating assets and liabilities:			—
Increase (decrease) in financial liabilities reported at fair value through profit or loss, net	311,838	(344,340)	(196,248)
(Increase) decrease in accounts receivable - related parties	(6,870,447)	3,538,254	(1,714,603)
Decrease (Increase) in other receivables	144,773	(713,608)	485,237
Decrease in other receivables - related parties	9,373	3,310	14,106
Decrease (increase) in inventories	1,249,526	(1,846,692)	805,436
Decrease (increase) in prepayments	669,188	(1,256,031)	(363,510)
Increase (decrease) in notes and accounts payable	170,720	570,300	(348,690)
Increase (decrease) in accounts payable - related parties	68,101	(3,786)	109,238
Increase (decrease) in accrued expenses	174,586	333,325	(302,993)
Increase (decrease) in other payables - related parties	13,473	(25,244)	105,243
(Decrease) increase in unearned receipts and other current liabilities	(5,015)	(4,167)	50,011
Decrease in deferred income tax assets, net	(17,305)	—	—
Decrease in accrued pension liabilities	(6,027)	(8,380)	(8,651)
Net cash provided by operating activities	12,563,562	22,763,063	11,399,189
Cash flows from investing activities:			
Purchases of property, plant and equipment	(7,817,644)	(49,180,961)	(20,978,052)
Proceeds from disposal of fixed and idle assets	—	267,047	906,819
Decrease (increase) in refundable deposits	1,957	(78,434)	66,323
Decrease in lending to related parties	2,834,920	—	—
Increase in deferred charges and intangible assets	(1,629,700)	—	(11,000)
Decrease in lease receivables	24,698	24,698	24,698
Net cash used in investing activities	(6,585,769)	(48,967,650)	(19,991,212)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	1,945,300	(5,930,000)	1,874,600
Proceeds from long-term loans	1,670,000	31,395,000	3,500,000
Repayment of long-term loans	(15,800,729)	(13,222,688)	(12,995,620)
Repayment of bonds payable	(1,980,000)	(1,980,000)	(2,040,000)
(Decrease) increase in guarantee deposits	(4,559)	1,273	(916)
(Decrease) increase in lending from related parties	(1,917,000)	1,618,300	19,028,570
Decrease in lease payables	—	(429,329)	(429,330)
Capital collected in advance	—	3,940	—
Proceeds from capital increase in cash	10,104,546	14,598,870	34,020
Net cash (used in) provided by financing activities	(5,982,442)	26,055,366	8,971,324
Effect of foreign currency exchange translation	(28,892)	(118,337)	(24,328)
(Decrease) increase in cash and cash equivalents	(33,541)	(267,558)	354,973
Cash and cash equivalents at beginning of year	5,409,766	5,376,225	5,108,667
Cash and cash equivalents at end of year	**$ 5,376,225**	**5,108,667**	**5,463,640**
Supplemental cash flow information:			
Interest paid	$ 1,317,695	1,405,454	1,779,627
Less : capitalized interest	12,426	107,009	82,993
Interest paid excluding capitalized interest	**$ 1,305,269**	**1,298,445**	**1,696,634**
Income tax paid	**$ 18,596**	**1,329**	**2,183**
Non-cash investing and financing activities:			
Current portion of long-term loans	**$ 13,250,880**	**13,031,208**	**16,495,166**
Current portion of lease payables	**$ 134,541**	**149,323**	**165,728**
Current portion of lease receivable	**$ 5,857**	**6,211**	**6,586**
Current portion of bonds payable	**$ 1,978,854**	**2,039,083**	**13,998,754**
Adjustment to write-off the leased assets from the termination of capital lease agreement	$ 115,885	—	—
Adjustment to write-off the lease payables from the termination of capital lease agreement	(123,718)	—	—
Gain on terminated capital lease agreement	**$ (7,833)**	**—**	**—**
Increase in lease assets arising from new capital lease agreement	$ (2,656,223)	—	—
Increase in lease payable arising from new capital lease agreement	2,948,047	—	—
Adjustment to recognize interest expense arising from new capital lease	**$ 291,824**	**—**	**—**
Investing activities affecting both cash and non-cash items:			
Acquisition of property, plant and equipment	$ 10,593,282	55,188,822	11,639,010
Decrease (increase) in payables to equipment suppliers	(2,775,638)	(6,007,861)	9,339,042
Cash paid for acquisition of property, plant and equipment	**$ 7,817,644**	**49,180,961**	**20,978,052**

See accompanying notes to financial statements.

INOTERA MEMORIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009, 2010 and 2011
(All amounts are expressed in thousands of New Taiwan Dollars, except for per share information or unless otherwise specified)

(1) Organization and Principal Activities

Inotera Memories, Inc. (the "Company") was legally established with the approval by the Ministry of Economic Affairs on January 23, 2003. The Company's main operating activities are manufacturing and selling semiconductor products. In January 2006, the Company was granted approval of its application to list its shares on the Taiwan Stock Exchange (TSE). The Company's shares were initially listed on the TSE on March 17, 2006. On May 16, 2006 and August 4, 2009, the Company offered its equity shares in the form of global depositary shares (GDSs) for trading in the Multilateral Trading Facility (MTF) market on the Luxembourg Stock Exchange (LSE).

As of December 31, 2010 and 2011, the Company had 3,457 and 3,560 employees, respectively.

(2) Summary of Significant Accounting Policies

The accompanying financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Entity Accounting Act, Regulation on Handling Business Entity Accounting, and accounting principles generally accepted in the Republic of China (ROC).

The significant accounting policies followed by the Company are as follows:

(a) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(b) Foreign currency transactions and translation

The Company's reporting and functional currency is New Taiwan Dollar. Foreign currency transactions during the period are translated at the exchange rates on the transaction dates. Foreign currency-denominated assets and liabilities are translated into New Taiwan Dollars at the exchange rate prevailing on the balance sheet date. The resulting translation gains or losses are recognized as non-operating income or expenses.

(c) Basis for classifying assets and liabilities as current or non-current

Cash and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current assets.

Liabilities that are held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(d) Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(e) Cash equivalents

Commercial paper and corporate bonds with agreements to repurchase with maturities of less than three months from the date of purchase are classified as cash equivalents, which are highly liquid investment with no significant level of market or credit risk from potential interest rate changes.

(f) Financial instruments

The Company has adopted the following policies for financial instruments.

1. Financial assets/liabilities reported at fair value through profit or loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is estimated using valuation techniques which incorporate estimates and assumptions that are consistent with prevailing market conditions. When the net effect of the fair valuation of derivatives is positive, the derivative is recognized as a financial asset; but when the net effect is negative, the derivative is recognized as a financial liability.

2. Accounts receivable

Effective January 1, 2011, the Company assesses accounts receivable to identify whether the existence of objective evidence indicates an impairment loss on individual accounts receivable at each balance sheet date. When the result of the assessment indicates that impairment loss on accounts receivable exists, the Company recognizes an impairment loss. An impairment loss is recognized in profit or loss in the period when impairment is incurred based on the excess of the carrying value over the present value of estimated future cash flows at initial effective interest rate. The carrying value of accounts receivable is reduced through the use of an allowance account.

If the impairment loss decreases in the subsequent period due to the improvement in debtor's credit rating, the Company reverses an impairment loss recognized in prior periods by adjusting the allowance account. The carrying value after the reversal should not exceed the balance of accounts receivable assuming no impairment loss was recognized in prior periods. The reversal of impairment loss is recognized as a gain in the period when impairment loss decreases.

Prior to January 1, 2011, allowance for doubtful accounts is provided according to the status of collectability of each account. The amount is determined by considering the past collection experience, credit ratings of the customers, and aging analysis of the outstanding receivables.

(g) Inventories

Inventory costs include the expenditures required until the inventories are ready for sale or production. The fixed production overheads are allocated to finished goods and work in process based on the normal capacity of the production facilities. The variable production overheads are allocated based on actual output. Inventories are measured at the lower of cost and net realizable value. Net realizable value is based on the estimated selling price of the inventories in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Property, plant and equipment / Depreciation

Property, plant and equipment are stated at cost net of any impairment write-down less accumulated depreciation. Interest costs related to the construction of property, plant and equipment are capitalized and included in the cost of the related assets. Regular maintenance and repairs are expensed when incurred; major addition, improvement and replacement expenditures are capitalized.

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. In accordance with the Interpretation Rule (97) 340 issued by the Accounting Research and Development Foundation (ARDF), on November 12, 2008, the estimated useful lives, depreciation method and residual value of these assets are reviewed at least at each financial year-end. Any change in the estimated useful lives, depreciation method and residual value of these assets is treated as a change in an accounting estimate. The estimated economic useful lives of the assets are as follows:

(i) Buildings: 8 to 50 years.

(ii) Vehicles: 5 years.

(iii) Machinery and equipment: 3 to 5 years.

(iv) Leased assets: over the lease term

(v) Miscellaneous equipment: 3 to 15 years.

Gains or losses on disposal of property, plant and equipment are recorded as non-operating income or expenses.

(i) Intangible asset - Technical know-how

An intangible asset is measured initially at cost. Subsequent to initial recognition, an intangible asset is measured at its cost less any accumulated amortization and any accumulated impairment losses.

The amortizable amount of the Company's intangible asset is determined based on its initial cost. Amortization is recognized as an expense on a straight-line basis over the estimated useful life of an intangible asset of 27 months from the date that it is made available for use. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end and changes thereon are accounted for as changes in accounting estimates.

(j) Capital leases

A lease is deemed to be a capital lease if it conforms to any one of the following classification criteria:

(i) the lease transfers ownership of the leased assets to the lessee by the end of the lease term;

(ii) the lease contains a bargain purchase option;

(iii) the lease term is equal to 75% of or more of the total estimated economic life of the leased assets; this criterion should not be applied to leases in which the leased asset has been used for more than 75% of its estimated economic life before the lease begins;

(iv) the present value of the rental plus the bargain purchase price or the guaranteed residual value is at least 90% of the fair market value of the leased assets at the inception date of the lease.

For the lessor, a capital lease must also conform to any one of the four classification criteria specified above and both of the following two further criteria:

(i) collectibility of the lease payments is reasonably predictable; and

(ii) no important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

Under a capital lease, the Company, as the lessee, capitalizes the leased assets based on (a) the present value of all future installment rental payments (minus executory cost born by lessor) plus bargain purchase price or lessee's guaranteed residual value or (b) the fair market value of leased assets at the lease inception date, whichever is lower. The depreciation period is restricted to the lease term, rather than the estimated useful life of the assets, unless the lease provides for transfer of title or includes a bargain purchase option.

Under a capital lease, the Company, as the lessor, records all installments plus bargain purchase price or guaranteed residual value as the lease receivables. The implicit interest rate is used to calculate the present value of lease receivables as the cost of leased assets transferred. The difference between the total amount of lease receivables and the cost of leased assets transferred is recognized as unrealized interest income and is then recognized as realized interest income using the interest method over the lease term.

(Continued)

(k) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan (the "Plan") covering full-time employees in the Republic of China. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement. Each employee gets 2 months' salary for each service year for the first 15 years, and 1 month's salary for each service year thereafter. A lump-sum retirement benefit is paid through the retirement fund.

Starting from July 1, 2005, the enforcement of the newly enacted Labor Pension Act (the "New Act") stipulates those employees covered by the defined contribution plan as follows:

(i) Employees who were covered by the Plan and opt to be subject to the pension mechanism under the New Act;

(ii) Employees who are employed after the enforcement date of the New Act.

