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**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 September 1, 2016**  
**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)

<b>Delaware</b>	<b>75-1618004</b>
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
<b>8000 S. Federal Way, Boise, Idaho</b>	<b>83716-9632</b>
(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 \$0.10 per share	NASDAQ Global Select Market
Common Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act: **None**

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 <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
		(Do not check if a 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 3, 2016, as reported by the NASDAQ Global Select Market, was approximately \$9.3 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 21, 2016, was 1,041,537,057.

**DOCUMENTS INCORPORATED BY REFERENCE:** Portions of the Proxy Statement for the registrant's Fiscal 2016 Annual Meeting of Shareholders to be held on January 18, 2017, are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K.

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### Definitions of Commonly Used Terms

As used herein, "we," "our," "us," and similar terms include Micron Technology, Inc. and our consolidated subsidiaries, unless the context indicates otherwise. Abbreviations, terms, or acronyms are commonly used or found in multiple locations throughout this report and include the following:

Term	Definition	Term	Definition
2014 Notes	1.875% Convertible Notes due 2014	Intel	Intel Corporation
2022 Notes	5.875% Senior Notes due 2022	Japan Court	Tokyo District Court
2022 Term Loan B	Senior Secured Term Loan B due 2022	LPDRAM	Mobile Low-Power DRAM
2023 Notes	5.250% Senior Notes due 2023	MAI	Micron Akita, Inc.
2023 Secured Notes	7.500% Senior Secured Notes due 2023	MCP	Multi-Chip Package
2024 Notes	5.250% Senior Notes due 2024	Micron	Micron Technology, Inc. (Parent Company)
2025 Notes	5.500% Senior Notes due 2025	MSTW	Micron Semiconductor Taiwan Co. Ltd.
2026 Notes	5.625% Senior Notes due 2026	MLC	Multi-Level Cell
2027 Notes	1.875% Convertible Notes due 2027	MMJ	Micron Memory Japan, Inc.
2031 Notes	2031A and 2031B Notes	MMJ Companies	MAI and MMJ
2031A Notes	1.500% Convertible Senior Notes due 2031	MMJ Group	MMJ and its subsidiaries
2031B Notes	1.875% Convertible Senior Notes due 2031	MMT	Micron Memory Taiwan Co., Ltd.
2032 Notes	2032C and 2032D Notes	MP Mask	MP Mask Technology Center, LLC
2032C Notes	2.375% Convertible Senior Notes due 2032	Photonics	Photonics, Inc.
2032D Notes	3.125% Convertible Senior Notes due 2032	Qimonda	Qimonda AG
2033 Notes	2033E and 2033F Notes	R&D	Research and Development
2033E Notes	1.625% Convertible Senior Notes due 2033	RLDRAM	Reduced Latency DRAM
2033F Notes	2.125% Convertible Senior Notes due 2033	SG&A	Selling, General, and Administration
2043G Notes	3.00% Convertible Senior Notes due 2043	SLC	Single-Level Cell
Aptina	Aptina Imaging Corporation	SSD	Solid-State Drive
Elpida	Elpida Memory, Inc.	TAIBOR	Taipei Interbank Offered Rate
Gb	Gigabit	Tera Probe	Tera Probe, Inc.
HMC	Hybrid Memory Cube	TLC	Triple-Level Cell
IMFT	IM Flash Technologies, LLC	VIE	Variable Interest Entity
Inotera	Inotera Memories, Inc.		

## 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 regarding the acquisition of the remaining shares of Inotera, increased sales of DDR4 products, growth in demand for NAND Flash products and SSDs, production of 3D NAND Flash and 3D XPoint™ memory, and the transition to smaller line-widths and other 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.*

#### Overview

Micron Technology, Inc., including its consolidated subsidiaries, is a global leader in advanced semiconductor systems. Our broad portfolio of high-performance memory technologies, including DRAM, NAND Flash, and NOR Flash, is the basis for solid-state drives, modules, multi-chip packages, and other system solutions. Our memory solutions enable the world's most innovative computing, consumer, enterprise storage, networking, mobile, embedded, and automotive applications. We market our products through our internal sales force, independent sales representatives, and distributors primarily to original equipment manufacturers and retailers located around the world. We face intense competition in the semiconductor memory market and in order to remain competitive we must continuously develop and implement new technologies and decrease manufacturing costs. Our success is largely dependent on market acceptance of our diversified portfolio of semiconductor products, efficient utilization of our manufacturing infrastructure, successful ongoing development of advanced product and process technologies, and generating a return on R&D investments.

We obtain products for sale to our customers from our wholly-owned manufacturing facilities and our joint ventures. In recent years, we have increased our manufacturing scale and product diversity through strategic acquisitions and various partnering arrangements.

We make significant investments to develop the proprietary product and process technologies that are implemented in our worldwide manufacturing facilities and joint ventures. We generally reduce the manufacturing cost of each generation of product through advancements in product and process technologies, such as our leading-edge line-width process technology. We continue to introduce new generations of products that offer improved performance characteristics, including 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.

#### Proposed Acquisition of Inotera

In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera for 30 New Taiwan dollars per share in cash (equivalent to approximately \$0.95 per share, assuming 31.7 New Taiwan dollars per U.S. dollar, the exchange rate as of September 1, 2016). As of September 1, 2016, we held a 33% ownership interest in Inotera, Nanya and certain of its affiliates held a 32% ownership interest, and the remaining ownership interest in Inotera was publicly held. Based on the exchange rate as of September 1, 2016, we estimate the aggregate consideration payable for the 67% of Inotera shares not owned by us would be approximately \$4.1 billion.

On March 29, 2016, the transaction was approved by the shareholders of Inotera, including Nanya and certain of Nanya's affiliates (which approval was provided pursuant to voting and support agreements). Under the voting and support agreements, the parties have further agreed not to transfer any of their Inotera shares so long as the voting and support agreements are in effect. These agreements will terminate automatically upon the termination of the agreement to purchase the Inotera shares. On October 11, 2016, the Inotera board set the date for the closing of the transaction to be December 6, 2016. There can be no assurance that the Inotera transaction will be consummated, which is subject to certain termination rights and various conditions, including but not limited to:

- the receipt of necessary regulatory approvals from authorities in Taiwan, which have been received;
- the consummation and funding of the Term Loan Facility (described below); and
- unless we determine otherwise, the consummation and funding of the Private Placement (described below).

**Acquisition Financing:** On October 11, 2016, we and Inotera, as co-borrowers, entered into a single-draw term loan facility (the "Term Loan Facility"), from which proceeds will be used to pay a portion of the acquisition consideration and any related transaction costs and to provide working capital for Inotera. In the second and third quarters of 2016, we entered into agreements with Nanya pursuant to which we have the option to issue a combination of shares of our common stock (the "Micron Shares") and 2.00% convertible senior notes due 2021 (the "2021 Convertible Notes") to Nanya, which is subject to regulatory approvals and various other conditions.

**Term Loan Facility:** The Term Loan Facility can be made in a single draw on or prior to July 10, 2017, subject to the satisfaction of customary conditions, up to a maximum aggregate borrowing amount of 80 billion New Taiwan dollars in cash (equivalent to \$2.5 billion). The loan will bear interest at a variable rate equal to the three-month or six-month TAIBOR, at our or Inotera's option, plus a margin of 2.05% per annum, payable monthly in arrears. The loan will mature five years from the date it is made and principal is payable in six equal semi-annual installments, commencing thirty months after such loan is made.

The Term Loan Facility will be collateralized by certain assets including a real estate mortgage on Inotera's main production facility and site, a chattel mortgage over certain equipment of Inotera, all of the stock of our MSTW subsidiary and the approximately 80% of the stock of Inotera held by MSTW following the consummation of the acquisition. Micron will guarantee all of Inotera's and MSTW's obligations under the Term Loan Facility.

The Term Loan Facility contains affirmative and negative covenants which are customary for financings of this type, including covenants that limit or restrict the ability to create liens in or dispose of collateral securing obligations under the Term Loan Facility, mergers involving MSTW and/or Inotera, loans or guarantees to third parties by Inotera and/or MSTW, and MSTW's distribution of cash dividends (subject to satisfaction of certain financial conditions). The Term Loan Facility also contains financial covenants as follows, which are tested semi-annually:

- MSTW must maintain a consolidated ratio of total debt to EBITDA not higher than 5.50x in 2017 and 2018; and not higher than 4.50x through 2019 to 2021.
- MSTW must maintain consolidated tangible net worth of not less than 4 billion New Taiwan dollars (equivalent to \$126 million) in 2017 and 2018; not less than 6.5 billion New Taiwan dollars (equivalent to \$205 million) in 2019 and 2020; and not less than 12 billion New Taiwan dollars (equivalent to \$378 million) in 2021.
- On a consolidated basis, we must maintain a ratio of total debt to EBITDA not higher than 3.50x in 2017; not higher than 3.00x in 2018 and 2019; and not higher than 2.50x in 2020 and 2021.
- On a consolidated basis, we must maintain tangible net worth not less than \$9 billion in 2017; not less than \$12.5 billion in 2018 and 2019; and not less than \$16.5 billion in 2020 and 2021.

If one or more of the required financial ratios is not maintained at the time the ratios are tested, the interest rate will be increased by 0.25% until such time as the required financial ratios are maintained. In addition, if MSTW fails to maintain a required financial ratio for two consecutive semi-annual periods, such failure will constitute an event of default that could result in all obligations owed under the Term Loan Agreement being accelerated to be immediately due and payable. Our failure to maintain a required consolidated financial ratio will only result in an increase to the applicable interest rate and will not constitute an event of default under the Term Loan Facility. The Term Loan Facility also contains customary events of default.

**Micron Shares:** We have the option to issue Micron Shares in an amount up to 31.5 billion New Taiwan dollars (equivalent to \$991 million) (the "Private Placement"), which would be used to fund a portion of the acquisition consideration. The per-share selling price for the Micron Shares would be equal to the greater of the New Taiwan dollar equivalent of (i) the average of the closing sale price of our common stock during the 30 consecutive trading day period ending on and including the 30<sup>th</sup> calendar day prior to the consummation of the Inotera acquisition or (ii) \$10.00.

**2021 Convertible Notes:** We have the option to issue 12.6 billion New Taiwan dollars (equivalent to \$396 million) in 2021 Convertible Notes in lieu of a corresponding value of Micron Shares so long as we also issue Micron Shares to Nanya of at least 6.3 billion New Taiwan dollars (equivalent to \$198 million) pursuant to the Private Placement.

**Technology Transfer and License Agreements with Nanya:** In the second quarter of 2016, we entered into technology transfer and license agreements pursuant to which Nanya has the option to require us to transfer to Nanya certain technology and deliverables related to the next DRAM process node generation (the "1X Process Node") after our 20nm process node and the next DRAM process node generation after the 1X Process Node for Nanya's use. Under the terms of the agreements, Nanya would pay royalties to us for a license to the transferred technology based on revenues from products utilizing the technology, subject to an agreed cap, and we would also receive an equity interest in Nanya upon the achievement of certain milestones. Nanya's option becomes exercisable upon the closing of the Inotera acquisition transaction.

## **Business Segments**

We have the following four business units, which are our reportable segments:

**Compute and Networking Business Unit ("CNBU"):** Includes memory products sold into compute, networking, graphics, and cloud server markets.

**Storage Business Unit ("SBU"):** Includes memory products sold into enterprise, client, cloud, and removable storage markets. SBU also includes products sold to Intel through our IMFT joint venture.

**Mobile Business Unit ("MBU"):** Includes memory products sold into smartphone, tablet, and other mobile-device markets.

**Embedded Business Unit ("EBU"):** Includes memory products sold into automotive, industrial, connected home, and consumer electronics markets.

For more information regarding our segments, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Segment Information."

## **Products**

### **DRAM**

DRAM products are high-density, low-cost-per-bit, random access memory devices that provide high-speed data storage and retrieval with a variety of performance, pricing, and other characteristics. Sales of DRAM products were 58%, 64%, and 68% of our total net sales in 2016, 2015, and 2014, respectively.

DDR3 and DDR4 DRAM are standardized, high-density, high-volume, DRAM products, which offer high speed and high bandwidth at a relatively low cost. DDR3 and DDR4 products are primarily targeted at computers, servers, networking devices, communications equipment, consumer electronics, automotive, and industrial applications. In 2016, we offered DDR3 and DDR4 products in 1Gb to 8Gb densities. Sales of DDR4 products increased significantly in 2016 and we expect further increases in 2017 as they replace DDR3 DRAM products in many applications. Sales of DDR3 and DDR4 DRAM products were 31%, 38%, and 40% of our total net sales in 2016, 2015, and 2014, respectively.

LPDRAM products offer lower power consumption relative to other DRAM products and are used primarily in smartphones, tablets, automotive applications, laptop computers, and other mobile consumer devices that require low power consumption. We offer DDR4, DDR3, DDR2, and DDR versions of LPDRAM. Sales of LPDRAM products were 18%, 18%, and 20% of our total net sales in 2016, 2015, and 2014, respectively.

We also offer other DRAM products targeted to specialty markets including DDR2 DRAM, DDR DRAM, GDDR5 and GDDR5X DRAM, SDRAM, and RDRAM. These products are used primarily in networking devices, servers, consumer electronics, communications equipment, computer peripherals, automotive and industrial applications, and computer memory upgrades. We offer HMC products, which are semiconductor memory devices where vertical stacks of DRAM die that are connected using through-silicon-via interconnects are placed above a small, high-speed logic layer. HMC enables ultra-high system performance and is targeted primarily at networking and high performance computing applications.