In accordance with the New Act, the rate of contribution by an employer to an individual labor pension fund account per month shall not be less than 6% of the worker's monthly wages. The Plan has not been modified to conform to the New Act. For those provisions of the New Act not currently included in the Plan, the Company follows the New Act. The Company contributes monthly to the individual labor pension fund at the rate of 6% of paid salaries and wages. This fund is deposited with Bureau of Labor Insurance.

The Company applies the guidance in Statement of Financial Accounting Standards (SFAS) No. 18 "Accounting for Pensions" for its defined benefit retirement plan. SFAS No. 18 requires an actuarial calculation of the Company's pension obligation at the end of each year. Based on the actuarial calculation, the Company recognizes a minimum pension liability and net periodic pension costs. The Company provides monthly contributions to the retirement fund at the rate of 2% of paid salaries and wages. This fund is deposited with Bank of Taiwan.

(l) Bonus to employees and remuneration to directors and supervisors

Under the Interpretation Rule (96) 052 issued by the ARDF, which is effective from January 1, 2008, the appropriations of bonuses to employees and remuneration to directors and supervisors from current year's earnings are accrued under operating expense or cost of goods sold in the year when earnings are incurred based on the estimated amounts. The differences between the approved amount in the shareholders meeting in the following year and the accrued amount in the current year, if any, are treated as a change in accounting estimate and are charged to profit or loss in the following year.

(m) Share-based payments

Share-based payments, including those under the employee stock option plans, are accounted for under SFAS No. 39 "Share-Based Payment", which is effective from January 1, 2008. The Interpretation Rules (92) 070, 071, and 072 issued by the ARDF are applied for those share-based payments under the employee stock option plans with grant dates before January 1, 2008. Under SFAS No. 39, share-based payments are accounted for as follows:

(i) The share-based awards are measured at fair value on grant date. The grant-date fair value of equity-settled awards is expensed over the vesting period with the corresponding increase in equity. Also, the vesting period is estimated based on the vesting conditions of the share-based option plan that must be satisfied. These vesting conditions include service conditions and performance conditions. In determining the grant-date fair value of equity-settled awards, vesting conditions other than market conditions are not taken into account.

(i) Fair value is measured using the Black-Scholes option pricing model, which considers management's best estimate of the exercise price, expected term, underlying shares price, expected volatility, expected dividends, and risk-free interest rate to the model.

(ii) The Company is not required to apply SFAS No. 39 retroactively to share-based payment transactions that occurred before January 1, 2008; however, the disclosure of pro forma net income and earnings per share is still required.

(n) Deferred charges

Power line installation costs are deferred and amortized over the estimated useful lives or the agreement terms.

(o) Revenue recognition

Revenue is generally recognized when it is realized or realizable and earned when all of the following criteria are met:

(i) persuasive evidence of an arrangement exists,

(ii) shipment has occurred or services have been rendered,

(iii) the seller's price to the buyer is fixed or determinable, and

(iv) collectibility is reasonably assured.

Rental income is recognized when services are provided.

(p) Income tax

The Company has adopted SFAS No. 22 "Income Taxes", under which, income taxes are accounted for using the asset and liability method. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects of taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

Deferred income tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the expected realization date of the asset or liability.

Any tax credits arising from purchases of machinery and equipment, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

According to the ROC Income Tax Law, undistributed earnings calculated on tax basis, if any, is subject to an additional 10 percent retained earnings tax. This surtax is charged to income tax expense in the following year when the appropriation of earnings is approved by the stockholders.

(q) Loss per share

Loss per common share is computed by dividing net loss by weighted-average number of outstanding shares during the year.

Stock options and stock bonus to employees accrued in current year's earnings and awaiting approval by the shareholders in the following year, are potential common shares. Both basic and diluted loss per share is disclosed if those potential common shares are dilutive, otherwise, only basic earnings (loss) per share are disclosed. Diluted loss per share is computed by taking basic loss per share into consideration, plus the additional common shares that would have been outstanding if the potentially dilutive shares are issued.

The number of outstanding shares is retroactively adjusted for common stock issued through the distribution of stock dividends out of unappropriated earnings and capital surplus.

(3) Reasons for and Cumulative Effect of Accounting Principle Change

(a) Effective January 1, 2009, the Company adopted the newly revised SFAS No. 10 "Inventories" with no retroactive presentation requirement. The adoption of this new accounting principle resulted in the inclusion to the cost of goods sold of the unallocated fixed overhead and direct labor cost of $12,903,228 and gain from price recovery of inventories of $1,767,684 for the year ended December 31, 2009.

(b) Effective January 1, 2011, the Company has adopted SFAS No. 41 "Operating Segment", which replaced SFAS No. 20 "Segment Reporting". Under SFAS No. 41, information is disclosed to enable users of financial of financial statements to evaluate the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates. Accordingly, operating segments are identified and disclosed based on the information provided to the chief operating decision maker ("CODM"). Management has determined, based on the financial information provided to the CODM, that the Company does not have any operating segments as that term is defined in SFAS No. 41. Entity wide disclosures required under SFAS No. 41 are including in Note 26.

(c) Effective January 1, 2011, the Company has adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement". Under this amended accounting principle, impairment loss arising from valuation of financial instruments is now recognized as expenses instead of being directly adjusted to stockholders' equity and this change in accounting is not anymore treated as a change in accounting principle. The adoption of this amended accounting principle did not affect net loss for the year ended December 31, 2011.

(4) Cash and Cash Equivalents

	December 31,	
	2010	**2011**
Cash on hand - petty cash	$ 15	30
Cash in bank - checking account	17,637	41,124
Cash in bank - demand deposit account	824	547
Cash in bank - foreign currency account	4,317,570	1,393,369
Certificate of deposit - foreign currency account	—	4,028,570
Cash equivalents - commercial paper	172,421	—
Cash equivalents - repurchase agreements collateralized by corporate bonds	600,200	—
	$ 5,108,667	**5,463,640**

(5) Financial Liabilities Reported at Fair Value through Profit or Loss - Current

Financial liabilities reported at fair value with changes in fair value recorded through profit or loss as of December 31, 2010 and 2011, consisted of the following:

	December 31,	
	2010	2011
Financial liabilities		
Interest rate swaps	$ 223,302	27,054

(a) The Company entered into several interest rate swaps agreements (IRS) with banks to manage the risk from fluctuations of interest rates for long-term loans.

(b) As of December 31, 2010 and 2011, derivative financial instruments that did not qualify for hedge accounting were accounted for as financial liabilities reported at fair value through profit or loss, details of which were as follows:

(i) Interest rate swaps:

December 31, 2010			
Notional amount (in thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NTD 19,500,000	2012.2.21	2.18%~2.432%	NTD 90-day commercial paper in secondary market average rate

December 31, 2011			
Notional amount (in thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NTD 7,500,000	2012.2.21	2.24%~2.432%	NTD 90-day commercial paper in secondary market average rate

(c) For the years ended December 31, 2009, 2010 and 2011, the Company recognized net gain (loss) on valuation of financial instruments as follows:

	For the years ended December31,					
	2009		2010		2011	
	Realized	Unrealized	Realized	Unrealized	Realized	Unrealized
Foreign exchange forward contracts	$ (37,243)	—	—	—	—	—
Foreign exchange swaps	(42,848)	—	2,713	—	—	—
Interest rate swaps	(414,123)	184,446	(348,610)	257,171	(117,533)	111,558
	$ (494,214)	184,446	(345,897)	257,171	(117,533)	111,558

(Continued)

(6) Inventories, net

	December 31,	
	2010	2011
Work in process	$ 4,919,468	4,144,234
Less: allowance for inventory	(928,856)	(1,481,918)
Sub-total	3,990,612	2,662,316
Raw materials	513,213	486,161
Less: allowance for inventory	(1,311)	(5,487)
Sub-total	511,902	480,674
Materials and supplies in transit	3,150	—
Total	**$ 4,505,664**	**3,142,990**

For the years ended December 31, 2010 and 2011, the Company recognized a loss from devaluation of inventories of $797,068 and $557,238, respectively, which were debited to cost of goods sold as the carrying value of inventories exceeded the net realizable value thereof. In addition, in 2009, the net realizable value of inventories has increased because the factor that caused the inventory devaluation in prior period has improved, therefore, the Company recognized a gain from recovery in the value of inventories of $1,767,684, which was credited to cost of goods sold for the year ended December 31, 2009.

(7) Lease Receivables

(a) The Company signed a long-term lease agreement with Nanya Technology Corp. (NTC) to lease out a portion of the building and land (including supplemental equipment) located at No. 667, Fuhsing 3rd Road, Hwa-Ya Technology Park, Kueishan Valley, Taoyuan County. The lease term is effective from July 1, 2005, and will expire on December 31, 2034 (including the period when the lease is automatically extended), a total lease period of 354 months. The lease agreement for the building is treated as a capital lease because the present value of the periodic rental payments since the inception date is at least 90% of the market value of the leased assets. The land is treated as an operating lease because the fair value of the land is 25 percent or more of the total fair value of the leased property at the inception of the lease. The monthly rentals for the lease of building and land were $2,058 and $310, respectively.

(b) The initial total amount of lease receivables for the capital lease of the building was $728,587, with implicit interest rate of 5.88%. The cost of leased assets transferred was $345,637 (including the net book value of the building and miscellaneous equipment of $277,372 and $68,265, respectively). The difference of $382,950 between the total amount of lease receivables and the cost of leased assets transferred was recognized as unrealized interest income and is amortized over the lease period. Interest income recognized for the years ended December 31, 2009, 2010 and 2011 amounted to $19,175, $18,841 and $18,487, respectively, which was classified under non-operating income and gains - interest income.

(Continued)

(c) The details of lease receivables as of December 31, 2010 and 2011, were as follows:

	December 31,			
	2010		2011	
	Current	Non-current	Current	Non-current
Gross lease receivables	$ 24,698	568,051	24,698	543,353
Less: unrealized interest income	(18,487)	(256,974)	(18,112)	(238,862)
Net lease receivables	**$ 6,211**	**311,077**	**6,586**	**304,491**

(a) For the years ended December 31, 2009, 2010 and 2011, the rent revenues (classified under non-operating income and gains - others) from the operating lease of the land were $3,719.

(d) Future gross lease receivables for leases classified as capital lease or operating lease as of December 31, 2011, were as follows:

Duration	December 31, 2011	
	Capital lease	Operating lease
2012.1.1~2012.12.31	$ 24,698	3,719
2013.1.1~2013.12.31	24,698	3,719
2014.1.1~2014.12.31	24,698	3,719
2015.1.1~2015.12.31	24,698	3,719
On and after 2016.1.1	469,259	70,651
Total	**$ 568,051**	**85,527**

(8) Property, Plant and Equipment and Idle Assets

(a) As of December 31, 2010, the Company had accumulated impairment loss on fixed assets of $236,763, because some machinery and equipment were evaluated in June 2010 as no longer useful for the next generation manufacturing process. This factor is expected to cause a decrease in cash inflows from the use of the related machinery so that the recoverable amount of those machinery and equipment would be lower than its carrying amount. The recoverable amount of the machinery was based on its value in use, determined using a discount rate of 13.49%. As of December 31, 2011, these machinery and equipment were classified as idle assets as they were not used in operation and then were disposed.

(b) In March 2007, the Company has secured the approval to purchase two parcels of land numbered 21 and 33 located in Taoyuan Hi-Tech Industrial Park Tang Wei District, for $1,686,190 from the Taoyuan County Government. Asia Pacific Development Co. was engaged by the Taoyuan County Government to handle the sale of the land in this industrial park. As the land is not being used in operation, it was classified as an idle asset.