## **Non-Volatile Memory**

Non-Volatile Memory includes NAND Flash and 3D XPoint™ memory. Through 2016, substantially all of our Non-Volatile Memory sales were from NAND Flash products. NAND Flash products are electrically re-writeable, non-volatile semiconductor memory devices that retain content when power is turned off. NAND Flash sales were 37%, 33%, and 27% of our total net sales in 2016, 2015, and 2014, respectively. 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. Embedded NAND Flash-based storage devices are utilized in smartphones, SSDs, tablets, computers, automotive and industrial applications, networking, and other consumer applications. Removable storage devices, such as USB and Flash memory cards, are used with applications such as PCs, digital still cameras, and smartphones. The market for NAND Flash products has grown rapidly and we expect it to continue to grow due to increased demand for these and other embedded and removable storage devices.

Our NAND Flash products feature a small cell structure that enables higher densities for demanding applications. We offer high-speed SLC, MLC, and TLC planar NAND Flash products that are compatible with advanced interfaces in 1Gb to 128Gb densities. MLC and TLC products have two and three times, respectively, the bit density of SLC products. In 2016, we began selling commercial volumes of new products featuring our new 3D NAND Flash technology, which stacks layers of data storage cells vertically to create storage devices with three times higher capacity than competing planar NAND Flash technologies. This enables more storage in a smaller space, bringing significant cost savings, low power usage and high performance to a range of mobile consumer devices as well as the most demanding enterprise deployments. We are currently in production of MLC and TLC versions of 3D NAND Flash and we expect 3D NAND to be the majority of our NAND Flash output beginning in the first quarter of 2017. Our current 3D NAND Flash products feature 32 layers and we expect to offer next generation 3D NAND Flash products with 64 layers in 2017.

We offer client and enterprise SSDs which feature higher performance, reduced-power consumption, and enhanced reliability as compared to typical hard disk drives. Our client SSDs are targeted at notebooks, desktops, workstations, and other consumer applications. Increasingly our SSDs are being utilized in large scale cloud environments. Using our 3D NAND Flash process technology, our SSDs deliver read and write speeds that help improve boot and application load times and deliver higher performance than hard disk drives. Our client SSDs, including our newest line of 3D NAND SSDs, deliver world-class data storage, endurance, power efficiency, reliability, and performance for corporate users and are offered in a 2.5-inch, M.2, SATA, and PCIe NVMe solutions, with densities up to 2 terabytes. Our enterprise SSDs are targeted at server and storage applications and incorporate our Extended Performance and Enhanced Reliability Technology ("XPERT") architecture, which closely incorporates the storage and controller through highly optimized firmware algorithms and hardware enhancements. The end result is a set of market-focused enterprise features that deliver ultra-low latencies, improved data transfer time, power-loss protection, and cost-effectiveness, along with higher capacities and power efficiency. We offer enterprise SSDs with PCIe NVMe, SAS, and SATA interfaces and capacities up to 3.2 terabytes. We expect that demand for both client and enterprise SSDs will continue to increase significantly over the next several years.

We also offer MCP products, which incorporate our NAND Flash. We offer MCP products that combine NAND Flash with LPDRAM to enable small form-factor solutions that combine storage and execution memory. We also offer managed NAND Flash MCP products including e-MMC, e-MCP, and embedded USB. Our e-MMC products combine NAND Flash with a logic controller that performs media management and Error Code Correction ("ECC"), which provides reduced ECC complexity, better system performance, improved reliability, easy integration, and lower overall system costs. Our e-MCP products combine e-MMC with LPDRAM on the same substrate, which improves overall functionality and performance while simplifying system design. MCP products are used in smartphone, automotive, industrial, and other consumer applications.

Through our Lexar® brand, we sell high-performance digital media products and other flash-based storage products through retail and original equipment manufacturer 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") formats. 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.

In 2015, we introduced 3D XPoint technology, a new category of non-volatile memory. 3D XPoint memory's innovative, transistor-less, cross point architecture creates a three-dimensional checkerboard where memory cells sit at the intersection of word lines and bit lines, allowing the cells to be addressed individually. As a result, data can be written and read in small sizes, leading to fast and efficient read/write processes. We began production of 3D XPoint memory products in 2016 and expect to significantly increase production in 2017.

## Other

Other products included primarily NOR Flash, which are electrically re-writeable, semiconductor memory devices that offer fast read times and are used in automotive, industrial, connected home, and consumer applications.

## Partnering Arrangements

The following is a summary of our partnering arrangements as of September 1, 2016:

Entity		Member or Partner	Ownership Interest	Formed/ Acquired	Product Market
Consolidated entities					
IMFT	(1)	Intel Corporation	51%	2006	Non-Volatile
Equity method investments					
Inotera	(2)	Nanya Technology Corporation	33%	2009	DRAM
Tera Probe	(3)	Various	40%	2013	Wafer Probe

- (1) **IMFT:** We partner with Intel for the design, development, and manufacture of NAND Flash and 3D XPoint memory products. In connection therewith, we formed the IMFT joint venture with Intel to manufacture NAND Flash and 3D XPoint memory products exclusively for the use of the members. The members share the output of IMFT generally in proportion to their investment. We sell a portion of our products to Intel through IMFT at long-term negotiated prices approximating cost. We generally share with Intel the costs of product design and process development activities for NAND Flash memory and 3D XPoint memory. The IMFT joint venture agreement extends through 2024 and includes certain buy-sell rights. Commencing in January 2016, Intel can put to us, and commencing in January 2019, we can call from Intel, Intel's interest in IMFT, in either case, for an amount equal to the noncontrolling interest balance attributable to Intel at that time. If Intel elects to exercise its put right, we can elect to set the closing date of the transaction to be any time within two years following such election by Intel and can elect to receive financing of the purchase price from Intel for one to two years from the closing date. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity – Noncontrolling Interests in Subsidiaries – IMFT.")
- (2) **Inotera:** We partner with Nanya for the manufacture of DRAM products by Inotera, a Taiwan DRAM memory company. Effective beginning on January 1, 2016, the price for DRAM products purchased by us is based on a formula that equally shares margin between Inotera and us and has an initial three-year term, followed by a three-year wind-down period. Upon termination of the initial three-year term, the share of Inotera's capacity we would purchase would decline over the wind-down period. In 2016, we entered into agreements to acquire the remaining interest in Inotera. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Inotera" and "Proposed Acquisition of Inotera.")
- (3) **Tera Probe:** We have an approximate 40% ownership interest in Tera Probe, an entity that provides semiconductor wafer testing and probe services to us and others.

## Manufacturing

Our manufacturing facilities are located in the United States, China, Japan, Malaysia, Singapore, and Taiwan. Inotera has a wafer fabrication facility in Taiwan. Nearly all of our products are manufactured on 300mm wafers in facilities that 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 generally replaced every five to seven years with increasingly advanced equipment. DRAM, NAND Flash, 3D XPoint memory, and NOR Flash products share a number of common manufacturing processes, enabling us to leverage our product and process technologies and manufacturing infrastructure across these product lines. In 2015, we began construction of a significant expansion of our wafer fabrication facilities in Singapore for production of NAND Flash memory and we began utilizing a portion of the facility for production in the second half of 2016.

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 the second half of 2016, the majority of our DRAM production was manufactured on our 20nm line-width process technologies. We expect to ramp volume production of 1Xnm process node DRAM in 2017. Beginning in the first quarter of 2017, we expect a majority of our NAND Flash production to be manufactured using our first generation 3D NAND technology. In 2017, we expect to ramp our second generation 64-layer 3D NAND technology and we expect triple-level-cell to become the majority of our 3D NAND output.

Wafer fabrication occurs in a highly controlled, clean environment to minimize dust and other yield and quality-limiting contaminants. Despite stringent manufacturing controls, individual circuits may be nonfunctional or wafers may need to be scrapped due to equipment errors, minute impurities in materials, defects in photomasks, circuit design marginalities or defects, and dust particles. 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.

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 use subcontractors to perform certain testing services.

We sell semiconductor products in both packaged and unpackaged (i.e. "bare die") forms. Our packaged products include memory modules, SSDs, MCPs, managed NAND, memory cards, USB devices, and HMCs. We assemble many products in-house and, in some cases, outsource assembly services where we can reduce costs and minimize our capital investment. We subcontract assembly services for the production of certain memory modules, SSDs, MCPs, memory cards, and USB devices.

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 operations. 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 and Use of Service Providers

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 and increase the cost 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. We and our suppliers could be affected by laws and regulations enacted in response to concerns regarding climate change, which could increase the cost and limit the supply of our raw materials. 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 manufacturing processes are also dependent on our relationships with outsourced semiconductor assembly and test providers, contract manufacturers, logistic carriers, and other service providers. We have made significant investments in supply chain risk monitoring and management to mitigate our risks associated with raw materials and service providers.

## Marketing and Customers

Market concentrations from 2016 net sales were approximately as follows: 20% for compute and graphics (including desktop PCs, notebooks, and workstations); 20% for mobile; 20% for SSD and other storage; 15% for automotive, industrial, medical, and other embedded; and 10% for server. Sales to Intel, including Non-Volatile Memory through IMFT, were 14% of our net sales in 2016, 8% of our net sales in 2015, and 8% of our net sales in 2014. Sales to Kingston, primarily DRAM, were 7% of our net sales in 2016, 11% of our net sales in 2015, and 10% of our net sales in 2014.

Our semiconductor memory products are offered under the Micron<sup>®</sup>, Lexar, Crucial<sup>®</sup>, SpecTek<sup>®</sup>, and Elpida<sup>®</sup> 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 through 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 standard 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 standard terms and conditions.

## Competition

We face intense competition in the semiconductor memory market from a number of companies, including Intel; Samsung Electronics Co., Ltd.; SK Hynix Inc.; Toshiba Corporation; and Western Digital Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to invest in technology, capitalize on growth opportunities, and withstand downturns in the semiconductor markets in which we compete. Consolidation of industry competitors could put us at a competitive disadvantage. In addition, some governments, such as China, have provided, and may continue to provide, significant financial assistance to some of our competitors or to new entrants. Our competitors seek to increase silicon capacity, improve yields, reduce die size, and minimize mask levels in their product designs resulting in significant increases in the worldwide supply of semiconductor memory and downward pressure on prices. 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. We and some of our competitors have plans to or are constructing or ramping production at new fabrication facilities. Increases in worldwide supply of semiconductor memory, if not accompanied by 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. 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 over pricing.

## Research and Development

Our process technology R&D efforts are focused primarily on development of process technologies that enable successively smaller line-widths, additional 3D memory layers, and additional bits per cell (i.e., cell levels). We are also focused on developing new fundamentally different memory structures, materials, and packages, 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 DDR4 and DDR5 DRAM and LPDRAM products as well as high density and mobile 3D NAND Flash memory (including TLC and QLC technologies), 3D XPoint memory, SSDs (including firmware and controllers), Managed NAND, specialty memory, NOR Flash memory, and other memory technologies and systems.

Our R&D expenses were \$1.62 billion, \$1.54 billion, and \$1.37 billion in 2016, 2015, and 2014, respectively. We generally share with Intel the costs of product design and process development activities for NAND Flash memory and 3D XPoint memory. Our R&D expenses reflect net reductions of \$208 million, \$231 million, and \$162 million in 2016, 2015, and 2014, respectively, as a result of reimbursements under our cost-sharing arrangements with Intel and others.

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, design, and package development efforts occur at multiple locations across the world, with our largest R&D center located in Boise, Idaho, and other significant R&D centers in Japan, China, Italy, Singapore and other sites in the U.S. In 2016, we commenced construction on an expansion of our R&D 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 \$10.47 billion for 2016 and included sales of \$5.30 billion in China, \$1.52 billion in Taiwan, \$937 million in Europe, \$831 million in Japan, and \$1.61 billion in the rest of the Asia Pacific region (excluding China, Taiwan, and Japan). Sales to customers outside the United States totaled \$13.63 billion for 2015 and \$13.81 billion for 2014. As of September 1, 2016, we had net property, plant, and equipment of \$5.44 billion in Singapore, \$3.89 billion in the United States, \$2.69 billion in Japan, \$2.08 billion in Taiwan, \$491 million in China, and \$97 million in other countries. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Geographic Information" 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 September 1, 2016, we owned approximately 16,100 U.S. patents and 4,300 foreign patents. In addition, we have thousands of U.S. and foreign patent applications pending. Our patents have various terms expiring through 2036.

We have a number of patent and intellectual property license agreements and have from time to time licensed or sold our intellectual property to third parties. Some of these license agreements require us to make one-time or periodic payments while others have resulted in us receiving payments. We may need to obtain additional patent licenses or renew existing license agreements in the future and we may enter into additional sales or licenses of intellectual property and partnering arrangements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

## **Employees**

As of September 1, 2016, we had approximately 31,400 employees.