(Continued)

(c) Fixed and intangible assets are normally assessed for any impairment each year. Also, idle assets - machinery and equipment based on book value were provided with a 100% impairment loss provision.

(d) Idle assets as of December 31, 2010 and 2011 consisted of the following:

	December 31,	
	2010	2011
Land	$ 1,686,190	1,686,190
Original cost of machinery and equipment	53,876	3,244
Less: accumulated depreciation	(45,654)	(1,352)
impairment loss	(8,222)	(1,892)
	$ 1,686,190	**1,686,190**

(e) The bases for the capitalization of interests for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For the years ended December31,		
	2009	2010	2011
Total interest expenses	$ 1,635,108	1,412,072	1,727,354
Capitalized interest (charged to construction in progress)	12,426	107,009	82,993
Capitalized interest rates	1.5938%~2.3679%	1.8815%~2.1342%	1.7786%~1.9398%

(f) The property, plant and equipment pledged to secure bank loans were described in note 14.

(9) Leased Assets and Lease Payables

(a) The Company signed a long-term lease agreement with NTC to lease and use a portion of the building and land located on the land numbered 348, 348-2 and 348-4, Hwa-Ya Section, Kueishan Valley, Taoyuan County. The lease term commences on July 1, 2005, and will expire on February 28, 2029 (including the period when the agreement can be automatically extended), a total lease period of 284 months. The lease agreement for the building is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The lease for the land is treated as an operating lease because the fair value of the land is 25 percent or more of the total fair value of the leased property at the inception of the lease. The monthly rentals for the leased building and land were $775 and $357, respectively. On June 18, 2009, the July 1, 2005 lease agreement was terminated and a new lease agreement was executed by the same parties. This new lease agreement, including the same properties as those of the old lease agreement, covers a lease term commencing retroactively from January 1, 2009. Management had valuated this new lease agreement for purposes of accounting. The result thereof disclosed that the total present value of lease payables from the lease of the building was $135,996; the implicit interest rate was 4.46% and the fair value of the leased assets at the beginning of the lease period was $135,996. Therefore, the

(Continued)

Company recognized a gain of $7,833 on the terminated capital lease agreement, which was classified under non-operating income and gains - others.

(b) On June 18, 2009, the Company signed an amended long-term lease agreement with NTC and MeiYa Technology Corp. (MTC) which was originally contracted by NTC directly with MTC on the lease of building, facilities and land located on the land numbered 348, 348-1 and 348-3, Hwa-Ya Section, Kueishan Valley, Taoyuan County. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018 but the Company is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each by providing written notice of the Company's intention to renew the lease term commencing from January 1, 2019. In addition, the Company has an exclusive option to purchase the leased assets for a total purchase price of US$50,000 thousand on and after January 1, 2024. Also, the rental due for the entire year of 2009 has been waived. Initial yearly rentals for the leased building including facilities and land were US$13,010 thousand and US$1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building including facilities and land were US$8,010 thousand and US$1,990 thousand, respectively from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building including facilities and land were US$10 thousand and US$1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building including facilities is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease because the fair value of the land is 25 percent or more of the total fair value of the leased property at the inception of the lease. The total present value of lease payables from the capital lease of the building including facilities was $2,656,223; the implicit interest rate was 10.56%. The fair value of the leased assets at the beginning of the lease period was $2,656,223. The Company recognized interest expenses from lease payables of $291,824, $294,788 and $280,007, for the years ended December 31, 2009, 2010 and 2011, respectively.

(c) As of December 31, 2010 and 2011, the details of these lease payables were as follows:

	December 31,	
	2010	2011
Lease payables	$ 2,813,506	2,664,183
Less: current portion of lease payables	(149,323)	(165,728)
Lease payables-long-term	**$ 2,664,183**	**2,498,455**

(d) For the years ended December 31, 2009, 2010 and 2011, the lease expenses for the operating lease of the land (classified under manufacturing overhead) were $0, $63,351 and $59,289, respectively.

(e) Future lease payments (excluding interest component) classified as capital lease or operating lease as of December 31, 2011, were as follows:

Duration	December 31, 2011	
	Capital lease	Operating lease
		(in thousands of US Dollars)
2012.1.1~2012.12.31	$ 165,728	1,990
2013.1.1~2013.12.31	183,935	1,990
2014.1.1~2014.12.31	204,143	1,990
2015.1.1~2015.12.31	226,571	1,990
On and after 2016.1.1	1,883,806	17,910
Total	**$ 2,664,183**	**25,870**

(10) Intangible Asset - Technical know-how

The cost and accumulated amortization of an intangible asset as of and for the years ended December 31, 2009, 2010 and 2011, were as follows:

	Technical know-how
Cost:	
Balance of January 1, 2009	$ —
Acquisition	1,627,700
Balance of December 31, 2009	**$ 1,627,700**
Balance of December 31, 2010	**$ 1,627,700**
Balance of December 31, 2011	**$ 1,627,700**
Accumulated amortization:	
Balance of January 1, 2009	$ —
Amortization expense in 2009	180,856
Balance of December 31, 2009	180,856
Amortization expense in 2010	723,422
Balance of December 31, 2010	904,278
Amortization expense in 2011	723,422
Balance of December 31, 2011	**$ 1,627,700**
Net book value:	
Balance of December 31, 2009	**$ 1,446,844**
Balance of December 31, 2010	**$ 723,422**
Balance of December 31, 2011	**$ —**

(Continued)

For the years ended December 31, 2009, 2010 and 2011, the amortization expenses (classified under operating expenses - research and development expenses) were $180,856, $723,422, and $723,422 respectively.

(11) Overdue Receivables

On January 23, 2009, Qimonda AG filed an application with the local court in Germany to open insolvency proceedings. Consequently, full allowance for doubtful accounts was provided on all outstanding accounts receivable from Qimonda AG totaling $3,345,946, which was originally classified under accounts receivable. Such receivable, together with the related allowance for doubtful accounts, were reclassified to other assets - overdue receivables.

(12) Short-term Loans

	December 31,	
	2010	**2011**
Short-term borrowing from credit facility	**$ —**	**1,874,600**
Annual interest rate	**$ —**	**0.9%-1.5%**

As of December 31, 2010 and 2011, the unused credit facility for short-term loans amounted to $21,312,475 and $23,770,142, respectively.

(13) Bonds Payable

Bonds payable as of December 31, 2010 and 2011, consisted of the following:

	December 31,	
	2010	**2011**
Domestic unsecured corporate bonds	$ 16,030,861	13,998,754
Less: current portion of bonds payable	(2,039,083)	(13,998,754)
Total	**$ 13,991,778**	**$ —**

The details of bonds payable, which do not include any financial covenants, were as follows:

	The first domestic unsecured corporate bond in 2006	The second domestic unsecured corporate bond in 2006	The first domestic unsecured corporate bond in 2007	The second domestic unsecured corporate bond in 2007
Principal	$ 6,000,000	4,000,000	5,000,000	5,000,000
2010.12.31 (including current portion)	2,039,083	3,998,000	4,997,111	4,996,667
2010. 12.31 Current portion	2,039,083	—	—	—
2011.12.31 (including current portion)	—	4,000,000	4,999,587	4,999,167
2011.12.31 Current portion	—	4,000,000	4,999,587	4,999,167
Par value	1,000	1,000	1,000	1,000
Duration	2006.12.19 ~ 2011.12.19	2007.01.05 ~ 2012.01.05	2007.03.30 ~ 2012.03.30	2007.05.09 ~ 2012.05.09
Coupon rate and interest payment	Interest payable annually at 2.20%	Interest payable annually at 2.23%	Interest payable annually at 2.17%	Interest payable annually at 2.20%
Repayment term	Repayable in three annual installments: at the rate of 33%, 33%, and 34%, respectively; starting from 3 years after the issuance date	Repayable on maturity date	Repayable on maturity date	Repayable on maturity date

(14) Long-term Loans

Long-term loans as of December 31, 2010 and 2011, consisted of the following:

Bank		Duration	Nature	Interest rate	December 31, 2010
Mega International Commercial Bank (the managing bank)	(1)	March 30, 2007~ March 30, 2012	Machinery loan	1.6327%~1.6842%	$ 13,490,192
Mega International Commercial Bank (the managing bank)	(1)	March 30, 2007~ March 30, 2012	Machinery loan	1.6148%~1.6279%	5,808,961
Mega International Commercial Bank (the managing bank)	(2)	May 27, 2010~ May 27, 2015	Machinery loan	1.6842%	31,409,000
Taichung Bank	(3)	December 24, 2010~ December 24, 2013	Operating use	1.755%	1,070,000
Taichung Bank	(3)	December 24, 2010~ December 24, 2013	Operating use	1.855%	600,000
					52,378,153
Less: current portion of long-term loans					(12,866,141)
					$ 39,512,012

(Continued)

Bank		Duration	Nature	Interest rate	December 31, 2011
Mega International Commercial Bank (the managing bank)	(1)	March 30, 2007~ March 30, 2012	Machinery loan	1.6327%~1.6842%	$ 4,498,313
Mega International Commercial Bank (the managing bank)	(1)	March 30, 2007~ March 30, 2012	Machinery loan	1.6148%~1.6279%	2,016,853
Mega International Commercial Bank (the managing bank)	(2)	May 27, 2010~ May 27, 2015	Machinery loan	1.6505%~1.7484%	34,930,000
Taichung Bank	(3)	December 24, 2010~ December 24, 2013	Operating use	1.7550%~1.8610%	1,070,000
Taichung Bank	(3)	December 24, 2010~ December 24, 2013	Operating use	1.8550%~1.9610%	600,000
					43,115,166
Less: current portion of long-term loans					(16,495,166)
					$ 26,620,000

(1) The Company signed a syndicated loan agreement with Mega International Commercial Bank, the managing bank of the syndicated loan, and 24 other banks on March 5, 2007 (as of December 31, 2011, the actual number of banks had increased to 27 in total). As of December 31, 2011, the Company applied for drawings of US$400,000 thousand and $26,997,000. The details of this loan are as follows:

(a) Credit line: US$400,000 thousand and $27,000,000.

(b) Interest rate for Tranche A: USD 3-month or 6-month London Inter-bank Offered Rate (“LIBOR”) plus margin.

(c) Interest rate for Tranche B: 90-day or 180-day commercial paper rate in the secondary market which appears on Moneyline Telerate, plus margin.

(d) The interest rates under items 1(b) and 1(c) above shall not be lower than the minimum limit of 1.6%

(e) Duration: 5 years.

(f) Repayment: The principal is payable in 6 semi-annual installments starting from 30 months after the first drawing date.

(g) The Company has issued a promissory note for this syndicated loan.

(h) As of December 31, 2011, the Company's repayments amounted to US$333,335 thousand and $22,497,500.

(i) The long-term loan is secured by machinery and equipment. As of December 31, 2010 and 2011, the net book value of these pledged assets amounted to $29,922,295 and $18,988,417, respectively.

(2) The Company signed another syndicated loan agreement with Mega International Commercial Bank, the managing bank of the syndicated loan, and 24 other banks on May 10, 2010. As of December 31, 2011, the Company applied for drawings of $35,000,000. The details of this loan are as follows:

(a) Credit line: $35,000,000.

(b) Interest rate: 90-day or 180-day commercial paper rate in the secondary market which appears on Moneyline Telerate, plus margin.

(c) The interest rates above shall not be lower than the minimum limit of 1.6%.

(d) Duration: 5 years.

(e) Repayment: The principal is payable in 7 semi-annual installments starting from 24 months after the first drawing date.

(f) The Company has issued a promissory note for this syndicated loan.