## **Environmental Compliance**

Government regulations impose various environmental controls on raw materials and discharges, emissions, and solid wastes from our manufacturing processes. In 2016, our wafer fabrication facilities continued to conform to the requirements of ISO 14001 certification. To continue certification, we must meet 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 executive 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 September 1, 2016, 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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
April S. Arnzen	45	Vice President, Human Resources
Scott J. DeBoer	50	Vice President, Technology Development
D. Mark Durcan	55	Director and Chief Executive Officer
Ernest E. Maddock	58	Chief Financial Officer and Vice President, Finance
Joel L. Poppen	52	Vice President, Legal Affairs, General Counsel, and Corporate Secretary
Brian M. Shirley	47	Vice President, Memory Solutions
Steven L. Thorsen, Jr.	51	Vice President, Worldwide Sales
Robert L. Bailey	59	Director
Richard M. Beyer	67	Director
Patrick J. Byrne	55	Director
Mercedes Johnson	62	Director
Lawrence N. Mondry	56	Director
Robert E. Switz	69	Chairman

*April S. Arnzen* joined us in December 1996 and has served in various leadership positions since that time. Ms. Arnzen was appointed our Vice President, Human Resources in January 2015. Ms. Arnzen holds a BS in Human Resource Management and Marketing from the University of Idaho.

*Scott J. DeBoer* joined us in February 1995 and has served in various leadership positions since that time. Dr. DeBoer became an officer in May 2007 and, in January 2013, he was appointed our Vice President, Technology Development. Dr. DeBoer holds a PhD in Electrical Engineering and an MS in Physics from Iowa State University. He completed his undergraduate degree at Hastings College.

*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. Within the past five years, Mr. Durcan served on the Board of Directors of Freescale Semiconductor, Inc. and MWI Veterinary Supply, Inc. Mr. Durcan is currently a member of the Board of Directors of AmerisourceBergen Corporation. Mr. Durcan holds a BS and MChE in Chemical Engineering from Rice University.

*Ernest E. Maddock* joined us in June 2015 as our Chief Financial Officer and Vice President, Finance. From April 2013 until he joined us, Mr. Maddock served as Executive Vice President and Chief Financial Officer of Riverbed Technology. From October 2008 to April 2013, Mr. Maddock served as Executive Vice President and Chief Financial Officer of Lam Research Corporation after serving as Lam's Vice President of Global Operations from October 2003 to September 2008. Mr. Maddock currently serves as a member of the Board of Directors for Intersil Corporation. Mr. Maddock holds a BS in Industrial Management from the Georgia Institute of Technology and an MBA from Georgia State University.

*Joel L. Poppen* joined us in October 1995 and has held various leadership positions since that time. He was appointed Vice President, Legal Affairs, General Counsel and Corporate Secretary in December 2013. Mr. Poppen holds a BS in Electrical Engineering from the University of Illinois and a JD from the Duke University School of Law.

*Brian M. Shirley* joined us in August 1992 and has served in various leadership positions since that time. Mr. Shirley became Vice President of Memory in February 2006, Vice President of DRAM Solutions in June 2010 and has served as Vice President, Memory Solutions since April 2014. 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, Worldwide Sales 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, Inc. from 2005 until May 2011 and also served as PMC's Chairman from February 2000 until February 2003. Mr. Bailey served as a director of PMC from October 1996 to May 2011. He also served as the 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. Within the past five years, Mr. Bailey served on the Board of Entropic Communications. Mr. Bailey holds a BS in Electrical Engineering from the University of Bridgeport and an MBA from the University of Dallas. Mr. Bailey has served on our Board of Directors since 2007.

*Richard M. Beyer* was Chairman and CEO of Freescale Semiconductor, Inc. from 2008 through June 2012 and served as a director with Freescale until April 2013. Prior to Freescale, Mr. Beyer was President, Chief Executive Officer and a Director of Intersil Corporation from 2002 to 2008. He has also previously served in executive management roles at FVC.com, VLSI Technology, and National Semiconductor Corporation. Within the past five years, Mr. Beyer served on the Board of Directors of Freescale Semiconductor, Inc. He currently serves on the Board of Directors of Dialog Semiconductor and Analog Devices, Inc. Mr. Beyer served three years as an officer in the United States Marine Corps. He holds a BA and an MA in Russian from Georgetown University and an MBA in Marketing and International Business from Columbia University Graduate School of Business. Mr. Beyer has served on our Board of Directors since 2013.

*Patrick J. Byrne* has served as Senior Vice President of Fortive Corporation since July 2016 when Danaher Corporation completed the separation of its Test & Measurement and Industrial Technologies segments. Mr. Byrne was President of Tektronix, a subsidiary of Danaher Corporation, from July 2014 to July 2016. Previously, he was Vice President of Strategy and Business Development and Chief Technical Officer of Danaher from November 2012 to July 2014. Danaher designs, manufactures, and markets innovative products and services to professional, medical, industrial, and commercial customers. Prior to that, Mr. Byrne served as Director, President and Chief Executive Officer of Intermec, Inc. from 2007 to May 2012. Within the past five years, Mr. Byrne served on the Board of Directors of Flow International and Intermec, Inc. Mr. Byrne holds a BS in Electrical Engineering from the University of California, Berkeley, and an MS in Electrical Engineering from Stanford University. Mr. Byrne has served on our Board of Directors since 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 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, Juniper Networks, Inc., and Teradyne, Inc. Ms. Johnson is the Chairman of the Board's Audit Committee and Finance Committee and has served on our Board of Directors since 2005.

*Lawrence N. Mondry* has served as the President and Chief Executive Officer of Stream Gas & Electric, Ltd. a provider of energy, mobile, and protective services, since February 2016. Mr. Mondry was the Chief Executive Officer of Apollo Brands, a consumer products portfolio company, from February 2014 to February 2015. Mr. Mondry was the Chief Executive Officer of Flexi Compras Corporation, a rent-to-own retailer, from June 2013 to February 2014. Mr. Mondry was the President and Chief Executive Officer of CSK Auto Corporation, 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 holds a BA degree from Boston University. Mr. Mondry is the Chairman of the Board's Compensation Committee and Governance Committee and has served on our Board of Directors since 2005.

*Robert E. Switz* was the Chairman, President and Chief Executive Officer of ADC Telecommunications, Inc., 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. Within the past five years, Mr. Switz served on the Board of Directors of GT Advanced Technologies Inc., Broadcom Corporation, Cyan, Inc., Pulse Electronics Corporation, and Leap Wireless International, Inc. Mr. Switz currently serves on the Board of Directors for Marvell Technology Group Ltd. and Gigamon, Inc. Mr. Switz holds an MBA from the University of Bridgeport and a BS in Business Administration from Quinnipiac University. Mr. Switz was appointed Chairman of the Board in 2012 and has served on our Board of Directors since 2006.

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

## Available Information

Micron, a Delaware corporation, was incorporated in 1978. 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 at our website, [www.micron.com](http://www.micron.com). Also available on our website are our: Corporate Governance Guidelines, Governance Committee Charter, Compensation Committee Charter, Audit Committee Charter, Finance 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 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.

We use our investor relations website, <http://investors.micron.com>, as a routine channel for distribution of important information, including news releases, analyst presentations, and financial information. We post filings free of charge on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission ("SEC"), including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. The SEC's website, [www.sec.gov](http://www.sec.gov), contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Materials filed or furnished 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. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

## Additional Information

Micron, Lexar, Crucial, SpecTek, Elpida, JumpDrive, any associated logos, and all other Micron trademarks are the property of Micron. 3D XPoint is a trademark of Intel in the U.S. and/or other countries. Other product names or trademarks that are not owned by Micron are for identification purposes only and may be the registered or unregistered trademarks of their respective owners.

## 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 past results and those contained in any forward-looking statements made by us. The order of these factors is not necessarily indicative of the level of risk that each poses to us. Our operations could also be affected by other factors that are presently unknown to us or not considered significant. The factors below could materially adversely affect our business, financial condition, results of operations, and stock price.

### **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 previous 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 Non-Volatile
	(percentage change in average selling prices)	
2016 from 2015	(35)%	(20)%
2015 from 2014	(11)%	(17)%
2014 from 2013	6 %	(23)%
2013 from 2012	(11)%	(18)%
2012 from 2011	(45)%	(55)%

### **We may be unable to maintain or improve gross margins.**

Our gross margins are dependent upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes and product designs, including, but not limited to, process line-width, additional 3D memory layers, additional bits per cell (i.e., cell levels), architecture, number of mask layers, number of fabrication steps, and yield. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to maintain or improve 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, difficulties 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 Intel; Samsung Electronics Co., Ltd.; SK Hynix Inc.; Toshiba Corporation; and Western Digital Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to invest in technology, capitalize on growth opportunities, and withstand downturns in the semiconductor markets in which we compete. Consolidation of industry competitors could put us at a competitive disadvantage. In addition, some governments, such as China, have provided, and may continue to provide, significant financial assistance to some of our competitors or to new entrants. Our competitors seek to increase silicon capacity, improve yields, reduce die size, and minimize mask levels in their product designs resulting in significant increases in the worldwide supply of semiconductor memory and downward pressure on prices. 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. We and some of our competitors have plans to or are constructing or ramping production at new fabrication facilities. Increases in worldwide supply of semiconductor memory, if not accompanied by 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. If competitors are more successful at developing or implementing new product or process technology their products could have cost or performance advantages.

## **Debt obligations could adversely affect our financial condition.**

In recent periods, our debt levels have increased due to the capital intensive nature of our business, business acquisitions, and restructuring of our capital structure. As of September 1, 2016, we had debt with a carrying value of \$9.91 billion. In 2016, 2015, and 2014 we paid \$94 million, \$1.43 billion, \$2.30 billion, respectively, to repurchase and settle conversion obligations for convertible notes with principal amounts of and \$57 million, \$489 million, and \$1.09 billion, respectively. As of September 1, 2016, we had a revolving credit facility available for up to \$488 million of additional financing. The availability of this revolving facility is subject to certain conditions, including outstanding balances of eligible receivables. Events and circumstances may occur which would cause us to not be able to satisfy these applicable draw-down conditions and utilize this facility. We have incurred in the past, and expect to incur in the future, debt to finance our capital investments, business acquisitions, and restructuring of our capital structure. In 2016, we issued \$1.25 billion of our 2023 Secured Notes and \$750 million of our 2022 Term Loan B, and received an aggregate of \$765 million in equipment sale-leaseback financing transactions. In connection with our proposed acquisition of the remaining interest in Inotera, we plan to fund a portion of the acquisition with a loan of up to 80 billion New Taiwan Dollars (equivalent to \$2.5 billion) under the Term Loan Facility and, at our option, 12.6 billion New Taiwan dollars (equivalent to \$396 million) of 2021 Convertible Notes. The date for the closing of the Inotera transaction has been set by the Inotera board for December 6, 2016. Consummation of the Inotera transaction remains subject to certain closing conditions and there can be no assurance that the Inotera transaction will be consummated.

Our debt obligations could adversely impact us. For example, these obligations could:

- require us to use a large portion of our cash flow to pay principal and interest on debt, which will reduce the amount of cash flow available to fund working capital, capital expenditures, acquisitions, R&D expenditures, and other business activities;
- require us and our MSTW subsidiary to comply with financial covenants, which, if MSTW fails to maintain could result in all obligations owing under the Term Loan Agreement being accelerated to be immediately due and payable and if we or MSTW fail to maintain, could result in an increase to the applicable interest rate;
- adversely impact our credit rating, which could increase future borrowing costs;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, R&D, and other general corporate requirements;
- restrict Micron's ability and that of its domestic restricted subsidiaries to create or incur certain liens and enter into sale-leaseback financing transactions;
- increase our vulnerability to adverse economic and semiconductor memory industry conditions;
- continue to dilute our earnings per share as a result of the conversion provisions in our convertible notes; and
- require us to continue to pay cash amounts substantially in excess of the principal amounts upon settlement of our convertible notes to minimize dilution of our earnings per share.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flows in the future. This, to some extent, is subject to market, 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 debt payment obligations 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, 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 debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

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

Our cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices, and 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 net cash expenditures in 2017 for property, plant, and equipment will be approximately \$4.8 billion to \$5.2 billion, which reflects the offset of amounts we expect to be funded by our partners. Investments in capital expenditures, offset by amounts funded by our partners, were \$5.40 billion for 2016. As of September 1, 2016, we had cash and marketable investments of \$4.81 billion. As of September 1, 2016, \$919 million of cash and equivalents and short-term investments, including substantially all of the \$896 million held by the MMJ Group, were held by foreign subsidiaries whose earnings were considered to be indefinitely reinvested and repatriation of these funds to the U.S. would subject these funds to U.S. federal income taxes. In addition, cash held by IMFT of \$98 million was generally not available to finance our other operations.



As a result of the Japan Proceedings, for so long as such proceedings are continuing, the MMJ Companies and their subsidiaries are subject to certain restrictions on dividends, loans, and advances. The plans of reorganization of the MMJ Companies prohibit the MMJ Companies from paying dividends, including any cash dividends, to us and require that excess earnings be used in their businesses or to fund the MMJ Companies' installment payments. These prohibitions would also effectively prevent the subsidiaries of the MMJ Companies from paying cash dividends to us in respect of the shares of such subsidiaries owned by the MMJ Companies, as any such dividends would have to be first paid to the MMJ Companies which are prohibited from repaying those amounts to us as dividends under the plans of reorganization. In addition, pursuant to an order of the Japan Court, the MMJ Companies cannot make loans or advances, other than certain ordinary course advances, to us without the consent of the Japan Court. Moreover, loans or advances by subsidiaries of the MMJ Companies may be considered outside of the ordinary course of business and subject to approval of the legal trustees and Japan Court. As a result, the assets of the MMJ Companies and their subsidiaries, while available to satisfy the MMJ Companies' installment payments and the other obligations, capital expenditures, and other operating needs of the MMJ Companies and their subsidiaries, are not available for use by us in our other operations. Furthermore, certain uses of the assets of the MMJ Group, including investments in certain capital expenditures and in MMT, may require consent of MMJ's trustees and/or the Japan Court.

In the past we have utilized external sources of financing when needed. As a result of our debt levels, expected debt amortization, and general economic conditions, 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, use cash held by MMJ to fund its capital expenditures, access capital markets or find other sources of financing to fund our operations, make debt payments, and 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, results of operations, or financial conditions.

**Our proposed acquisition of the remaining shares of Inotera involves numerous risks.**

In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera for 30 New Taiwan dollars per share in cash (equivalent to approximately \$0.95 per share). As of September 1, 2016, we held a 33% ownership interest in Inotera, Nanya and certain of its affiliates held a 32% ownership interest, and the remaining ownership interest in Inotera was publicly held. Based on the exchange rate as of September 1, 2016, we estimate the aggregate consideration payable for the 67% of Inotera shares not owned by us would be approximately \$4.1 billion. We anticipate financing the acquisition with a combination of the following:

- 80 billion New Taiwan dollar (equivalent to \$2.5 billion) five-year term loan facility at a variable rate equal to the three-month or six-month TAIBOR, at our or Inotera's option, plus a margin of 2.05% per annum under the Term Loan Facility;
- up to 31.5 billion New Taiwan dollars (equivalent to \$991 million) from the issuance of the Micron Shares under the Private Placement;
- 12.6 billion New Taiwan dollars (equivalent to \$396 million) from the issuance of the 2021 Convertible Notes in lieu of a corresponding amount of Micron Shares so long as we also issue Micron Shares to Nanya of at least 6.3 billion New Taiwan dollars (equivalent to \$198 million) pursuant to the Private Placement;
- additional borrowings under our existing credit agreement; and
- cash on hand.

On March 29, 2016, the transaction was approved by the shareholders of Inotera, including Nanya and certain of Nanya's affiliates (which approval was provided pursuant to voting and support agreements). On October 11, 2016, the Inotera board set the date for the closing of the transaction to be December 6, 2016. Consummation of the Inotera transaction is subject to significant uncertainties, certain termination rights, and various conditions, including regulatory approvals and the consummation of debt financing. There can be no assurance that the various conditions will be satisfied or that the Inotera transaction will ultimately be consummated. If the remaining closing conditions are not satisfied or waived, we will be unable to close the acquisition.

In addition to the acquisition risks described elsewhere, the acquisition is expected to involve the following significant risks:

- we may be unable to realize the anticipated financial benefits of the acquisition;
- increased exposure to the DRAM market, which experienced significant declines in pricing during 2015 and 2016;
- our consolidated financial condition may be adversely impacted by the increased leverage resulting from the transaction;
- higher capital expenditures in future periods;

- increased exposure to operating costs denominated in New Taiwan dollars;
- integration issues with Inotera's manufacturing operations in Taiwan; and
- integration of business systems and processes.

Our proposed acquisition of the remaining shares of Inotera is inherently risky, may not be successful, and may materially adversely affect our business, results of operations, or financial condition. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Proposed Acquisition of Inotera.")

**Our future success depends on our ability to develop and produce competitive new memory technologies.**

Our key semiconductor memory technologies of DRAM and NAND 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 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.

In 2015, we announced the development of new 3D XPoint technology, which is an entirely new class of non-volatile memory. There is no assurance that our efforts to develop and market this new product technology will be successful. If our efforts to develop new semiconductor memory technologies are unsuccessful, our business, results of operations, or financial condition may be materially adversely affected.

**New product development may be unsuccessful.**

We are developing new products, including system-level memory products, which 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, 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 of the following:

- 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;
- that we will be able to qualify new products with our customers on a timely basis; or
- that margins generated from sales of these products will allow us to recover costs of development efforts.

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

**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. From time to time we experience problems with nonconforming, defective or incompatible products after we have shipped such products. 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. As a result of these problems we could be adversely affected in several ways, including the following:

- we may be required to compensate customers for costs incurred or damages caused by defective or incompatible product and to replace products;

- we could incur a decrease in revenue or adjustment to pricing commensurate with the reimbursement of such costs or alleged damages; and
- we may encounter adverse publicity, which could cause a decrease in sales of our products.

**A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property could materially adversely affect our business, results of operations, or financial condition.**

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 unable to predict the outcome of assertions of infringement made against us. A determination that our products or manufacturing processes infringe the intellectual property rights of others, or entering a license agreement covering such intellectual property, 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. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Contingencies.")

We have a number of 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.

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

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V., our Netherlands subsidiary ("Micron B.V."), 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 Micron B.V. and Qimonda signed in fall 2008 pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera Memories, Inc. (the "Inotera Shares"), representing approximately 55% of our total shares in Inotera as of September 1, 2016, and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and 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.

Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the Court issued judgments: (1) ordering Micron B.V. to pay approximately \$1 million in respect of certain Inotera shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on such shares and all other benefits; (4) denying Qimonda's claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the Court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by it and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by it from ownership of the Inotera Shares. The interlocutory judgments have no immediate, enforceable effect on us, and, accordingly, we expect to be able to continue to operate with full control of the Inotera Shares subject to further developments in the case. We have filed a notice of appeal, and the parties have submitted briefs to the appeals court.

We are unable to predict the outcome of the matter 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 monetary damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera Shares, and/or 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 September 1, 2016, the Inotera Shares had a carrying value for purposes of our financial reporting of \$674 million and a market value of \$996 million.

**Our joint ventures and strategic relationships involve numerous risks.**

We have entered into strategic relationships to manufacture products and develop new manufacturing process technologies and products. These relationships include our IMFT joint venture with Intel and our Inotera joint venture with Nanya. These joint ventures and strategic relationships 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;
- our joint venture partners' products may compete with our products;
- 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 recognize losses from our equity method investments;
- 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, we and our partners may not participate to the same extent on funding capital investments in our joint ventures;
- cash flows may be inadequate to fund increased capital requirements;
- we may experience difficulties or delays in collecting amounts due to us from our joint ventures and partners;
- 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 relationships are unsuccessful, our business, results of operations, or financial condition may be materially adversely affected.

**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. We maintain operations and continuously implement new product and process technology at our manufacturing operations which are widely dispersed in multiple locations in several countries including the U.S., Singapore, Taiwan, Japan, Malaysia, and China. Additionally, our control over operations at IMFT, Inotera, and Tera Probe 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, equipment failures, earthquakes, or other environmental events. 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, loss of revenues, or damage to customer relationships, any of which could materially adversely affect our business, results of operations, or financial condition.

**We may incur additional restructure charges in future periods.**

In the fourth quarter of 2016, we initiated a restructure plan in response to the current business environment and the need to accelerate focus on our key priorities in which we expect to save, as compared to our previously planned spending levels, approximately \$80 million per quarter in 2017. The savings are expected to result from a combination of a more focused set of projects and programs, the permanent closure of a number of open headcount requisitions, workforce reductions in certain areas of the business, and other non-headcount related spending reductions. In connection with the plan, we expect to incur charges of \$80 million, substantially all in cash expenditures, of which \$58 million was incurred in 2016, with the remainder in the early part of 2017.

We may not realize the expected quarterly cost savings. We may also incur additional restructure charges or other losses associated with other initiatives in future periods. In connection with those initiatives, we could incur restructure charges, loss of production output, loss of key personnel, disruptions in our operations, and difficulties in the timely delivery of products.

**The operations of the MMJ Companies are subject to continued oversight by the Japan Court during the pendency of the corporate reorganization proceedings.**

Because the plans of reorganization of the MMJ Companies provide for ongoing payments to creditors following the closing of our acquisition of MMJ, the Japan Proceedings are continuing, and the MMJ Companies remain subject to the oversight of the Japan Court and of the trustees (including a trustee designated by us, who we refer to as the business trustee, and a trustee designated by the Japan Court, who we refer to as the legal trustee), pending completion of the Japan Proceedings. The Japan Proceedings and oversight of the Japan Court are expected to continue until the final creditor payment is made under the MMJ Companies' plans of reorganization, which is scheduled to occur in December 2019, but may occur on a later date to the extent any claims of creditors remain unfixed on the final scheduled installment payment date. Although we may be able to petition the court to terminate the Japan Proceedings once two-thirds of all payments under the plans of reorganization are made, there can be no assurance that the Japan Court will grant any such petition.

During the pendency of the Japan Proceedings, the MMJ Companies are obligated to provide periodic financial reports to the Japan Court and may be required to obtain the consent of the Japan Court prior to taking a number of significant actions relating to their businesses, including transferring or disposing of, or acquiring, certain material assets, incurring or guaranteeing material indebtedness, settling disputes, or entering into certain material agreements. The consent of the legal trustee may also be required for matters that would likely have a material impact on the operations or assets of the MMJ Companies and their subsidiaries or for transfers of material assets, to the extent the matters or transfers would reasonably be expected to materially and adversely affect execution of the plans of reorganization of the MMJ Companies. Accordingly, during the pendency of the Japan Proceedings, our ability to effectively operate the MMJ Companies as part of our global operations or to cause the MMJ Companies to take certain actions that we deem advisable for their businesses could be adversely affected if the Japan Court or the legal trustee is unwilling to consent to various actions that we may wish to take with respect to the MMJ Companies.

**Our Inotera supply agreement involves numerous risks.**

In 2016, we purchased \$1.43 billion of DRAM products from Inotera and our supply from Inotera accounted for 30% of our aggregate DRAM gigabit production. In 2015 and 2014, our cost for Inotera products was higher than the cost for similar products manufactured in our wholly-owned facilities. Due to declines in average selling prices, our per gigabit cost of products purchased from Inotera decreased throughout 2015 and the first half of 2016 such that our cost for Inotera products more closely approximated our cost for similar products manufactured in our wholly-owned facilities for the second and third quarters of 2016. Due to improvements in average selling prices in late 2016 coupled with decreases in manufacturing costs of our wholly-owned operations, our cost for Inotera products increased and were approximately 20% higher than our cost for similar products manufactured in our wholly-owned facilities for the fourth quarter of 2016. 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 including the following:

- higher costs for supply obtained under the Inotera supply agreement as compared to our wholly-owned facilities;
- difficulties and delays in ramping production at Inotera;
- difficulties in transferring technology to Inotera; and
- difficulties in coming to an agreement with Nanya regarding major corporate decisions, such as capital expenditures or capital structure.

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

Across our global operations, certain transactions and balances are denominated in currencies other than the U.S. dollar (our reporting currency), primarily the euro, Singapore dollar, New Taiwan dollar, and yen. We recorded net losses from changes in currency exchange rates of \$24 million for 2016, \$27 million for 2015, and \$28 million for 2014. Based on our foreign currency balances from monetary assets and liabilities we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately \$241 million as of September 1, 2016. Although we hedge our exposure to changes in currency exchange rates from our monetary assets and liabilities by utilizing a rolling hedge strategy for our primary currency exposures with currency forward contracts that generally mature within 35 days, the effectiveness of these hedges is dependent upon our ability to accurately forecast our monetary assets and liabilities. In addition, a significant portion of our manufacturing costs are denominated in foreign currencies. Exchange rates for some of these currencies against the U.S. dollar, particularly the yen, have been volatile in recent periods. If these currencies strengthen against the U.S. dollar, our manufacturing costs could significantly increase. In the event that exchange rates for the U.S. dollar adversely change against our foreign currency exposures, our results of operations or financial condition may be adversely affected. In addition, in connection with our proposed acquisition of Inotera, our exposure to changes in foreign currency exchange rates could increase if not offset by corresponding hedges.

**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, R&D expenditures, and other business activities;
- diverting management's attention from 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 previous years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices for 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 and the 2012 bankruptcy filing by Elpida (now known as MMJ). These types of proceedings often lead to 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 may engage in discussions regarding potential acquisitions and similar opportunities arising out of these industry conditions. 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.

**Breaches of our security systems could expose us to losses.**

We maintain a system of controls over the physical security of our facilities. We also manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, we process, store, and transmit large amounts of data relating to our customers and employees, including sensitive personal information. Unauthorized persons or employees may gain access to our facilities or network systems to steal trade secrets or other 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. Breaches of our physical security and attacks on our network systems could result in significant losses and damage our reputation with customers and suppliers, and could expose us to litigation if the confidential information of our customers, suppliers, or employees is compromised.

**Compliance with regulations regarding the use of conflict minerals could limit the supply and increase the cost of certain metals used in manufacturing our products.**

Increased focus on environmental protection and social responsibility initiatives led to the passage of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and its implementing Securities and Exchange Commission regulations. The Dodd-Frank Act imposes supply chain diligence and disclosure requirements for certain manufacturers of products containing specific minerals that may originate in or near the Democratic Republic of the Congo (the "DRC") and finance or benefit local armed groups. These "conflict minerals" are commonly found in materials used in the manufacture of semiconductors. The implementation of these new regulations may limit the sourcing and availability of some of these materials. This in turn may affect our ability to obtain materials necessary for the manufacture of our products in sufficient quantities and may affect related material pricing. Some of our customers may elect to disqualify us as a supplier or reduce purchases from us if we are unable to verify that our products are DRC conflict free.