(g) The long-term loan is secured by machinery and equipment. As of December 31, 2010 and 2011, the net book value of these pledged assets amounted to $40,299,412 and $30,638,378, respectively.

According to the above two long-term loan agreements, the Company was required to maintain certain financial ratios. If the Company fails to maintain these financial ratios, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the Loan Agreement to be immediately due and payable. These financial ratios are as follows:

(a) Current Ratio (total current assets to total current liabilities): not less than one (1) to one (1) (under the syndicated loan agreement on May 27, 2010, compliance with the current ratio will commence from calendar year of 2012).

(b) Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than one and a half (1.5) to one (1).

(c) Interest Coverage Ratio (EBITDA to interest expenses): shall not be less than four (4) to one (1).

In addition, the long-term loan agreements require that (i) no material adverse change shall be made to the supply agreement signed by the Company, Nanya Technology Corporation (NTC), and Micron Technology Inc., and (ii) NTC and Micron Technology Inc. and their affiliates, taken as a whole, directly or indirectly, shall remain the largest shareholders of the Company and retain control over the Company. No such changes occurred as of December 31, 2011.

In the event that any of the above financial covenants is breached, the Company is required to cure the breach, no later than the end of November in the relevant calendar year, for a breach in respect of any semi-annual financial statements, and for a breach in respect of any annual financial statements, no later than the end of June of the following calendar year, or to submit a formal letter to the managing bank at least two months prior to the expiration of the Remedial Period, so that the managing bank can convene a meeting of the Banks to discuss the aforesaid breach and to resolve before the expiration of the Remedial Period on whether a waiver of the breach will be granted.

On October 21, 2010, the syndicate banks formally agreed further to waive the Company's obligation to comply with its financial loan covenants under its first syndicate loan of US$400,000 thousand and $27,000,000 in connection with their review of the financial statements for the six-month period ended June 30, 2010. Also, on June 14 and November 10, 2011, the syndicate banks formally agreed further to waive the Company's obligation to comply with its financial loan covenants under its first syndicate loan of US $400,000 thousand and $27,000,000 and second syndicate loan of $35,000,000 in connection with their review of the financial statements for the year ended December 31, 2010 and for the six-month period ended June 30, 2011, respectively.

(3) On April 24, 2009, the Company contracted with Taichung Bank, under which, Taichung Bank granted mortgage loan and unsecured loan facility to the Company totaling $1,670,000. The mortgage loan is secured by a land (accounted for as idle asset) that is intended for the construction of the third Fab. Each of these loans, with a term of two years and which bears interest rate based on two-year time deposit floating rate, is payable in lump sum on maturity date. On December 24, 2010, the Company renewed the loan agreement with Taichung Bank, under which, Taichung Bank agreed to prolong the term of mortgage loan and unsecured loan facility granted to the Company to a term of three years. These mortgage loan and unsecured loan facility, which bear interest rate based on 90-day or 180-day commercial paper rate in the secondary market appearing on Moneyline Telerate plus margin, are payable in lump sum on maturity date and do not include any financial covenants.

(15) Accrued Pension Liabilities

(a) The pension costs and related accounts for the years ended December 31, 2009, 2010 and 2011, were as follows:

	December 31,		
	2009	2010	2011
Balance of the retirement fund	$ 82,729	95,830	106,548
Periodic pension costs			
Defined benefit plan cost	5,923	2,571	1,762
Defined contribution plan cost	99,801	102,823	115,418
Accrued pension liabilities-defined benefit plan	25,344	16,964	8,313
Accrued expenses-defined contribution plan	25,252	28,336	31,421

(b) The funded status was reconciled to accrued pension liability as of December 31, 2010 and 2011 as follows:

	December 31,	
	2010	2011
Benefit obligation:		
Vested benefit obligation	$ (5,931)	(6,672)
Non-vested benefit obligation	(48,552)	(58,102)
Accumulated benefit obligation	(54,483)	(64,774)
Projected compensation increase	(48,988)	(45,447)
Projected benefit obligation	(103,471)	(110,221)
Fair value of plan assets	97,027	108,300
Funded status	(6,444)	(1,921)
Unamortized pension gain or losses	(10,520)	(6,392)
Accrued pension liability	**$ (16,964)**	**(8,313)**

(c) As of December 31, 2010 and 2011, the actuarial present value of the vested benefits for the Company's employees in accordance with the retirement benefit plan was approximately $6,374 and $7,329, respectively.

(d) Major assumptions used to determine the pension plan funded status for the years ended December 31, 2009, 2010, and 2011, were as follows:

	For the years ended December 31,		
	2009	2010	2011
Discount rate	2.75%	2.75%	2.00%
Rate of increase in compensation	3.00%	3.00%	2.50%
Expected long-term rate of return on plan assets	2.75%	2.75%	2.00%

(Continued)

(16) Income Tax

(a) The Company's earnings are subject to income tax at a statutory rate of 25% before 2010. However, based on the amended Income Tax Act publicly announced on June 15, 2010, the statutory income tax rate has been reduced further from 20% to 17% commencing from 2010. In 2009, 2010 and 2011, the Company is subject to income tax at a statutory rate of 25%, 17% and 17%, respectively, and is also subject to the requirements of the "Income Basic Tax Act" in calculating the basic tax. For the years ended December 31, 2009, 2010 and 2011, the components of income tax expense were as follows:

	For the years ended December 31,		
	2009	2010	2011
Income tax expense - current	$ 17,305	—	—
Income tax benefit - deferred	(17,305)	—	—
Income tax expense	**$ —**	**—**	**—**

The components of deferred income tax expense for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For years ended December 31,		
	2009	2010	2011
Investment tax credit	$ 6,582,547	(272,860)	3,349,420
Loss carry forward	(2,636,759)	(2,008,726)	(3,397,027)
Decrease (increase) in allowance for inventory devaluation and obsolescence	353,537	(131,509)	(94,730)
Allowance for doubtful accounts	13,580	90,066	2,942
Valuation (gain) loss on financial instruments	(4,046)	75,567	33,362
Change in depreciation of idle and fixed assets	3,300	(38,966)	—
Unrealized depreciation for tax filing	(211,635)	190,663	(41,505)
(Unrealized) realized interest expenses	(58,365)	58,365	—
Allowance for valuation of deferred tax assets	(5,380,766)	1,035,022	221,001
Decrease (increase) in unrealized foreign exchange gain or loss	168,375	148,655	(22,532)
Realized unallocated overhead and labor	—	(48,177)	(52,402)
Deferred income tax effect of change in income tax rate	1,150,951	900,476	—
Others	1,976	1,424	1,471
Deferred income tax expense	**$ (17,305)**	—	—

(Continued)

(b) The income tax expense calculated at a statutory income tax rate on loss before income tax was reconciled with the income tax as reported in the accompanying financial statements for the years ended December 31, 2009, 2010 and 2011, as follows:

	For years ended December31,		
	2009	2010	2011
Income tax calculated based on pretax financial loss	$ (2,869,232)	(1,812,423)	(3,570,538)
Expiry (increase in) of income tax credit on purchase of machinery and equipment	6,582,547	(272,860)	3,349,420
Difference between estimated and actually reported income tax expense	110	7	(1)
(Decrease) increase in valuation allowance for deferred income tax assets	(5,380,766)	1,035,022	221,001
Effect of changes in income tax rate	1,743,461	1,046,077	—
Prior year income tax adjustment	(76,196)	4,064	—
Others	76	113	118
Income tax expense	$ —	—	—

(c) As of December 31, 2010 and 2011, the components of deferred income tax assets or (liabilities) were as follows:

	December 31,	
	2010	2011
Current deferred income tax assets:		
Unused investment tax credit	$ 3,975,405	1,610,489
Allowance for inventory devaluation and obsolescence	158,129	252,859
Allowance for uncollectible accounts	553,384	550,442
Unrealized valuation loss on financial assets	37,961	4,599
Unrealized foreign exchange loss	—	2,583
Unrealized unallocated overhead and labor	48,177	100,579
Valuation allowance for deterred income tax assets	(4,766,185)	(2,521,551)
Current deferred income tax assets, net	6,871	—
Current deferred income tax liabilities:		
Unrealized foreign exchange gain	(6,871)	—
Net current deferred income tax assets	$ —	—
Non-current deferred income tax assets		
Unused investment tax credit	$ 3,769,573	2,785,069
Loss carry forward	6,925,943	10,322,970
Allowance for impairment loss on fixed and idle assets	29,477	14,227
Unrealized depreciation for tax filing	—	56,755
Accrued pension liability	2,884	1,413
Valuation allowance for deferred income tax assets	(10,392,339)	(12,857,974)
Non-current deferred income tax assets	335,538	322,460
Non-current deferred income tax liabilities		
Unrealized foreign exchange gain	(13,078)	—
Net non-current deferred income tax assets, net	$ 322,460	322,460

(Continued)

Full valuation allowance was provided for most of the components of deferred tax assets as management believes that they are not expected to be realized in future years.

(d) Under the ROC Statute for Upgrading Industries, the Company's unused investment tax credits as of December 31, 2011, were as follows:

Year	Purchasing machinery and equipment	Personnel training and research and development expenditures	Expiry Year
2008	$ 1,587,701	22,788	2012
2009	376,714	29,250	2013
2010	1,998,486	—	2014
2011	380,619	—	2015
	$ 4,343,520	**52,038**	

ROC Income Tax Law provides an investment tax credit to companies that purchase certain types of equipment and machinery. Such tax credit can be used to reduce by up to 50% of income tax liability for each of the four years commencing from the year of equipment purchase, and can be used further to reduce by up to 100% of such income tax liability in the fifth year.

(e) As of December 31, 2011, unused loss carry forward tax credits available to the Company were as follows:

Year	Unused loss carry forward tax credits	Expiry Year
2008	$ 16,011,859	2018
2009	12,234,762	2019
2010	12,494,223	2020
2011	19,982,506	2021
	$ 60,723,350	

(f) The Company's income tax returns have been examined by the ROC tax authority through 2009.

(g) Undistributed earnings, imputation credit account (ICA) and creditable ratio

	December 31,	
	2010	2011
Accumulated deficit after 1997	$ (37,636,298)	(58,639,466)
Imputation credit account	$ 181,295	181,295

	2010	2011
Creditable ratio	-%	-%

(h) The stockholders approved a resolution during their meetings on June 29, 2007, and June 8, 2011, allowing the Company to avail of the Income Tax Holiday for qualifying investment projects under Article 9 of the Statute for Upgrading Industries. On June 23, 2010, the Company was approved by Ministry of Finance, R.O.C. to avail of the tax holiday commencing from January 1, 2011, from its Fab1 - Phase 4 and Fab- 2. In addition, the Company has filed with the Industrial Development Bureau an application for the registration of its investment project of migrating to 50nm technology as of December 31, 2011.

	Duration of Income Tax Holiday
Inotera Fab-1 - Phase 4 and Fab-2	January 2011 to December 2015

(17) Stockholders' Equity

(a) Common stock

As of December 31, 2010 and 2011, the Company's government registered total authorized capital both amounted to $60,000,000, and total issued common stock amounted to $46,378,990 and $46,416,950, respectively, with $10 par value per share.

On June 8 and March 1, 2011, and December 9, 2010, the board of directors approved to increase the Company's common stock arising from the exercise by employees of the stock options granted to them under the Employee Stock Option Plan (ESOP). Accordingly, the Company issued 512 and 3,284 and 20,387 thousand shares, at an issuance price of $10 per share, with total value amounting to $5,120, $32,840 and $203,870, respectively. Also, the process for the registration thereof was completed.