**We are subject to a variety of laws and regulations that may result in additional costs and liabilities.**

The manufacturing of our products requires the use of facilities, equipment, and materials that are subject to a broad array of laws and regulations in numerous jurisdictions in which we operate. Additionally, we are subject to a variety of other laws and regulations relative to the construction, maintenance, and operations of our facilities. Any of these laws or regulations could cause us to incur additional direct costs, as well as increased indirect costs related to our relationships with our customers and suppliers, and otherwise harm our operations and financial condition. Any failure to comply with these laws or regulations could adversely impact our reputation and our financial results. Additionally, we partner with other companies in our joint ventures, which are also subject to a broad array of laws and regulations. Our ownership in these joint ventures may also expose us to risks associated with their respective compliance with these laws and regulations. Our failure, or the failure of our joint ventures, to comply with these laws and regulations could result in:

- suspension of production;
- remediation costs;
- alteration of our manufacturing processes;
- regulatory penalties, fines, and legal liabilities; and
- reputational challenges.

**We may incur additional tax expense or become subject to additional tax exposure.**

We operate in a number of locations outside the U.S., including in Singapore, and, to a lesser extent, Taiwan, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. Our domestic and international taxes are dependent upon the distribution of our earnings among these different jurisdictions. Our provision for income taxes and cash tax liabilities in the future could be adversely affected by numerous factors, including challenges by tax authorities to our tax structure and intercompany transfer pricing agreements, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, failure to meet performance obligations with respect to tax incentive agreements, and changes in tax laws and regulations. We file income tax returns with the U.S. federal government, various U.S. states, and various other jurisdictions throughout the world. Our U.S. federal and state tax returns remain open to examination for 2012 through 2016. In addition, tax returns open to examination in Singapore, Japan, and Taiwan range from the years 2011 to 2016. The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on our provision for income taxes and cash tax liability.

**We may not utilize all of our net deferred tax assets.**

We have substantial deferred tax assets, which include, among others, net operating loss and credit carryforwards. As of September 1, 2016, our U.S. federal and state net operating loss carryforwards, including uncertain tax benefits, were \$3.90 billion and \$1.94 billion, respectively, which, if not utilized, will expire at various dates from 2017 through 2036. As of September 1, 2016, our foreign net operating loss carryforwards were \$6.04 billion, including \$4.28 billion pertaining to Japan, which will, if not utilized, substantially all expire at various dates from 2019 through 2025. As of September 1, 2016, we had valuation allowances of \$1.16 billion and \$765 million against our net deferred tax assets in the U.S. and Japan, respectively.

**A change in ownership may limit our ability to utilize our net operating loss carryforwards.**

If we experience a 50% or greater change in ownership involving shareholders owning 5% or more of our stock, it could adversely impact our ability to utilize our existing net operating loss and credit carryforwards. The inability to utilize existing net operating loss and credit carryforwards would significantly increase the amount of our annual cash taxes reducing the overall amount of cash available to be used in other areas of the business.

On July 20, 2016, our board of directors adopted a Section 382 Rights Agreement (the "Rights Agreement"), under which our shareholders of record as of the close of business on August 1, 2016 received one right for each share of common stock outstanding. The Rights Agreement is intended to avoid an ownership change, as defined by Section 382 of the Internal Revenue Code of 1986, as amended, and thereby preserve our current ability to utilize certain net operating loss and credit carryforwards. In general, an ownership change will occur when the percentage of our ownership by one or more 5% shareholders has increased by more than 50% at any time during the prior three years. Pursuant to the Rights Agreement, if a shareholder (or group) acquires beneficial ownership of 4.99% or more of the outstanding shares of our common stock without prior approval of our Board of Directors or without meeting certain customary exceptions, the rights would become exercisable and entitle shareholders (other than the acquiring shareholder or group) to purchase additional shares of our common stock at a significant discount and result in significant dilution in the economic interest and voting power of acquiring shareholder or group. Although the Rights Agreement is intended to reduce the likelihood of an ownership change that could adversely affect us, there is no assurance that the Rights Agreement will prevent all transfers that could result in such an ownership change. The Rights Agreement is subject to shareholder approval at the Company's Fiscal 2016 Annual Meeting of Shareholders. If not approved by the shareholders, the Rights Agreement will terminate on July 19, 2017.

**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, and in certain cases, third party services, that meet exacting standards. We generally have multiple sources of supply for our raw materials and services. However, only a limited number of suppliers are capable of delivering certain raw materials and services that meet our standards. In some cases, materials, components, or services are provided by a single supplier. Various factors could reduce the availability of raw materials or components such as silicon wafers, controllers, photomasks, chemicals, gases, photoresist, lead frames, and molding compound. Shortages may occur from time to time in the future. We and/or our suppliers could be affected by laws and regulations enacted in response to concerns regarding climate change, which could increase the cost and limit the supply of our raw materials. 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 or services 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 manufacturing 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. From time to time we have experienced difficulties in obtaining some equipment on a timely basis due to the supplier's limited capacity. Our inability to obtain this equipment timely 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 obtain advanced semiconductor manufacturing equipment in a timely manner, our business, results of operations, or financial condition could be materially adversely affected.



**A downturn in the worldwide economy may harm our business.**

Downturns in the worldwide economy have harmed our business in the past and future downturns could also adversely affect our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers, mobile devices, SSDs, and servers. Reduced demand for these products could result in significant decreases in our average selling prices and product sales. A deterioration of current conditions in worldwide credit markets could 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.

**Our results of operations could be affected by natural disasters and other 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, fire, explosion, or other event that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, may materially adversely affect our business, results of operations, or financial condition.

**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 84% of our consolidated net sales for 2016. 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, Taiwan, and Japan. Our international sales and operations are subject to a variety of risks, including:

- export and import duties, changes to import and export regulations, customs regulations and processes, and restrictions on the transfer of funds;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act, export and import laws, and similar rules and regulations;
- theft of intellectual property;
- 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.

**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, capped-call contracts on our stock, and derivative instruments. 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 not comply with their contractual commitments which could then lead to their defaulting on their obligations with little or no 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 September 1, 2016:

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 an assembly, test, and module assembly facility
Xi'an, China	Assembly, test, and module assembly
Muar, Malaysia	Assembly and test
Taichung City, Taiwan	Wafer fabrication
Hiroshima, Japan	Wafer fabrication and R&D
Akita, Japan	Module assembly and test

Substantially all of the capacity of the facilities listed above is fully utilized. Our Inotera joint venture has a 300mm wafer fabrication facility in Taoyuan City, Taiwan. Under our supply agreement with Inotera, we purchase all of the output of Inotera. We also own or lease a number of other facilities in locations throughout the world that are used for design, R&D, and sales and marketing activities.

Our facility in Lehi is owned and operated by our IMFT joint venture with Intel. (See "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity – Noncontrolling Interests in Subsidiaries – IMFT.")

In 2015, we began construction of a significant expansion of our wafer fabrication facilities in Singapore for production of NAND Flash memory and we began utilizing a portion of the facility for production in the second half of 2016.

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 "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Geographic Information.")

## ITEM 3. LEGAL PROCEEDINGS

### Reorganization Proceedings of the MMJ Companies

In July 2013, we completed the acquisition of Elpida, now known as MMJ, a Japanese corporation, pursuant to the terms and conditions of an Agreement on Support for Reorganization Companies (as amended, the "Sponsor Agreement") that we entered into in July 2012 with the trustees of the MMJ Companies' pending corporate reorganization proceedings under the Corporate Reorganization Act of Japan. The MMJ Companies filed petitions for commencement of corporate reorganization proceedings with the Japan Court under the Corporate Reorganization Act of Japan in February 2012, and the Japan Court issued an order to commence the reorganization proceedings (the "Japan Proceedings") in March 2012. Under the Sponsor Agreement, we agreed to provide certain support for the reorganization of the MMJ Companies and the trustees agreed to prepare and seek approval from the Japan Court and the MMJ Companies' creditors of plans of reorganization consistent with such support.

The trustees initially submitted the proposed plans of reorganization for the MMJ Companies to the Japan Court in August 2012 and submitted final proposed plans in October 2012. In October 2012, the Japan Court approved submission of the trustees' proposed plans of reorganization to creditors for approval. In February 2013, the MMJ Companies' creditors approved the reorganization plans and in February 2013, the Japan Court issued an order approving the plans of reorganization. Appeals filed by certain creditors of MMJ in Japan challenging the plan approval order issued by the Japan Court were denied.

In a related action, MMJ filed a Verified Petition for Recognition and Chapter 15 Relief in the United States Bankruptcy Court for the District of Delaware (the "U.S. Court") in March 2012 and, in April 2012, the U.S. Court entered an order that, among other things, recognized MMJ's corporate reorganization proceeding as a foreign main proceeding pursuant to 11 U.S.C. § 1517(b). On June 25, 2013, the U.S. Court issued a recognition order, which recognized the order of the Japan Court approving MMJ's plan of reorganization. In November 2013, the U.S. Court closed the U.S. Chapter 15 proceeding.

The plans of reorganization provide for payments by the MMJ Companies to their secured and unsecured creditors in an aggregate amount of 200 billion yen, less certain expenses of the reorganization proceedings and certain other items. The plans of reorganization also provided for the investment by us pursuant to the Sponsor Agreement of 60 billion yen paid at closing in cash into MMJ in exchange for 100% ownership of MMJ's equity and the use of such investment to fund the initial installment payment by the MMJ Companies to their creditors of 60 billion yen, subject to reduction for certain items specified in the Sponsor Agreement and plans of reorganization.

Under MMJ's plan of reorganization, secured creditors will recover 100% of the amount of their fixed claims and unsecured creditors will recover at least 17.4% of the amount of their fixed claims. The actual recovery of unsecured creditors will be higher, however, based, in part, on events and circumstances occurring following the plan approval. The remaining portion of the unsecured claims will be discharged, without payment, over the period that payments are made pursuant to the plans of reorganization. The secured creditors will be paid in full on or before the sixth installment payment date, while the unsecured creditors will be paid in seven installments. MAI's plan of reorganization provides that secured creditors will recover 100% of the amount of their claims, whereas unsecured creditors will recover 19% of the amount of their claims. The secured creditors of MAI were paid in full on the first installment payment date, while the unsecured creditors will be paid in seven installments.

Because the plans of reorganization of the MMJ Companies provide for ongoing payments to creditors following the closing of the MMJ acquisition, the Japan Proceedings are continuing and the MMJ Companies remain subject to the oversight of the Japan Court and of the trustees (including a trustee designated by us, who we refer to as the business trustee, and a trustee designated by the Japan Court, who we refer to as the legal trustee), pending completion of the reorganization proceedings. The business trustee makes decisions in relation to the operation of the businesses of the MMJ Companies, other than decisions in relation to acts that need to be carried out in connection with the Japan Proceedings, which are the responsibility of the legal trustee. The Japan Proceedings and oversight of the Japan Court will continue until the final creditor payment is made under the MMJ Companies' plans of reorganization, which is scheduled to occur in December 2019, but may occur on a later date to the extent any claims of creditors remain unfixed on the final scheduled installment payment date. The MMJ Companies may petition the Japan Court for an early termination of the Japan Proceedings once two-thirds of all payments under the plans of reorganization are made. Although such early terminations are customarily granted, there can be no assurance that the Japan Court will grant any such petition in these particular cases.

During the pendency of the Japan Proceedings, the MMJ Companies are obligated to provide periodic financial reports to the Japan Court and may be required to obtain the consent of the Japan Court prior to taking a number of significant actions relating to their businesses, including transferring or disposing of, or acquiring, certain material assets, incurring or guaranteeing material indebtedness, settling material disputes, or entering into certain material agreements. The consent of the legal trustee may also be required for matters that would likely have a material impact on the operations or assets of the MMJ Companies and their subsidiaries or for transfers of material assets, to the extent the matters or transfers would reasonably be expected to materially and adversely affect execution of the plans of reorganization of the MMJ Companies. Accordingly, during the pendency of the Japan Proceedings, our ability to effectively integrate the MMJ Companies as part of our global operations or to cause the MMJ Companies to take certain actions that we deem advisable for their businesses could be adversely affected if the Japan Court or the legal trustee is unwilling to consent to various actions that we may wish to take with respect to the MMJ Companies.

For a discussion of other legal proceedings, see "Part II Financial Information – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Contingencies" and "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." The following table represents the high and low closing prices for our common stock for each quarter of 2016 and 2015:

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2016				
High	\$ 16.91	\$ 13.11	\$ 15.50	\$ 19.16
Low	11.73	9.56	9.69	14.06
2015				
High	\$ 26.59	\$ 29.52	\$ 36.49	\$ 36.10
Low	14.27	26.31	28.35	27.03

#### Holders of Record

As of October 21, 2016, there were 2,316 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.

As a result of the Japan Proceedings, for so long as such proceedings continue, the MMJ Group is subject to certain restrictions on dividends, loans, and advances. Our ability to access IMFT's cash and other assets through dividends, loans, or advances, including to finance our other operations, is subject to agreement by Intel.

#### Equity Compensation Plan Information

The information required by this item is incorporated by reference from the information to be set forth in our 2016 Proxy Statement under the section entitled "Equity Compensation Plan Information," which will be filed with the Securities and Exchange Commission within 120 days after September 1, 2016.