On December 15, 2009, the board of directors approved to increase the Company's common stock through the issuance of 640 million common shares for an issuance price of $22.5 per share. The capital surplus generated from this capital increase amounted to $7,995,000 (after deducting commissions and offering expenses payable by the Company). The proceeds from this capital increase were collected on February 6, 2010. Also, the process for the registration thereof was completed.

(Continued)

On May 16, 2006 and August 4, 2009, the Company issued 40 million and 64 million GDSs, respectively, representing 1,040 million common shares of the Company and these GDSs were offered for trading in the MTF market of the LSE. Each GDS offers the holder the right to receive 10 shares of the Company.

(b) Capital surplus

As of December 31, 2010 and 2011, the capital surplus consisted of the following:

	December 31,	
	2010	2011
Paid-in capital in excess of par value	$ 41,017,382	41,017,382
Premium from exercise of employee stock options	224,963	236,870
Employee stock option plans	160,987	294,667
Expired employee share purchase option	212,571	212,571
Total	**$ 41,615,903**	**41,761,490**

According to the ROC Company Law, realized capital surplus can be transferred to common stock or distributed the cash dividends after deducting the accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value, and donation from others. The Company's paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(c) Legal reserve

According to the ROC Company Law, the Company's annual net profit, after providing for income tax is appropriated for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital. If the shareholders resolved during their meeting to distribute dividend in the form of new shares of stock or cash, legal reserve may be transferred to capital or distributed in cash if the Company incurs no accumulated deficit, but the amount should not exceed 25% of total issued capital.

(d) Earnings appropriation and distribution

The Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital. Thereafter, 1% to 15% of the remaining profit, if any, after providing for any special reserves pursuant to relevant laws and regulations, if necessary, is appropriated as bonus to employees, and such bonus to employees is recognized as the Company's expenses in the current year commencing from the year 2008. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

(Continued)

As it belongs to a highly capital-intensive industry, the Company adopts a dividend distribution policy which is in line with its capital budget and long-term financial plans. This policy requires that the distribution of cash dividends shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year.

Based on the resolution approved by the stockholders during their meeting on May 27, 2010 and June 8, 2011, no appropriations were made of earnings in 2009 and 2010 as the Company had no earnings available for appropriations but an accumulated deficit as of December 31, 2009 and 2010, respectively.

(e) Share-based payment transactions

On August 29, 2007, December 13, 2007, December 31, 2008, April 30, 2009 and October 15, 2010, 98,000, 2,000, 80,000, 14,500 and 56,182 units of stock options, respectively, were granted to qualified full-time employees of the Company. Each option entitles the holder to subscribe for one thousand common shares of the Company when exercisable. The original exercise price is $31.05, $26.50, $10.00, $17.40 and $15.40 per share, respectively. As the Company issued additional GDSs, however, the exercise price granted before August 4, 2009 has been adjusted to $28.6, $24.8, $10.0 and $17.2 per share, respectively, according to its employee stock option plan rules. Also, as the Company issued additional shares from capital increase in cash on February 6, 2010, however, the exercise price granted before February 6, 2010 has been adjusted to $27.8, $24.5, $10.0 and $17.2 per share, respectively, according to its employee stock option plan rules. These stock options are valid for 8 years and exercisable at certain percentages after the second anniversary year from grant date. 50%, 75% and 100% of these stock options are vested after the second, third and fourth anniversary dates, respectively. On December 15, 2009, the board of directors approved (a) to increase the Company's capital stock by issuing 640 million Company shares according to Article 267 of the Company Law, (b) to retain 10% of 640 million Company shares for employees, and (c) to set January 6, 2010 as the grant date and employee purchase price of $22.5 per share.

Options granted and capital increase in cash allocated for employees were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Employee Stock Option Plan					
	The first batch for the year ended December 31, 2007	The second batch for the year ended December 31, 2007	The first batch for the year ended December 31, 2008	The first batch for the year ending December 31, 2009	The first batch for the year ending December 31, 2010	Capital increase in cash allocated for employees
Assumptions						
Expected dividend yield	-%	-%	-%	-%	-%	-%
Grant-date share price	31.05	26.50	10.00	17.40	15.40	28.20
Expected volatility	40.23%	38.41%	40.76%	47.01%	50.93%~53.53%	32.39%
Risk-free interest rate	2.5317%	2.482%	2.014%	1.1089%	0.8674%	1.0182%
Expected term	5.375 years	5.375 years	5.375 years	5.375 years	5~6 years	0.08 years
Estimated percentage of forfeiture	16.06%	16.06%	16.63%	15.48%	16.06%	-%

The details of these employee stock option plans for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For years ended December 31,					
	2009		2010		2011	
	Number of options (Units)	Weighted-average exercise price	Number of options (Units)	Weighted-average exercise price	Number of options (Units)	Weighted-average exercise price
Outstanding at January 1, 2009, 2010 and 2011	$ 156,102	20.56	150,989	19.31	172,848	18.95
Options granted	14,500	17.20	56,182	15.40	—	—
Option exercised	—	—	(20,781)	10.00	(3,402)	10.00
Options forfeited	(19,613)	17.79	(13,542)	17.79	(18,240)	19.58
Outstanding at December 31, 2009, 2010 and 2011	**150,989**	19.31	**172,848**	18.95	**151,206**	19.08
Options exercisable, end of year	**34,254**		**79,450**		**82,681**	
Weighted-average fair value of options granted	**$ 7.50**		**7.24**		—	

As of December 31, 2010 and 2011, the details of the Company's outstanding stock options, which were treated as a compensatory plan, were as a follows:

	December 31, 2010					
	Options outstanding			Options exercisable		
Range of exercise price	Number of options	Remaining periods	Exercise price	Number of options	Exercise price
$ 27.80	**64,336**	**4.66**	**$ 27.80**	**48,035**	**27.80**
$ 24.50	**1,517**	**4.95**	**$ 24.50**	**866**	**24.50**
$ 10.00	**40,444**	**5.75**	**$ 10.00**	**30,549**	**10.00**
$ 17.20	**11,465**	**6.33**	**$ 17.20**	—	—
$ 15.40	**55,086**	**7.79**	**$ 15.40**	—	—

(Continued)

INOTERA MEMORIES, INC.

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	December 31, 2011					
	Options outstanding			Options exercisable		
Range of exercise price	Number of options	Remaining periods	Exercise price	Number of options	Exercise price
$ 27.80	56,789	3.66	$ 27.80	56,789	27.80
$ 24.50	1,375	3.95	$ 24.50	1,375	24.50
$ 10.00	33,211	4.75	$ 10.00	19,279	10.00
$ 17.20	10,324	5.33	$ 17.20	5,238	17.20
$ 15.40	49,507	6.79	$ 15.40	—	—

Compensation costs for share-based-employee stock option plan payments of $83,097, $134,785 and $145,587 were recognized for the years ended December 31, 2009, 2010 and 2011, respectively. Also, compensation costs for share-based-capital increase in cash allocated for employees payments of $0, $364,800 and $0 were recognized for the years ended December 31, 2009, 2010 and 2011, respectively.

Pro forma results of the Company for the years ended December 31, 2009, 2010 and 2011, assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39, were as follows:

	For the years ended December 31,		
	2009	2010	2011
Net loss			
As reported	$ (11,476,927)	(10,661,312)	(21,003,168)
Pro forma	$ (11,713,256)	(10,799,818)	(21,043,754)
Basic after income tax loss per share			
As reported	$ (3.19)	(2.34)	(4.53)
Pro forma	$ (3.25)	(2.37)	(4.53)

(Continued)

(18) Loss Per Share

For the years ended December 31, 2009, 2010 and 2011, the weighted-average number of outstanding common shares and the common stock equivalents for calculating the basic loss per share consisted of the following:

	For the year ended December 31, 2009				
	Amount			Loss per share	
	Loss before income tax	Loss after income tax	Total weighted-average outstanding shares	Before income tax	After income tax
Basic loss per share	**$ (11,476,927)**	**(11,476,927)**	**3,600,527**	**(3.19)**	**(3.19)**

	For the year ended December 31, 2010				
	Amount			Loss per share	
	Loss before income tax	Loss after income tax	Total weighted-average outstanding shares	Before income tax	After income tax
Basic loss per share	**$ (10,661,312)**	**(10,661,312)**	**4,555,673**	**(2.34)**	**(2.34)**

	For the year ended December 31, 2011				
	Amount			Loss per share	
	Loss before income tax	Loss after income tax	Total weighted-average outstanding shares	Before income tax	After income tax
Basic loss per share	**$ (21,003,168)**	**(21,003,168)**	**4,640,943**	**(4.53)**	**(4.53)**

The Company has issued employee stock options, which are potential common shares. Only basic loss per share is disclosed because these potential common shares are not dilutive for the years ended December 31, 2009, 2010 and 2011.

(19) Financial Instrument Information

(a) Fair value of financial instruments

The book value of short-term financial instruments including cash and cash equivalents, accounts receivable/ payable (including related parties), financing from related parties and short-term loans, is believed to be not materially different from the fair value because the maturity dates of these short-term financial instruments are within one year from the balance sheet date.

As of December 31, 2010 and 2011, the fair value of Company's financial assets and liabilities were as follows:

	December 31,					
	2010			2011		
		Fair value			Fair value	
	Book value	Market value in active market	Value determined by using broker quote/carrying value	Book value	Market value in active market	Value determined by using broker quote/carrying value
Non-derivative financial instruments:						
Financial assets:						
Cash and cash equivalents	$ 5,018,667	5,018,667	—	5,463,640	5,463,640	—
Accounts receivable - related parties	5,729,041	—	5,729,041	7,459,495	—	7,459,495
Financial liabilities:						
Short-term loans	—	—	—	1,874,600	—	1,874,600
Notes and accounts payable (including accounts payable - related parties)	10,906,943	—	10,906,943	3,264,514	—	3,264,514
Bonds payable (including current portion of bonds payable)	16,030,861	—	16,060,989	13,998,754	—	14,019,608
Long-tern loans (including current portion of long-term loans)	52,378,153	—	52,378,153	43,115,166	—	43,115,166
Long-term other account payable - related parities (including other payables - related parties)	1,923,491	—	1,923,491	—	—	—
Other payables - related parties (lending from related parties)	3,000,000	—	3,000,000	22,028,570	—	22,028,570
Derivative financial instruments:						
Financial liabilities:						
Interest rate swaps	223,302	—	223,302	27,054	—	27,054

The methods and assumptions used to estimate the fair value of each class of financial instruments were as follows:

(i) The fair value of financial instruments traded in active markets is based on quoted market prices. If the financial instruments are not traded in an active market, then the fair value is determined by certain valuation techniques, using assumptions under existing market conditions.

(ii) The discounted present value of anticipated cash flows is adopted as the fair value of long-term debt. The discounting rates used in calculating the present value are similar to those of the Company's existing long-term loans (including current portion of long-term loans) and long-term other account payable - related parties, whose interest rates fluctuates depending on the current market rates.

(b) Financial risk information

(i) Market risk

All derivative financial instruments are intended to manage fluctuations in foreign exchange rates and interest rates. Gains or losses from these managing instruments are likely to be offset by gains or losses from the hedged items. Thus, these market risks are believed to be low.

(ii) Credit risk

The Company signed a "Supply Agreement" with NTC and Micron. Under these agreements, the Company commits to supply its production mostly to NTC and Micron. As sales are made to these two major customers, credit risk is therefore concentrated on these major customers. Based on the results of the Company's assessment of this risk and the good credits of these two major customers, its exposure to credit risk is low.

Credit risks of financial instrument transactions represent the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss to the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

(iii) Liquidity risk

The Company might not have sufficient liquidity to meet its short term financial commitments. However, the Company has unused credit facilities for short-term loans from banks and related parties and management's plans to improve liquidity as described in note 25 (c).