#### Issuer Purchases of Equity Securities

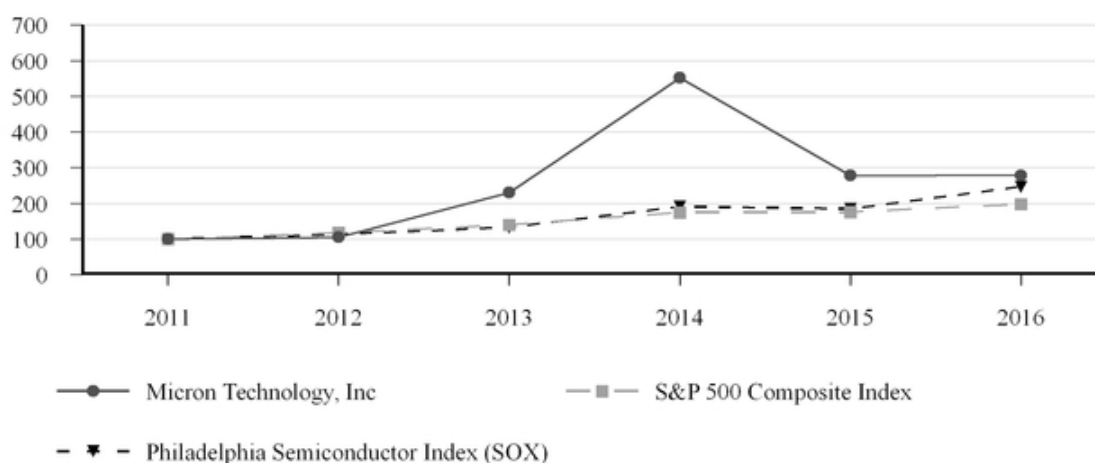
Our Board of Directors has authorized the discretionary repurchase of up to \$1.25 billion of our outstanding common stock, which may be made in open-market purchases, block trades, privately-negotiated transactions, or derivative transactions. Through the end of 2016, we had repurchased a total of 49 million shares for \$956 million (including commissions) through open-market transactions pursuant to such authorization, which were recorded as treasury stock. Repurchases are subject to market conditions and our ongoing determination of the best use of available cash.

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 3, 2016	– July 7, 2016	—	\$ —	—	\$ 294,184,917
July 8, 2016	– August 4, 2016	—	—	—	294,184,917
August 5, 2016	– September 1, 2016	—	—	—	294,184,917
		—	—	—	

Shares of common stock withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are also treated as common stock repurchases. Those withheld shares of common stock are not considered common stock repurchases under an authorized common stock repurchase plan and accordingly are excluded from the above table.

## 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 31, 2011, through August 31, 2016. 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.



*Note: Management cautions that the stock price performance information shown in the graph above may not be indicative of current stock price levels or future stock price performance.*

The performance graph above assumes \$100 was invested on August 31, 2011 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:

	2011	2012	2013	2014	2015	2016
Micron Technology, Inc.	\$ 100	\$ 105	\$ 230	\$ 552	\$ 278	\$ 279
S&P 500 Composite Index	100	118	140	175	176	198
Philadelphia Semiconductor Index (SOX)	100	113	133	191	185	247

## ITEM 6. SELECTED FINANCIAL DATA

	2016	2015	2014	2013	2012
	(in millions except per share amounts)				
Net sales	\$ 12,399	\$ 16,192	\$ 16,358	\$ 9,073	\$ 8,234
Gross margin	2,505	5,215	5,437	1,847	968
Operating income (loss)	168	2,998	3,087	236	(612)
Net income (loss)	(275)	2,899	3,079	1,194	(1,031)
Net income (loss) attributable to Micron	(276)	2,899	3,045	1,190	(1,032)
Diluted earnings (loss) per share	(0.27)	2.47	2.54	1.13	(1.04)
Cash and short-term investments	4,398	3,521	4,534	3,101	2,559
Total current assets	9,495	8,596	10,245	8,911	5,758
Property, plant, and equipment, net	14,686	10,554	8,682	7,626	7,103
Total assets	27,540	24,143	22,416	19,068	14,295
Total current liabilities	4,835	3,905	4,791	4,122	2,243
Long-term debt	9,154	6,252	4,893	4,406	3,005
Redeemable convertible notes	—	49	68	—	—
Total Micron shareholders' equity	12,080	12,302	10,760	9,142	7,700
Noncontrolling interests in subsidiaries	848	937	802	864	717
Total equity	12,928	13,239	11,562	10,006	8,417

On July 31, 2013, we completed the MMJ Acquisition, in which we acquired Elpida, now known as MMJ, and a controlling interest in Rexchip Electronics Corporation, now known as MMT. The MMJ Group's products include mobile DRAM targeted to mobile phones and tablets and computing DRAM targeted to desktop PCs, servers, notebooks, and workstations. The MMJ Acquisition included a 300mm DRAM wafer fabrication facility located in Hiroshima, Japan, a 300mm DRAM wafer fabrication facility in Taichung City, Taiwan, and an assembly and test facility located in Akita, Japan. In connection with the MMJ Acquisition, we recorded net assets of \$2.60 billion, noncontrolling interests of \$168 million, and a gain on the transaction of \$1.48 billion in 2013.

On April 6, 2012, we entered into a series of agreements with Intel to restructure our IMFT and IM Flash Singapore, LLP ("IMFS") joint venture relationships, through which we acquired Intel's remaining 18% interest in IMFS for \$466 million. In addition, we terminated IMFT's lease to use approximately 50% of our Virginia wafer fabrication facility along with acquiring IMFT's assets located at that 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 noncontrolling interest in the assets acquired. Prior to our acquisition of Intel's interest in these assets, the output of the underlying facilities was sold to the partners based on ownership interests at long-term negotiated prices approximating cost.

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

*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 regarding the acquisition of the remaining shares of Inotera; changes in future depreciation expense; future costs and savings for restructure activities; our pursuit of additional financing and debt restructuring including expected funding of the Inotera acquisition; the sufficiency of our cash and investments, cash flows from operations, and available financing to meet our requirements for at least the next 12 months; capital spending in 2017; and the timing of payments for certain contractual obligations. We are under no obligation to update these forward-looking statements. 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 "Part I, Item 1A. Risk Factors." This discussion should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended September 1, 2016. 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. Our fiscal 2016 contained 52 weeks, fiscal 2015 contained 53 weeks, and fiscal 2014 contained 52 weeks. All production data includes the production of IMFT and Inotera. All tabular dollar amounts are in millions except per share amounts.*

Our Management's Discussion and Analysis ("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:** Overview of our operations, business, and highlights of key 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 liquidity.
- **Off-Balance Sheet Arrangements:** Description of off-balance sheet arrangements.
- **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.
- **Recently Adopted and Issued Accounting Standards**

### Overview

For an overview of our business, see "Part I – Item 1. – Business – Overview."



## Results of Operations

### Consolidated Results

For the year ended	2016		2015		2014	
Net sales	\$ 12,399	100 %	\$ 16,192	100 %	\$ 16,358	100 %
Cost of goods sold	9,894	80 %	10,977	68 %	10,921	67 %
Gross margin	2,505	20 %	5,215	32 %	5,437	33 %
Selling, general, and administrative	659	5 %	719	4 %	707	4 %
Research and development	1,617	13 %	1,540	10 %	1,371	8 %
Restructure and asset impairments	67	1 %	3	— %	40	— %
Other operating (income) expense, net	(6)	— %	(45)	— %	232	1 %
Operating income	168	1 %	2,998	19 %	3,087	19 %
Interest income (expense), net	(395)	(3)%	(336)	(2)%	(329)	(2)%
Other non-operating income (expense), net	(54)	— %	(53)	— %	(25)	— %
Income tax (provision) benefit	(19)	— %	(157)	(1)%	(128)	(1)%
Equity in net income (loss) of equity method investees	25	— %	447	3 %	474	3 %
Net income attributable to noncontrolling interests	(1)	— %	—	— %	(34)	— %
Net income (loss) attributable to Micron	<u>\$ (276)</u>	(2)%	<u>\$ 2,899</u>	18 %	<u>\$ 3,045</u>	19 %

### *Net Sales*

For the year ended	2016		2015		2014	
CNBU	\$ 4,529	37%	\$ 6,725	42%	\$ 7,333	45%
SBU	3,262	26%	3,687	23%	3,480	21%
MBU	2,569	21%	3,692	23%	3,627	22%
EBU	1,939	16%	1,999	12%	1,774	11%
All Other	100	1%	89	1%	144	1%
	<u>\$ 12,399</u>		<u>\$ 16,192</u>		<u>\$ 16,358</u>	

*Percentages of total net sales reflect rounding and may not total 100%.*

Total net sales for 2016 decreased 23% as compared to 2015 primarily due to lower CNBU, MBU, and SBU sales as declines in average selling prices outpaced increases in gigabit sales volumes. The increases in gigabit sales volumes for 2016 were primarily attributable to higher manufacturing output due to improvements in product and process technologies partially offset by reductions resulting from transitions to the next technology node.

Total net sales for 2015 decreased 1% as compared to 2014 primarily due to lower CNBU sales as a result of decreases in DRAM sales as declines in average selling prices outpaced increases in gigabit sales volumes. SBU and MBU sales for 2015 increased as compared to 2014 as a result of higher NAND Flash sales due to increases in gigabit sales volumes partially offset by declines in average selling prices. The increases in gigabit sales volumes for 2015 were primarily attributable to higher manufacturing output due to improvements in product and process technologies. EBU sales for 2015 increased as compared to 2014 due to higher sales volumes as a result of increases in market demand.

### *Gross Margin*

Our overall gross margin percentage declined to 20% for 2016 from 32% for 2015 primarily due to declines in the gross margin percentages for CNBU, MBU, and SBU, as decreases in average selling prices outpaced manufacturing cost reductions. EBU's gross margin percentage for 2016 was relatively unchanged from 2015 as manufacturing cost reductions offset declines in average selling prices.

From January 2013 through December 2015, we purchased all of Inotera's DRAM output under supply agreements at prices reflecting discounts from market prices for our comparable components. Effective beginning on January 1, 2016, the price for DRAM products purchased by us is based on a formula that equally shares margin between Inotera and us. We purchased \$1.43 billion, \$2.37 billion, and \$2.68 billion of DRAM products from Inotera in 2016, 2015, and 2014, respectively. DRAM products purchased from Inotera accounted for 30% of our aggregate DRAM gigabit production for 2016 as compared to 35% for 2015 and 38% for 2014. In 2015 and 2014, our cost for Inotera products was higher than our cost for similar products manufactured in our wholly-owned facilities. Due to declines in average selling prices, our per gigabit cost of products purchased from Inotera decreased throughout 2015 and the first half of 2016 such that our cost for Inotera products more closely approximated our cost for similar products manufactured in our wholly-owned facilities for the second and third quarters of 2016. Due to improvements in average selling prices in late 2016 coupled with decreases in manufacturing costs of our wholly-owned operations, our cost for Inotera products increased and were approximately 20% higher than our cost for similar products manufactured in our wholly-owned facilities for the fourth quarter of 2016. The current supply agreement with Inotera has an initial three-year term, which commenced on January 1, 2016, followed by a three-year wind-down period. Upon termination of the initial three-year term, the share of Inotera's capacity we would purchase would decline over the wind-down period.

Our overall gross margin percentage declined to 32% for 2015 from 33% for 2014 primarily due to declines in average selling prices partially offset by manufacturing cost reductions. CNBU and SBU experienced declines in gross margin percentage for 2015 as compared to 2014 as declines in average selling price outpaced manufacturing cost reductions. MBU's gross margin percentage for 2015 improved as compared to 2014 as manufacturing cost reductions outpaced declines in average selling prices.

Due to the lengthening period of time between DRAM product technology node transitions, an increased re-use rate of equipment, and industry trends, we revised the estimated useful lives of equipment in our DRAM wafer fabrication facilities from five to seven years in the fourth quarter of 2016. For 2016, the effect of the revision was not material and we expect this change will reduce depreciation costs by approximately \$100 million per quarter in future periods.

### **Operating Results by Business Segments**

#### ***CNBU***

<b>For the year ended</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net sales	\$ 4,529	\$ 6,725	\$ 7,333
Operating income (loss)	(134)	1,481	1,957

CNBU sales and operating results are significantly impacted by average selling prices, gigabit sales volumes, and cost per gigabit of our DRAM products. (See "Operating Results by Product – DRAM" for further detail.) CNBU sales for 2016 decreased 33% as compared to 2015 primarily due to declines in average selling prices as a result of continued weakness in the PC sector, partially offset by increases in gigabits sold. CNBU operating margin for 2016 declined from 2015 as decreases in average selling prices outpaced manufacturing cost reductions.

CNBU sales for 2015 decreased 8% as compared to 2014 primarily due to declines in average selling prices as a result of continued weakness in the PC sector, partially offset by increases in gigabits sold. CNBU operating margin for 2015 declined from 2014 as decreases in average selling prices outpaced manufacturing cost reductions.

#### ***SBU***

<b>For the year ended</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net sales	\$ 3,262	\$ 3,687	\$ 3,480
Operating income (loss)	(205)	(89)	255

SBU sales and operating results are significantly impacted by average selling prices, gigabit sales volumes, and cost per gigabit of our Non-Volatile Memory products. (See "Operating Results by Product – Trade Non-Volatile Memory" for further details.) SBU sales for 2016 decreased 12% from 2015 primarily due to declines in average selling prices partially offset by increases in gigabits sold. SBU sales included Non-Trade Non-Volatile Memory sales of \$501 million, \$463 million, and \$475 million, for 2016, 2015, and 2014, respectively.