(iv) Interest rate risk

Interest rate risk arises from short-term and long-term loans. Loans issued at variable rates expose the Company to cash flow interest rate risk. If the market interest rate increases by 1%, the cash outflow of the Company would increase by $629,898. The Company manages its cash flow interest rate risk by using floating-to-fixed interest-rate swaps. Such interest rate swaps are expected to manage the interest rate fluctuation risk on conversion of loans with floating rates to loans with fixed rates.

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(20) Related-party Transactions

(a) Names and relationship of related parties

Name	Relationship with the Company
Nan Ya Plastics Corp. (NPC)	Common director
Nan Ya Printed Circuit Board Corp. (NYPCB)	Common director
Nanya Technology Corp. (NTC)	One of the major stockholders
MeiYa Technology Corp. (MTC)	Common chairman; joint ventures between NTC and Micron
Formosa Chemicals and Fiber Corp. (FCFC)	Corporate director of NPC
Formosa Heavy Industries Corp. (FHI)	One of the investees of NPC
Micron Technology, Inc. (Micron)	One of the major stockholders
Micron Semiconductor Asia Pte. Ltd. (MSA)	Subsidiary of Micron
Numonyx Holdings B.V. (Numonyx)	Subsidiary of Micron
All board of directors, supervisors, president and vice presidents	Main echelon of management

(b) Significant related-party transactions

(i) Sales revenue and accounts receivable

Significant sales to related parties for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For the years ended December 31,					
	2009		2010		2011	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
NTC	$ 24,321,874	67.36	20,718,863	49.98	18,349,030	49.08
Micron	11,780,975	32.63	6,155,918	14.85	12,964,946	34.68
MSA	—	—	14,579,238	35.17	6,071,165	16.24
	$ 36,102,849	**99.99**	**41,454,019**	**100.00**	**37,385,141**	**100.00**

(Continued)

The balances of accounts receivable resulting from the above transactions as of December 31, 2010 and 2011, consisted of the following:

	December 31,			
	2010		2011	
	Amount	% of accounts receivable - related parties	Amount	% of accounts receivable - related parties
NTC	$ 2,895,343	50.54	4,426,401	59.34
Micron	2,833,698	49.46	—	—
MSA	—	—	3,033,094	40.66
	$ 5,729,041	**100.00**	**7,459,495**	**100.00**

The normal credit term with the related parties above is 60 days after the end of each delivery month. Selling price is calculated using the transfer pricing formula in accordance with the "Supply Agreement".

(ii) Purchases and accounts payable

Significant purchases from related parties for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For the years ended December 31,					
	2009		2010		2011	
	Amount	% of net purchases	Amount	% of net purchases	Amount	% of net purchases
NPC	$ 27,239	0.43	163,406	1.81	101,344	0.97
NTC	21,549	0.34	14,289	0.16	24,659	0.24
FCFC	—	—	—	—	6	—
Micron	75,053	1.19	139,361	1.54	329,406	3.17
	$ 123,841	**1.96**	**317,056**	**3.51**	**455,415**	**4.38**

The balances of accounts payable as of December 31, 2010 and 2011, were as follows:

	December 31,			
	2010		2011	
	Amount	% of accounts payable	Amount	% of accounts payable
NPC	$ 49,254	0.45	40,631	1.25
NTC	1,382	0.01	268	—
Micron	62,244	0.57	172,853	5.30
	$ 112,880	**1.03**	**213,752**	**6.55**

(Continued)

The Company pays NPC, NTC and FCFC on the 15th of the month following the month of purchase and pays Micron within 30 days of the shipping date. Purchases from NPC included miscellaneous equipment. Purchase prices and payment terms of purchases from related parties are not materially different from those of non-related general suppliers.

(iii) Financing to/from related parties

Financing to/from related parties was as follows:

(1) Lending to related parties (classified under other receivables - related parties):

	For the year ended December 31, 2009				
	Maximum balance	Balance as of December 31, 2009	Interest rate	Interest income	Interest receivables as of December 31, 2009
Micron	$ 2,989,790	—	3.2488%~4.1575%	**41,608**	—

The Company signed a “Loan Agreement” with Micron on November 26, 2008. The details of this loan are as follows:

i. Credit line: US$85,000 thousand.
ii. Interest rate: USD 3-month London Inter-bank Offered Rate (“LIBOR”) plus margin.
iii. Duration: 6 months.

This loan was fully collected on May 26, 2009.

(2) Lending from related parties (classified under other payables - related parties):

	For the year ended December 31, 2009				
	Maximum balance	Balance as of December 31, 2009	Interest rate	Interest expenses	Accrued interest payable as of December 31, 2009
NYPCB	$ 35,400	—	0.9878%~0.9906%	44	—
NPC	3,857,000	1,381,700	0.9878%~1.3062%	9,236	**1,180**
		$ 1,381,700		**9,280**	**1,180**

	For the year ended December 31, 2010				
	Maximum balance	Balance as of December 31, 2010	Interest rate	Interest expenses	Accrued interest payable as of December 31, 2010
NPC	$ 3,025,300	**3,000,000**	0.9939%~1.12661%	**2,509**	**741**

	For the year ended December 31, 2011				
	Maximum balance	Balance as of December 31, 2011	Interest rate	Interest expenses	Accrued interest payable as of December 31, 2011
NPC	$ 14,000,000	14,000,000	1.16547%~1.610727%	170,217	19,152
FCFC	4,000,000	4,000,000	1.16547%~1.610727%	51,036	5,472
FHI	2,000	—	1.16547%	—	—
Numonyx	4,028,570	4,028,570	2%	3,979	3,979
		$ 22,028,570		**225.232**	**28,603**

Borrowings from NPC are repayable in one year and the maturity dates of the balances as of December 31, 2011 were as follows:

Principal	Maturity date
$6,000,000	December 25, 2012
$5,000,000	March 2012
$3,000,000	October 31, 2012

The borrowing from FCFC was repayable in one year and the maturity date is December 5, 2012 and also was renewed in one year and the maturity date is August 27, 2013.

The borrowing from Numonyx had a repayment period from December 20, 2011 to March 19, 2012.

(iv) Transactions of property, plant and equipment

(1) On May 1, 2009, the Company formally contracted with MTC to buy its machinery and equipment of $2,593,000, which is payable in two installments. The first installment of $689,500 was non-interest bearing and was paid on January 1, 2010. The final installment of $1,903,500 (classified under other payables - related parties), which bears interest at a rate based on the contract requirement from January 1, 2011,was paid on January 1, 2011. As of December 31, 2010 and 2011, the unpaid interest expense (classified under other payables - related parties) was $19,991 and $0, respectively.

(2) On May, 28, 2010 and December 20, 2011, the Company purchased NTC's miscellaneous equipment of $5,150 and $8,164, respectively. As of December 31, 2010 and 2011, the fees have fully been paid.

(3) On December 16, 2009, the Company formally contracted with NTC to sell for $14,852 internet equipment with book value of $6,326, and realized a gain on disposal of $8,526, which was accounted for under other income - others. As of December 31, 2009 and 2010, the uncollected receivable of $15,595, including tax value add, and $0, respectively, was classified under other receivables - related parties.

(4) In 2010 and 2011, the Company sold its machinery and equipment to NTC at book value of $14,157 and $3,365, respectively. The gain on disposal thereof amounted to $878 and $0, respectively, which were classified under gain on disposal of fixed assets. The receivable arising from such sale was fully

(Continued)

collected as of December 31, 2011. As of December 31, 2010, the Company did not collect the receivable of $14,106 including value added tax, which was classified under other receivables.

(5) In January, 2011, the Company sold its vehicle for $32 (exclusive of value added tax) to NPC. The gain on disposal thereof amounted to $32, which was classified under gain on disposal of fixed assets. As of December 31, 2011, the Company has collected all the receivable.

(v) Lease contracts

The Company signed lease contracts with NTC with effective dates commencing from July 1, 2005 and January 1, 2009. Refer to notes 7 and 9 for details.

(vi) Other significant transactions

Other payables-related parties arising from other transactions were as follows:

	December 31,	
	2010	2011
NTC (examination expenses, rental expenses, utility expenses, general administrative expenses, etc.)	$ 14,464	14,310
NPC (dormitory expenses, etc.)	4,222	2,981
Micron (technical service fee, etc)	4,216	86,995
	$ 22,902	**104,286**

(vii) Contracts with related parties

The Company signed a “Supply Agreement” with NTC and Micron. Under this agreement, these entities are each entitled to a contracted percentage of the Company's production capacity. Likewise, the Company has committed to sell its production to these entities at a transfer price calculated in accordance with the formula stated in the agreement. Also, NTC and Micron have committed to buy all of the Company's DRAM production. This agreement took effect on November 26, 2008, and will continue to be in effect until terminated by either party with cause or when the Joint Venture Agreement between NTC and Micron is terminated.

The Company signed a “Technology Transfer Agreement” with NTC and Micron. Under this agreement, these entities allowed the Company to utilize their technology in the semiconductor manufacturing process. This contract took effect on November 26, 2008 and it will continue to be in effect until terminated by either party with cause or when the Joint Venture Agreement between NTC and Micron is terminated.

The Company signed a service contract with NTC. Under this contract, NTC provides transaction support in the following areas: human resources, finance, engineering and construction, raw material, inventory, etc. The service fee is charged based on the actual type of service rendered. The contract took effect on July 15, 2003, and will continue to be in effect until terminated mutually by both parties.

The Company signed a "Technology Transfer Agreement for 68-50 nm Process Nodes" with Micron. This agreement took effect on October 11, 2008, and will continue to be in effect until terminated mutually by both parties.

(c) Compensation of board of directors, supervisors and management personnel:

For the years ended December 31, 2009, 2010 and 2011, the compensation of board of directors, supervisors, president and vice presidents, key management, were as follows:

	For years ended December31,		
	2009	2010	2011
Salaries	$ 27,712	24,121	38,204

(21) Pledged Properties

Refer to note 14 for information on the Company's assets pledged to secure loans.

(22) Commitments and Contingencies

As of December 31, 2010 and 2011, the balances of outstanding letters of credit were as follows:

Currency	December 31, 2010		2011	
USD	$ 24,154	thousand	—	thousand
JPY	$ 433,127	thousand	241,645	thousand
EUR	$ 2,742	thousand	—	thousand

(23) Significant Disaster Loss: None.

(24) Subsequent Events:

On February 22, 2012, the stockholders approved a resolution, during their special stockholders' meeting, for the private issuance of new common shares of stock and convertible bonds or to for the private issuance of either of these two securities, then the board of directors likewise approved a resolution for the private issuance of 763,359 thousand new common shares of stock for cash at issuance price of $6.55 per share. On March 7, 2012, the Company received the cash proceeds of $5,000,000for this private placement.