SBU sales of Trade Non-Volatile Memory products for 2016 decreased 16% from 2015 primarily due to declines in average selling prices partially offset by increases in gigabits sold. SBU operating margin for 2016 declined from 2015 as decreases in average selling prices outpaced manufacturing cost reductions.

SBU sales of Trade Non-Volatile Memory products for 2015 increased 7% as compared to 2014 primarily due to increases in gigabits sold partially offset by declines in average selling prices. Increases in gigabits sold for 2015 as compared to 2014 were primarily due to higher manufacturing output. SBU operating margin for 2015 declined from 2014 as decreases in average selling prices outpaced manufacturing cost reductions and R&D costs increased in connection with increased spending on controllers, firmware, and engineering for SSDs and managed NAND Flash products.

#### ***MBU***

<b>For the year ended</b>	<b>2016</b>		<b>2015</b>		<b>2014</b>	
Net sales	\$	2,569	\$	3,692	\$	3,627
Operating income		39		1,126		683

MBU sales are comprised primarily of DRAM and NAND Flash, with mobile DRAM products accounting for a significant majority of the sales. MBU sales for 2016 decreased 30% as compared to 2015 primarily due to declines in average selling prices and DRAM gigabits sold. MBU operating income for 2016 declined from 2015 as decreases in average selling prices outpaced manufacturing cost reductions.

MBU sales for 2015 increased 2% as compared to 2014 primarily due to significant increases in gigabit sales volumes for managed NAND Flash and MCP products partially offset by lower sales of mobile DRAM products as a result of declines in average selling prices and sales volumes. MBU operating income for 2015 improved from 2014 as manufacturing cost reductions outpaced declines in average selling prices.

#### ***EBU***

<b>For the year ended</b>	<b>2016</b>		<b>2015</b>		<b>2014</b>	
Net sales	\$	1,939	\$	1,999	\$	1,774
Operating income		433		435		331

EBU sales are comprised of DRAM, NAND Flash, and NOR Flash in decreasing order of revenue. EBU sales for 2016 decreased 3% as compared to 2015 primarily due to declines in average selling prices for DRAM and NAND Flash products, which were partially offset by higher sales volumes as a result of increases in demand. EBU operating income for 2016 was relatively unchanged from 2015 as manufacturing cost reductions offset declines in average selling prices.

EBU sales for 2015 increased 13% as compared to 2014 primarily due to higher sales volumes of DRAM and NAND Flash products as a result of increases in demand. EBU operating income for 2015 improved as compared to 2014 primarily due to the higher sales volumes.

### **Operating Results by Product**

#### ***Net Sales by Product***

<b>For the year ended</b>	<b>2016</b>		<b>2015</b>		<b>2014</b>	
DRAM	\$	7,207	58%	\$	10,339	64%
Non-Volatile Memory						
Trade		4,138	33%		4,811	30%
Non-Trade		501	4%		463	3%
Other		553	4%		579	4%
	\$	12,399		\$	16,192	
					\$	16,358

*Percentages of total net sales reflect rounding and may not total 100%.*

Trade Non-Volatile Memory includes NAND Flash and 3D XPoint memory. Non-Trade Non-Volatile Memory primarily consists of Non-Volatile Memory products manufactured and sold to Intel through IMFT at long-term negotiated prices approximating cost. Information regarding our MCP products, which combine both NAND Flash and DRAM components, is reported within Trade Non-Volatile Memory. Sales of NOR Flash products are included in Other.

### **DRAM**

<b>For the year ended</b>	<b>2016</b>	<b>2015</b>
	(percentage change from prior year)	
Net sales	(30)%	(7)%
Average selling prices per gigabit	(35)%	(11)%
Gigabits sold	7 %	4 %
Cost per gigabit	(17)%	(12)%

The increase in gigabits sold and decrease in cost per gigabit for 2016 and 2015 as compared to prior years, were primarily due to increases in gigabit production as a result of improvements in product and process technologies. Lower costs for products purchased from Inotera contributed to manufacturing cost reductions for 2016 and 2015. Gigabit production and cost reductions for 2016 and 2015, were constrained by equipment downtime incurred in connection with transitioning from 25nm to 20nm-based products and a shift to a higher mix of DDR4 products, which have larger die sizes and fewer bits per wafer.

Our gross margin percentage for 2016 declined as compared to 2015 as decreases in average selling prices outpaced manufacturing cost reductions. Our gross margin percentage on sales of DRAM products for 2015 improved from 2014 as manufacturing cost reductions outpaced declines in average selling prices.

### **Trade Non-Volatile Memory**

<b>For the year ended</b>	<b>2016</b>	<b>2015</b>
	(percentage change from prior year)	
Sales to trade customers		
Net sales	(14)%	20 %
Average selling prices per gigabit	(20)%	(17)%
Gigabits sold	8 %	45 %
Cost per gigabit	(16)%	(10)%

Through 2016, substantially all of our Trade Non-Volatile Memory sales were from NAND Flash products. The increase in gigabits sold of Trade Non-Volatile Memory for 2016 as compared to 2015, was primarily due to increases in gigabit production due to improvements in product and process technology. Increases in gigabit production for 2016 were constrained by equipment downtime incurred in connection with transitioning to 3D NAND Flash products. The increase in gigabits sold of Trade Non-Volatile Memory for 2015 as compared to 2014, was primarily due to higher production from improved product and process technologies and the transition of our wafer fabrication facility in Singapore from DRAM to NAND Flash production. Increases in gigabit production for 2015 as compared to 2014, were limited by a shift in product mix to higher levels of managed NAND Flash and MCP products, which have both higher average selling prices and costs per gigabit.

Our gross margin percentage on sales of Trade Non-Volatile Memory products for 2016 declined from 2015 as decreases in average selling prices outpaced manufacturing cost reductions. Our gross margin percentage on sales of Trade Non-Volatile Memory products for 2015 declined from 2014 as the decreases in average selling prices outpaced manufacturing cost reductions.

### **Operating Expenses and Other**

#### ***Selling, General, and Administrative***

SG&A expenses for 2016 decreased 8% as compared to 2015 due to decreases in payroll costs resulting primarily from the suspension of variable-pay plans, decreases in travel costs, and an additional week in 2015.

SG&A expenses for 2015 increased 2% as compared to 2014 primarily due to an additional week in 2015 and higher legal costs.

### ***Research and Development***

R&D expenses for 2016 increased 5% from 2015 primarily due to higher volumes of development wafers processed, higher payroll costs, and an increase in depreciation expense from R&D capital expenditures.

R&D expenses for 2015 increased 12% from 2014 primarily due to a higher volume of development wafers processed, an increase in depreciation expense due to R&D capital expenditures, higher payroll costs, higher subcontracted engineering and other professional service costs, and an additional week in 2015. Increases in R&D expenses for 2015 as compared to 2014 were partly attributable to increased spending on controllers, firmware, and engineering to support system-level products, including SSD, managed NAND Flash, and HMC products.

We generally share with Intel the costs of product design and process development activities for NAND Flash and 3D XPoint memory. Our R&D expenses reflect net reductions as a result of reimbursements under our cost-sharing arrangements with Intel and others of \$208 million, \$231 million, and \$162 million in 2016, 2015, and 2014, respectively.

See further discussion of our R&D in "Part I – Item 1. – Business – Research and Development."

### ***Restructure and Asset Impairments***

In the fourth quarter of 2016, we initiated a restructure plan in response to the current business environment and the need to accelerate focus on our key priorities in which we expect to save, as compared to our previously planned spending levels, approximately \$80 million per quarter in 2017. The savings are expected to result from a combination of a more focused set of projects and programs, the permanent closure of a number of open headcount requisitions, workforce reductions in certain areas of the business, and other non-headcount related spending reductions. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Restructure and Asset Impairments.")

### ***Income Taxes***

Our effective tax rates were 6.8%, 6.0%, and 4.7% for 2016, 2015, and 2014, respectively, primarily reflecting provisions on non-U.S. operations. Our effective tax rates reflect the following:

- operations in tax jurisdictions, including Singapore and Taiwan, where our earnings are indefinitely reinvested and the tax rates are significantly lower than the U.S. statutory rate;
- operations outside the U.S., including Singapore and, to a lesser extent, Taiwan, where we have tax incentive arrangements that further decrease our effective tax rates; and
- a valuation allowance against substantially all of our U.S. net deferred tax assets.

Income taxes for 2016, 2015, and 2014 included \$114 million, \$80 million and \$59 million, respectively, related to utilization of, and other changes in, deferred tax assets of MMJ and MMT. Income taxes for 2016 also included tax benefits of \$58 million related to the favorable resolution of certain prior year tax matters, which were previously reserved as uncertain tax positions, and \$41 million related to a U.S. valuation allowance release resulting from the acquisition of Tidal Systems, Ltd. The remaining tax provision for 2016, 2015, and 2014 primarily reflects taxes on our other non-U.S. operations. Income taxes on U.S. operations for 2016, 2015, and 2014 were substantially offset by changes in the valuation allowance.

We have a full valuation allowance for our net deferred tax asset associated with our U.S. operations. Management continues to evaluate future projected financial performance to determine whether such performance is sufficient evidence to support a reduction in or reversal of the valuation allowance. The amount of the deferred tax asset considered realizable could be adjusted if sufficient positive evidence exists.

We operate in a number of locations outside the U.S., including Singapore and, to a lesser extent, Taiwan, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. The benefit of tax incentive arrangements, which expire in whole or in part at various dates through 2030, was not material to our tax provision for 2016 and reduced our tax provision for 2015 and 2014 by \$338 million (benefitting our diluted earnings per share by \$0.29) and \$286 million (\$0.24 per diluted share), respectively.

(See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Income Taxes.")

### ***Equity in Net Income (Loss) of Equity Method Investees***

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

<b>For the year ended</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Inotera	\$ 32	\$ 445	\$ 465
Tera Probe	(11)	1	11
Other	4	1	(2)
	<u>\$ 25</u>	<u>\$ 447</u>	<u>\$ 474</u>

Our equity in net income (loss) of Inotera declined for 2016 as compared to 2015 primarily due to declines in average selling prices and cost of transitioning to the next technology node. Included in our earnings for 2015 was \$49 million from Inotera's full release of its valuation allowance against net deferred tax assets related to its net operating loss carryforward and the resulting tax provision in subsequent periods.

In 2016 and 2015, we recorded an impairment charge of \$25 million and \$10 million, respectively, within equity in net income (loss) of equity method investees to write down the carrying value of our investment in Tera Probe to its fair value based on its trading price.

### ***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 and Supplementary Data – Notes to Consolidated Financial Statements":

- Equity Plans
- Other Operating (Income) Expense, Net
- Other Non-Operating Income (Expense), Net

## **Liquidity and Capital Resources**

Our primary sources of liquidity are cash generated from operations and financing obtained from capital markets. Cash generated from operations is highly dependent on selling prices for our products, which can vary significantly from period to period. We are continuously evaluating alternatives for efficiently funding capital expenditures and ongoing operations. We expect, from time to time in the future, to engage in a variety of transactions for such purposes, including the issuance or incurrence of secured and unsecured debt and the refinancing and restructuring of existing debt. As of September 1, 2016, we had a revolving credit facility available for up to \$488 million of additional financing based on eligible receivables. We expect that our cash and investments, cash flows from operations, and available financing will be sufficient to meet our requirements at least through the next 12 months.

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 equipment, and R&D. We estimate that net cash expenditures in 2017 for property, plant, and equipment will be approximately \$4.8 billion to \$5.2 billion, which reflects the offset of amounts we expect to be funded by our partners. The actual amounts for 2017 will vary depending on market conditions. Total additions to property, plant, and equipment in 2016 were \$7.01 billion, which, in comparison to cash expenditures, reflects differences in timing of receipts and payments for equipment as well as non-cash additions such as equipment leases. As of September 1, 2016, we had commitments of approximately \$780 million for the acquisition of property, plant, and equipment, substantially all of which is expected to be paid within one year.

As of	2016	2015
Cash and equivalents and short-term investments	\$ 4,398	\$ 3,521
Long-term marketable investments	414	2,113

Our investments consist primarily of liquid investment-grade fixed-income securities, diversified among industries and individual issuers. As of September 1, 2016, \$1.32 billion of our cash and equivalents and short-term investments was held by foreign subsidiaries, primarily denominated in the U.S. dollar. To mitigate credit risk, we invest through high-credit-quality financial institutions and, by policy, generally limit the concentration of credit exposure by restricting the amount of investments with any single obligor.

### **Proposed Acquisition of Inotera**

In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera for 30 New Taiwan dollars per share in cash (equivalent to approximately \$0.95 per share, assuming 31.7 New Taiwan dollars per U.S. dollar, the exchange rate as of September 1, 2016). Based on the exchange rate as of September 1, 2016, we estimate the aggregate consideration payable for the 67% of Inotera shares not owned by us would be approximately \$4.1 billion.

**Acquisition Financing:** On October 11, 2016, we and Inotera, as co-borrowers, entered into a single-draw term loan facility (the "Term Loan Facility"), from which proceeds will be used to pay a portion of the acquisition consideration and any related transaction costs and to provide working capital for Inotera. In the second and third quarters of 2016, we entered into agreements with Nanya pursuant to which we have the option to issue a combination of shares of our common stock (the "Micron Shares") and 2.00% convertible senior notes due 2021 (the "2021 Convertible Notes") to Nanya, which is subject to regulatory approvals and various other conditions.