(Continued)

(25) Others

(a) The Company's personnel, depreciation, and amortization expenses, categorized by function, were as follows:

	For the year ended December 31, 2009		
	Cost of goods sold	Operating expenses	Total
Personnel expenses			
Salaries	1,897,567	269,158	2,166,725
Labor and health insurance	144,911	14,340	159,251
Pension expenses	93,505	12,219	105,724
Other personnel expenses	59,872	5,025	64,897
Depreciation expenses	29,516,520	86,708	29,603,228
Amortization expenses	11,160	180,856	192,016

	For the year ended December 31, 2010		
	Cost of goods sold	Operating expenses	Total
Personnel expenses			
Salaries	2,695,004	366,468	3,061,472
Labor and health insurance	156,707	16,085	172,792
Pension expenses	94,210	11,184	105,394
Other personnel expenses	63,113	5,224	68,337
Depreciation expenses	31,077,056	60,059	31,137,115
Amortization expenses	8,059	723,422	731,481

	For the year ended December 31, 2011		
	Cost of goods sold	Operating expenses	Total
Personnel expenses			
Salaries	2,527,623	342,365	2,869,988
Labor and health insurance	176,365	23,443	199,808
Pension expenses	102,114	15,066	117,180
Other personnel expenses	66,587	6,004	72,591
Depreciation expenses	31,845,387	51,369	31,896,756
Amortization expenses	8,025	723,422	731,447

(b) As discussed in note 20(b)(vii) to the financial statements, the Company signed a service contract with NTC, under which, the General Administrative Office of the Formosa Group is entrusted to provide certain administrative services. For the years ended December 31, 2009, 2010 and 2011, service fees due to the General

(Continued)

Administrative Office of the Formosa Group (sundry debtors by Formosa Plastics Corp. and NPC) amounted to $24,316, $35,838 and $34,023, respectively.

(c) Future financial plans

The Company's operations have been adversely affected by the recent market conditions particularly for the DRAM industry. As of December 31, 2011, the Company's current liabilities of $59,414,171 exceed its current assets of $18,458,625. The current ratio is significantly lower than 100%. The Company plans to adopt the following strategies in order to improve its operations and financial situation.

(i) Private issuance of new common shares of stock and draw down loans to strengthen liquidity.

(ii) Improve the DRAM production technology and diversity product mix to enhance cash flow.

The Company believes that its operating results and financial condition will be improved by executing the above plans.

(d) The Company's significant foreign currency financial assets and liabilities were as follows:

	December 31,			
	2010		2011	
	Foreign currency (thousand)	Exchange rate	Foreign currency (thousand)	Exchange rate
Foreign currency denominated financial assets:				
USD	$ 277,297	29.130	423,633	30.290
EUR	50,582	38.920	34	39.218
JPY	837	0.358	1,535	0.3894
Foreign currency denominated financial liabilities:				
USD	266,634	29.130	235,795	30.290
EUR	103,844	38.920	612	39.218
JPY	6,891,504	0.358	897,032	0.3894

(e) Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the FSC announced the “Framework for Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, a project team was set up for purposes of carrying out a plan to adopt the IFRSs. Leading the implementation

(Continued)

of this plan is the Vice President - finance of the Company. Among of the key components of the plan, anticipated schedule and status of execution as of December 31, 2011were as follows:

Contents of Plan	Responsible Department	Status of Execution
1. Access phase (2010.1.1~2011.12.31)		
1.1. Set up IFRS adoption plan and project team	Accounting department	Completed
1.2. First phase of process internal training	Accounting department	Completed
1.3. Comparison and analysis of the differences between current accounting polices and IFRSs	Accounting department	Completed
1.4. Assessment of current accounting policies to identify possible IFRSs adjustments	Accounting department	Completed
1.5. Assessment of the impact of first time adoption of IFRSs	Accounting department	Completed
1.6. Assessment of related information system and internal controls to identify possible adjustments	Internal auditors and information system department	Completed
2. Preparation phase (2011.1.1~2012.12.31)		
2.1. Determine how the current accounting policies will be adjusted to conform to -IFRSs	Accounting department	Completed
2.2. Determine how the first time adoption to IFRSs shall be complied with.	Accounting department	Completed
2.3. Adjustment of related information system and internal controls	Internal auditors and information system department	Completed
2.4. Second phase of employees internal training	Accounting department	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
3. Implementation phase (2012.1.1~2013.12.31)		
3.1. Test operation of related information system	Information system department	Completed
3.2. Gather related information for purposes of establising IFRS figures at the beginning date of balance sheet and preparing IFRS comparative financial report	Accounting department	Completed
3.3. Prepare IFRS financial statements	Accounting department	In process, but with estimated completion period in the first quarter of 2012

As of December 31, 2011, assessments (unaudited) were made of the material differences between the Company's existing accounting policies and those of IFRSs as follows:

Accounting Topic	Description of Difference
Income taxes	Under ROC GAAP, a deferred tax asset is recognized in full, but reduced by a valuation allowance if the chance is more than 50% that some or all deferred tax assets will not be realized. Under IFRSs, deferred tax assets are recognized only if realization of tax benefit is “probable” which is not quantitively defined.

Employee benefits	Under ROC GAAP, discount rate is considered for purposes of determining pension liabilities. This discount rate can be 1) long-term average of interest rates adopted by an institution designated to have custody of and to manage pension fund and 2) rates of return on relatively high quality fixed income investments currently available and expected to be available until maturity of the pension benefits. Under IFRSs, discount rate is determined by reference to market yields on the balance sheet date of high quality corporate bonds. In countries where there is no deep market in these bonds, the market yields (at the balance sheet date) of government bonds should be used. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

The Company has prepared the above assessments (unaudited) in compliance with IFRSs based on the IFRSs translated by the ARDF and issued by the FSC. However, these assessments may change significantly because the International Accounting Statements Board continues to issue or amend standards which may differ with the new rules that will be issued by the FSC governing the adoption of IFRSs. Actual accounting policies adopted under IFRSs in the future may differ from those contemplated during the assessments.

(f) Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 and 2010, have been reclassified to conform with the presentation of the financial statements as of and for the year ended December 31, 2011, for purposes of comparison. These reclassifications have not materially affected the financial statements.

(26) Product and Geographic Information

(a) Information about products

No separate disclosure was made as to revenues from external customers for each product as the entire sales of the Company were made to external customers and covered only one product, DRAM.

(b) Geographic information

	For the years ended December 31,		
	2009	**2010**	**2011**
Sale revenues			
Taiwan	$ 24,321,874	20,718,863	18,349,030
U.S.A.	11,780,975	6,155,918	12,964,946
Singapore	—	14,579,238	6,071,165
	$ 36,102,849	**41,454,019**	**37,385,141**

(Continued)

(c) Major customers

The major customers of the Company, which accounted for 10% or more of the total revenue for the years ended December 31, 2009, 2010 and 2011, were as follows:

	For the years ended December 31,					
	2009		2010		2011	
Client	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
NTC	$ 24,321,874	67.36	20,718,863	49.98	18,349,030	49.08
Micron	11,780,975	32.63	6,155,918	14.85	12,964,946	34.68
MSA	—	—	14,579,238	35.17	6,071,165	16.24
Total	**$ 36,102,849**	**99.99**	**41,454,019**	**100.00**	**37,385,141**	**100.00**

(27) Summary of Significant Differences between Accounting Principles Generally Accepted in the Republic of China and Generally Accepted Accounting Principles in the United States of America

(a) Capital surplus

Under ROC GAAP, the expatriate employees payroll cost paid by a foreign joint venture partner/shareholder is not recorded nor treated as the shareholder's capital surplus in the Company.

Under U.S. GAAP, the expatriate employees payroll cost paid by a partner/shareholder would be recorded as expense and treated as capital surplus in the Company.

(b) Lease

Under ROC GAAP, the estimated fair value of a partially leased building used in evaluating the lease classification described under Note 2 (j) to the financial statements can be based on the proportionate fair value of the entire building.

Under U.S. GAAP, the fair value of a partially leased building used in determining the lease classification must be based on the specific fair value of the leased asset. In the event that the fair value of the partially leased building cannot be determined, the lease of a partial building should be treated as an operating lease. As a result, the leased asset described in Note 7 to the financial statements, which was treated as a capital lease under ROC GAAP, would be treated as an operating lease under U.S. GAAP.

(c) Related party transactions

Under ROC GAAP, the transaction with the General Administrative Office of Formosa Group as described in Note 25(b) is not treated as a related party transaction.

(Continued)

Under U.S. GAAP, the transaction would be considered a related party transaction.

(d) Loss per share

Under ROC GAAP, basic loss per share are calculated by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the year. The shares distributed for employee bonus are treated as outstanding at the beginning of each period. Diluted loss per share are calculated by taking basic loss per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. Net loss is also adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average shares outstanding are adjusted retroactively for stock dividends issued, capitalization of additional paid-in capital and employee bonus. Anti-dilutive effects are not included in the dilutive EPS calculation. Under the ARDF Interpretation No. 97-169 "Impacts of Employee Stock Bonuses on Earnings Per Share" which took effect in 2008, the shares distributed for employees bonus are treated as outstanding at grant date in the calculation of basic earnings (loss) per share after 2008. For employees bonus that may be distributed in shares, the number of shares to be distributed is taken into consideration assuming the distribution will be made entirely in shares when calculating for diluted earnings per share.

Under U.S. GAAP, when a simple capital structure exists, basic loss per share is calculated using the weighted average number of common shares outstanding. When a complex capital structure exists, diluted loss per share is based on the weighted average number of shares outstanding plus the number of additional shares that would have been outstanding if dilutive potential common shares had been issued, with appropriate adjustments to income or loss that would result from the assumed conversions of those potential common shares. The materiality of the dilutive effect is not considered. Due to the contingent nature of employee stock bonuses, they are not included in the diluted EPS calculation.

(e) Pension

Under ROC GAAP, the Company's unrecognized actuarial gains and losses are not recognized as pension liabilities of a defined benefit post-retirement plan until the accumulated unrecognized amounts exceed certain thresholds.

Under US GAAP, an employer to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in the balance sheet and to recognize changes in that funded status in other comprehensive income in the year in which the changes occur.

(f) Write-down and valuation of inventory

Under ROC GAAP, inventory is valued at the lower of cost or market. Market is determined on the basis of net realizable value. Reversals of previous write-downs are recognized in profit or loss in the period in which the reversal occurs.

Under US GAAP, inventory is valued at the lower of cost or market, with market limited to an amount that is not more than net realizable value nor less than net realizable value less a normal profit margin. The write-down establishes a new cost basis for the inventory. Reversals of previous write-downs are not permitted, until the related inventory is sold.

(g) Classification of loans with covenants

Based on its financial statements as of December 31, 2011 and for the twelve-month period then ended, Inotera did not meet the covenant requirements for leverage ratio of not higher than 1.5 to 1 and current ratio of not less than 1 to 1 under the two long-term loan agreements. As of December 31, 2011, the total liabilities plus contingent liabilities amounted to $88,543,670 versus tangible net worth of $32,445,720 or actual leverage ratio of 2.73 to 1 and the current assets amounted to $18,458,625 versus current liabilities of $59,414,171 or actual current ratio of 0.311 to 1. On June 8, 2012, the Company received from the syndicate banks a waiver for these December 31, 2011 financial covenant requirements. However, the Company was not able to meet the same financial covenant requirements as of June 30, 2012 and management therefore has submitted a request to the managing bank for a waiver of these June 30, 2012 financial covenant requirements. While management is optimistic the Company will receive such waiver from the syndicate banks, there can be no assurance that the syndicate banks will grant such waiver.

Under ROC GAAP, there is no specific guidance on whether or not the debtor is deemed to be in default on the balance sheet date when the provisions of a long-term syndicate loan agreement requires the creditor/bank to review its audited semi-annual or annual financial statements before declaring the debtor is in default. In practice, however, such long-term loan is classified as non-current if the debtor (i) is able to secure from syndicate banks formal confirmations that they do not have any information that the debtor is in default of its financial covenant on the balance sheet date, and (ii) has not been formally notified by syndicate banks that it is in default of any loan covenant or the loan agreement contains a provision that the debtor is allowed to avail of the cure period of not over 6 months and 5 months if the debtor is in breach of its financial covenants in its annual financial statements and semi-annual financial statements, respectively.

Under US GAAP, long-term obligations that are or can be callable by the creditor either because the debtor's violation of a debt covenant at the balance sheet date makes the obligation callable, or because the violation, if not cured within a specific grace period, will make the obligation callable, are classified as current liabilities. Therefore, a callable loan shall be classified as current on balance sheet date, unless one of the following conditions is met:

(i) The creditor has waived or subsequently lost the right to demand repayment for more than one year from the balance sheet.

(ii) For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable.

Consequently, under US GAAP, loans totaling $37,842,012 and $24,950,000 at December 31, 2010 and 2011, respectively would be classified as current liabilities whereas under ROC GAAP they are classified as long-term liabilities.

(Continued)

(h) Classification of losses on impairment of long-lived assets to be held and use

Under ROC GAAP, the loss on impairment of long-lived assets is classified as non-operating expenses and losses.

Under US GAAP, the loss on impairment of long-lived assets is classified as operating expense.

(i) Determination of impairment loss on long-lived assets to be held and use

Under ROC GAAP, an impairment loss is recognized if an asset's (CGU's) carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows. If there is evidence that impairment losses recognized previously no longer exists, or has diminished, and the recoverable amount of the long-lived assets increases because of an increase in the asset's estimated service potential, the amount of loss may be reversed to the extent that the resulting carrying value should not exceed the carrying value had no impairment loss been recognized in prior years.

Under US GAAP, an impairment loss is recognized if the asset's (asset group's) carrying amount exceeds the undiscounted cash flows of the asset (asset group). The impairment loss is calculated based on excess of the carrying amount over the fair value of the asset (asset group), which is based on the net present value of future cash flows. Such impairment cannot be reversed.

(j) Employee Stock Options

Prior to January 1, 2008, the employee stock options were accounted for based on Interpretations (92) 070, 071 and 072 issued by the Accounting Research and Development Foundation, under which, the intrinsic value method is adopted to recognize the compensation cost, which is the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date. Any compensation cost is charged to expense over the employee vesting period and increases the stockholders' equity accordingly. Effective from January 1, 2008, under ROC SFAS No. 39, “Accounting for Share-based Payment,” share-based payment transactions are measured at fair value and charged against profit and loss.

Under U.S. GAAP, a fair-value based measurement method in accounting for share-based transactions with employees is also used, except for equity instruments held by employee share ownership plans.

(k) Income Tax

ROC SFAS No. 22 “Accounting for Income Taxes” which was issued in June 1994, is substantially similar to U.S. GAAP. However, under ROC GAAP, the criteria for determining whether a valuation allowance for deferred tax asset is required are less stringent as compared to U.S. GAAP.

Under ROC GAAP, in accordance with ROC SFAS 22, there are no differences in the calculation of income tax provision and the corporate income tax rate of 25% for the year 2009 and 17% for the years 2010 and 2011 are adopted for both periods between annual financial statements and interim quarterly financial statements.

Companies in the ROC are subject to a 10% surtax on profits retained and earned after December 31, 1997. If the retained profits are distributed in the following year, no 10% surtax is due. Under ROC GAAP, income tax expense for the 10% surtax is recorded in the statement of operations in the following year if the earnings are not distributed.

Under ROC GAAP, uncertain tax positions are recognized based on the more likely than not criterion although for deferred tax assets, a valuation allowance is provided if it is more likely than not that all or some portion of the asset will not be realized. However, the Company's accounting policy is not to accrue interest and penalties related to unrecognized tax benefits due to no such requirement under ROC GAAP.

Under U.S. GAAP,. a valuation allowance is not provided on tax assets to the extent that it is not “more likely than not” that such deferred tax assets will be realized. Also, if a company has experienced cumulative losses in recent years, it is not generally able to consider projections of future operating profits for the purpose of determining the valuation allowance for deferred income tax assets. Management considered that the cumulative losses in recent years is a significant piece of negative evidence that could not be overcome. Consequently, a valuation allowance was recognized for all of the deferred tax assets at December 31, 2011.

Under U.S. GAAP, income tax expense related to the 10% retained profit tax is recorded in the statement of operations in the year that the profits were earned. The income tax expense, including the tax effects of temporary differences, is measured by using the rate that includes the estimated tax on undistributed earnings. The tax rate used by the Company to measure its deferred taxes under U.S. GAAP was 27.2% for the year of 2009, and 24.47% for the years from and after 2010

Under US GAAP, an entity recognizes in the financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. The Company's accounting policy is to accrue interest and penalties related to unrecognized tax benefits, if and when required, as a component of general and administrative expenses in the consolidated statements of income.

(l) Deferred charge

Under ROC GAAP, transaction costs are deducted from the initial measurement of financial instruments that are not measured at fair value through profit or loss. Transaction costs are those incremental costs directly attributable to acquiring or issuing a financial instrument, and exclude internal administrative or holding costs.

Under U.S. GAAP, directly related transaction costs for financial instruments not measured at fair value upon initial recognition are included in the determination of cost. Unlike ROC GAAP, certain internal costs of originating loans that are related directly to specified activities performed by the lender are included in capitalized initial direct costs. However, for financial liabilities, the transaction costs are deferred as an asset, unlike ROC.

(m) Capitalization of interest expense

Under ROC GAAP, capital increase in cash for which government approval is obtained specifically for the construction or expansion of plant facilities and for purposes of availing an investment tax credit thereof is deducted from the total capital expenditures relating to such construction or expansion for purposes of capitalizing the interest expense incurred from existing borrowings.

Under U.S. GAAP, capital increase in cash for which government approval is obtained specifically for the construction or expansion of plant facilities and for purposes of availing an investment tax credit thereof is not deducted from the total capital expenditures relating to such construction or expansion for purposes of capitalizing the interest expense incurred from existing borrowings.

(28) Additional US GAAP disclosures

(a) Valuation allowance for deferred income tax assets

The change in valuation allowance for deferred tax assets was as follows:

	Amount
Balance as of January 1, 2010	$ 14,559,758
Increase in 2010	968,034
Balance as of December 31, 2010	15,527,792
Increase in 2011	4,545,220
Balance as of December 31, 2011	**$ 20,073,012**

According to originally amended Income Tax Act publicly announced on May 27, 2009, the statutory income tax rate has been reduced from 25% to 20% commencing from 2010. Also, based on the amended Income Tax Act publicly announced on June 15, 2010, the statutory income tax rate has been reduced further from 20% to 17% commencing from 2010. For these reasons, the Company had written down the deferred tax assets of approximately $1,046,077 against the related valuation allowance for deferred tax assets as of December 31, 2010, for the effect in the reduction of such income tax rate.

The valuation allowance for deferred tax assets are allocated on a pro-rata basis between gross current and non-current deferred tax assets as follows:

	December 31,	
	2010	2011
Valuation allowance for deferred tax assets - current	$ (5,021,064)	(2,519,546)
Valuation allowance for deferred tax assets - noncurrent	$ (10,506,728)	(17,553,466)
Total	**$ (15,527,792)**	**(20,073,012)**

(b) Basis of Presentation and Liquidity

Under ROC GAAP and US GAAP, the Company has reported significant net losses for each of the last 4 years. For the year ended December 31, 2011, the Company's total current liabilities exceeded its total current assets by $65,986,995 at December 31, 2011. Also, during the year ended December 31, 2011, net cash flows from operations declined by nearly 50% when compared to 2010. As described elsewhere, the Company has been unable to maintain certain of its financial covenants as required in the loan the agreements. These conditions and facts initially raise substantial doubt about the Company's ability to continue as a going concern. Management's plans for additional sources of liquidity include:

(i) Draw down loans for cash to strengthen liquidity. Additional credit facilities in the form of short term loans are normally granted every year to the Company by syndicate banks, aside from the syndicate loans which were already provided by these syndicate banks to the Company as of December 31, 2011. The unused balance from these facilities amounted to approximately $21,700,000 as of December 31, 2011. Based on prior years' experience, management expects that these facilities will continue to be available to the Company even if and when the Company is not in compliance with the relevant financial covenants from the syndicated loan agreements, as it was the case from time to time in previous years. Banks continue to extend their credit facilities to the Company due partly to the Company's affiliation with the Formosa Group which has a high financial standing in the banking community.

(ii) Use of credit facilities from other banks of approximately $2,100,000.

(iii) The completion of the full wafer-start migration from 50 nanometer to 42 nanometer process technology in November 2011 had has its full effect in improving production efficiency and reducing operating costs from the beginning of 2012. This, in turn, has had a positive impact on operating results particularly in the first half of 2012. In order to further strengthen cost competitiveness and revenue generation, the Company continues to migrate to more advanced technologies.

As a result of the necessary investment in connection with the technology conversion from 70nm trench to 50nm stack process technology, the company recorded annual capital expenditures of approximately $55 billion in 2010. In contrast, the Company spent only $11.6 billion in 2011 for the conversion from 50nm to 42nm stack process technology. And the ongoing technology conversion to 30nm process technology is expected to be of similarly low capital-intensity. 2012 capital expenditures for the planned conversion of approximately 40% or more of the Company's capacity to the leading-edge 30nm technology are expected to be approximately $4 billion. Consequently, management believes cash flows provided by the Company's operation in 2012 will increase to $14.6 billion as compared to $11.4 billion in 2011 based on the assumption that average prices of DRAM for 2012 will be 8% lower than average price for 2011.

(iv) On March 7, 2012, the Company issued 763,359 thousand common shares to Numonyx Holding B.V., which is a subsidiary of Micron. The $5,000,002 cash proceeds of this private equity placement have been fully collected.

(v) In April 2012, the Company obtained new borrowings from NPC and FPCC amounting to $7,000,000 and $3,000,000, respectively, which are repayable in April 2013.

(vi) In August 2012, NPC approved to issue a Letter of Understanding (LOU) for up to NT$10 billion in order for the Company to obtain additional working capital financing with certain banks. In the LOU, NPC issued a promise that it will take necessary actions to ensure that Inotera is able to continue to honor its obligations with the banks, and if necessary, they will along with the Formosa Group, inject additional capital, provide additional loans or take other measures so that Inotera will have adequate liquidity to repay its obligations as they become due.

Although no assurances can be made that management will be able to successfully execute on these plans, management believes the execution of these plans mitigates the facts and conditions that initially raises substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary upon the resolution of this going concern uncertainty.

(c) Date through Which Subsequent Events Have Been Evaluated

Management of the Company has evaluated subsequent events through October 9, 2012, which is when these financial statements were made available for issue.

(29) Event (Unaudited) Subsequent to the Date of the Report of the Independent Registered Public Accounting Firm

The Company's operations have been adversely affected by the continued unfavorable market conditions particularly for the DRAM industry. For the nine month period ended September 30, 2012, the Company has incurred an unaudited net loss of approximately $11.8 billion and its unaudited net cash provided from operating activities approximated $9.8 billion compared to approximately $10 billion for the comparable period of the prior year. As of September 30, 2012, the Company's unaudited current liabilities exceeded its unaudited current assets by approximately $33.7 billion, its unaudited cash and equivalents amounted to $1.8 billion and it continues

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to be unable to maintain certain financial covenants required in its debt agreements. Management plans to adopt the following strategies for improving the Company's operations and financial situation.

(a) Draw down loans to strengthen liquidity.

(b) Improve the DRAM production technology and diversify product mix to enhance cash flow.

Management believes the Company's operating results and financial structure will improve by executing the above plans. As mentioned in Note (28)(b), the Company has the financial support of the Formosa Group. Management continues to believe the Company, in combination with the strategies described above, will have sufficient sources of liquidity to meet its obligations as they become due for at least the next 12 months.