**Term Loan Facility:** The Term Loan Facility can be made in a single draw on or prior to July 10, 2017, subject to the satisfaction of customary conditions, up to a maximum aggregate borrowing amount of 80 billion New Taiwan dollars in cash (equivalent to \$2.5 billion). The loan will bear interest at a variable rate equal to the three-month or six-month TAIBOR, at our or Inotera's option, plus a margin of 2.05% per annum, payable monthly in arrears. The loan will mature five years from the date it is made and principal is payable in six equal semi-annual installments, commencing thirty months after such loan is made.

The Term Loan Facility will be collateralized by certain assets including a real estate mortgage on Inotera's main production facility and site, a chattel mortgage over certain equipment of Inotera, all of the stock of our MSTW subsidiary and the approximately 80% of the stock of Inotera held by MSTW following the consummation of the acquisition. Micron will guarantee all of Inotera's and MSTW's obligations under the Term Loan Facility.

The Term Loan Facility contains affirmative and negative covenants which are customary for financings of this type, including covenants that limit or restrict the ability to create liens in or dispose of collateral securing obligations under the Term Loan Facility, mergers involving MSTW and/or Inotera, loans or guarantees to third parties by Inotera and/or MSTW, and MSTW's distribution of cash dividends (subject to satisfaction of certain financial conditions). The Term Loan Facility also contains financial covenants as follows, which are tested semi-annually:

- MSTW must maintain a consolidated ratio of total debt to EBITDA not higher than 5.50x in 2017 and 2018; and not higher than 4.50x through 2019 to 2021.
- MSTW must maintain consolidated tangible net worth of not less than 4 billion New Taiwan dollars (equivalent to \$126 million) in 2017 and 2018; not less than 6.5 billion New Taiwan dollars (equivalent to \$205 million) in 2019 and 2020; and not less than 12 billion New Taiwan dollars (equivalent to \$378 million) in 2021.
- On a consolidated basis, we must maintain a ratio of total debt to EBITDA not higher than 3.50x in 2017; not higher than 3.00x in 2018 and 2019; and not higher than 2.50x in 2020 and 2021.
- On a consolidated basis, we must maintain tangible net worth not less than \$9 billion in 2017; not less than \$12.5 billion in 2018 and 2019; and not less than \$16.5 billion in 2020 and 2021.

If one or more of the required financial ratios is not maintained at the time the ratios are tested, the interest rate will be increased by 0.25% until such time as the required financial ratios are maintained. In addition, if MSTW fails to maintain a required financial ratio for two consecutive semi-annual periods, such failure will constitute an event of default that could result in all obligations owed under the Term Loan Agreement being accelerated to be immediately due and payable. Our failure to maintain a required consolidated financial ratio will only result in an increase to the applicable interest rate and will not constitute an event of default under the Term Loan Facility. The Term Loan Facility also contains customary events of default.

**Micron Shares:** We have the option to issue Micron Shares in an amount up to 31.5 billion New Taiwan dollars (equivalent to \$991 million) (the "Private Placement"), which would be used to fund a portion of the acquisition consideration. The per-share selling price for the Micron Shares would be equal to the greater of the New Taiwan dollar equivalent of (i) the average of the closing sale price of our common stock during the 30 consecutive trading day period ending on and including the 30<sup>th</sup> calendar day prior to the consummation of the Inotera acquisition or (ii) \$10.00.

**2021 Convertible Notes:** We have the option to issue 12.6 billion New Taiwan dollars (equivalent to \$396 million) in 2021 Convertible Notes in lieu of a corresponding value of Micron Shares so long as we also issue Micron Shares to Nanya of at least 6.3 billion New Taiwan dollars (equivalent to \$198 million) pursuant to the Private Placement.

(See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Proposed Acquisition of Inotera.")

### **Limitations on the Use of Cash and Investments**

**MMJ Group:** Cash and equivalents and short-term investments in the table above included an aggregate of \$896 million held by the MMJ Group as of September 1, 2016. As a result of the corporate reorganization proceedings of the MMJ Companies entered into in March 2012, and for so long as such proceedings are continuing, the MMJ Companies and their subsidiaries are subject to certain restrictions on dividends, loans, and advances. The plans of reorganization of the MMJ Companies prohibit the MMJ Companies from paying dividends, including any cash dividends, to us and require that excess earnings be used in their businesses or to fund the MMJ Companies' installment payments. These prohibitions also effectively prevent the subsidiaries of the MMJ Companies from paying cash dividends. In addition, pursuant to an order of the Japan Court, the MMJ Companies cannot make loans or advances, other than certain ordinary course advances, to us without the consent of the Japan Court. Moreover, loans or advances by subsidiaries of the MMJ Companies may be considered outside of the ordinary course of business and subject to approval of the legal trustee and Japan Court. As a result, the assets of the MMJ Group are not available for use by us in our other operations. Furthermore, certain uses of the assets of the MMJ Group, including investments in certain capital expenditures and in MMT, may require consent of MMJ's trustees and/or the Japan Court.

**IMFT:** Cash and equivalents and short-term investments in the table above included \$98 million held by IMFT as of September 1, 2016. Our ability to access funds held by IMFT to finance our other operations is subject to agreement by Intel and contractual limitations. Amounts held by IMFT are not anticipated to be available to finance our other operations.

**Indefinitely Reinvested:** As of September 1, 2016, \$919 million of cash and equivalents and short-term investments, including substantially all of the amounts held by the MMJ Group, was held by foreign subsidiaries whose earnings were considered to be indefinitely reinvested and repatriation of these funds to the U.S. would subject these funds to U.S. federal income taxes. Determination of the amount of unrecognized deferred tax liabilities related to investments in these foreign subsidiaries is not practicable.

### **Cash Flows**

<b>For the year ended</b>	<b>September 1, 2016</b>	<b>September 3, 2015</b>	<b>August 28, 2014</b>
Net cash provided by operating activities	\$ 3,168	\$ 5,208	\$ 5,699
Net cash provided by (used for) investing activities	(3,068)	(6,232)	(2,902)
Net cash provided by (used for) financing activities	1,745	(718)	(1,499)
Effect of changes in currency exchange rates on cash and equivalents	8	(121)	(28)
Net increase (decrease) in cash and equivalents	<u>\$ 1,853</u>	<u>\$ (1,863)</u>	<u>\$ 1,270</u>

**Operating Activities:** For 2016, cash provided by operating activities was due primarily to cash generated by our operations and the effect of working capital adjustments, which included \$465 million of cash provided from reductions in receivables due to a lower level of net sales, offset by \$549 million of cash used for net increases in inventories.

For 2015, cash provided by operating activities was due primarily to cash generated by operations and the effect of working capital adjustments, which included \$393 of cash provided from reductions in receivables due to a lower level of net sales, offset by \$691 million of cash used for reductions in accounts payable and accrued expenses.



For 2014, cash provided by operating activities was due primarily to cash generated by operations and the effect of working capital adjustments, which included \$671 million of cash provided from increases in accounts payable and accrued expenses, offset by \$518 million of cash used for increases in receivables.

**Investing Activities:** Net cash used for investing activities for 2016 consisted primarily of \$5.82 billion of expenditures for property, plant, and equipment (which excludes offsets of amounts funded by our partners) and \$148 million for the acquisition of Tidal Systems, Ltd., partially offset by \$2.66 billion of net inflows from sales, maturities, and purchases of available-for-sale securities.

Net cash used for investing activities for 2015 consisted primarily of \$4.02 billion of expenditures for property, plant, and equipment (which excludes offsets of amounts funded by our partners) and \$2.14 billion of net outflows for purchases, sales, and maturities of available-for-sale securities.

Net cash used for investing activities for 2014 consisted primarily of \$3.11 billion of expenditures for property, plant, and equipment (which excludes offsets of amounts funded by our partners) and \$506 million of net outflows from purchases, sales, and maturities of available-for-sale securities offset by the use of \$534 million of restricted cash in connection with the first MMJ creditor installment payment.

**Financing Activities:** Net cash provided by financing activities for 2016 consisted primarily of \$1.25 billion from the issuance of our 2023 Senior Secured Notes, \$742 million (net of original issue discount) from the issuance of our 2022 Term Loan B notes, and \$765 million from equipment sale-leaseback financing transactions, which were partially offset by cash outflows of \$870 million for repayments of debt and \$125 million for the open-market repurchases of 7 million shares of our common stock.

Net cash used for financing activities for 2015 consisted primarily of \$2.33 billion for repayments of debt (including \$932 million for the amount in excess of principal of our convertible notes), \$831 million for the open-market repurchases of 42 million shares of our common stock, and \$95 million of payments on equipment purchase contracts. Cash outflows for financing activities in 2015 were partially offset by inflows of \$2.00 billion in aggregate from the issuance of the 2023 Notes, 2024 Notes, and 2026 Notes, \$291 million from proceeds of sale-leaseback transactions, \$125 million from draws on our revolving credit facilities, and \$87 million from term loans.

Net cash used for financing activities for 2014 consisted primarily of \$3.84 billion for repayments of debt (including \$1.20 billion for the amount in excess of principal of our convertible notes) offset by \$2.21 billion of proceeds from issuance of debt, \$265 million of proceeds from issuance of common stock under our equity plans, and by \$92 million of net cash received from noncontrolling interests.

See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt."

#### **Potential Settlement Obligations of Convertible Notes**

Since the closing price of our common stock for at least 20 trading days in the 30 trading day period ended on June 30, 2016 did not exceed 130% of the conversion price per share of our 2032 Notes and 2033 Notes, those notes were not convertible by the holders during the calendar quarter ended September 30, 2016. The closing price of our common stock exceeded the thresholds for the calendar quarter ended September 30, 2016; therefore, these notes are convertible by the holders for the calendar quarter ending December 31, 2016. The following table summarizes the potential settlements that we could be required to make for the calendar quarter ending December 31, 2016 if all holders converted their 2032 Notes and 2033 Notes. The amounts in the table below are based on our closing share price of \$16.64 as of September 1, 2016.

	Settlement Option for		If Settled With Minimum Cash Required		If Settled Entirely With Cash
	Principal Amount	Amount in Excess of Principal	Cash	Remainder in Shares	Cash
2032C Notes	Cash and/or shares	Cash and/or shares	\$ —	23	\$ 386
2032D Notes	Cash and/or shares	Cash and/or shares	—	18	295
2033E Notes	Cash	Cash and/or shares	176	6	267
2033F Notes	Cash	Cash and/or shares	297	9	452
			<u>\$ 473</u>	<u>56</u>	<u>\$ 1,400</u>

### Contractual Obligations

As of September 1, 2016	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable <sup>(1)(2)</sup>	\$ 12,043	\$ 785	\$ 1,909	\$ 1,652	\$ 7,697
Capital lease obligations <sup>(2)</sup>	1,541	423	687	284	147
Operating leases <sup>(3)</sup>	1,001	419	527	26	29
Purchase obligations <sup>(4)</sup>	1,653	1,533	91	10	19
Other long-term liabilities <sup>(5)</sup>	846	349	397	74	26
Total	<u>\$ 17,084</u>	<u>\$ 3,509</u>	<u>\$ 3,611</u>	<u>\$ 2,046</u>	<u>\$ 7,918</u>

<sup>(1)</sup> Amounts include MMJ Creditor Installment Payments, convertible notes, and other notes. Any future redemptions, repurchases, or conversions of debt could impact the amount and timing of our cash payments.

<sup>(2)</sup> Amounts include principal and interest.

<sup>(3)</sup> Amounts include contractually obligated minimum lease payments for operating leases having an initial noncancelable term in excess of one year. Additionally, amounts include a portion of the expected costs which meet the criteria of a minimum operating lease payment under our Inotera supply agreement.

<sup>(4)</sup> 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 noncancelable, (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 noncancelable, the entire value of the contract was included in the above table. If the obligation is cancelable, 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.

<sup>(5)</sup> Amounts represent future cash payments to satisfy other long-term liabilities recorded on our consolidated balance sheet, including \$349 million for the current portion of these long-term liabilities. We are unable to reliably estimate the timing of future certain payments related to uncertain tax positions and deferred tax liabilities; therefore, the amount has been excluded from the preceding table. However, other noncurrent liabilities recorded on our consolidated balance sheet included these uncertain tax positions and deferred tax liabilities.

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. The contractual obligations in the table above include the current portions of the related long-term obligations. All other current liabilities are excluded.

## Off-Balance Sheet Arrangements

We have entered into capped calls, which are intended to reduce the effect of potential dilution from our convertible notes. The capped calls provide for our receipt of cash or shares, at our election, from our counterparties if the trading price of our stock is above a specified initial strike price at the expiration dates. The amounts receivable vary based on the trading price of our stock, up to specified cap prices. The dollar value of the cash or shares that we would receive from the capped calls on their expiration dates ranges from \$0 if the trading price of our stock is below the initial strike price for all of the capped calls to \$719 million if the trading price of our stock is at or above the cap price for all of the capped calls. We paid \$103 million in 2012, and \$48 million in 2013 to purchase capped calls. The amounts paid were recorded as charges to additional capital. For further details of our capped call arrangements, see "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity – Micron Shareholders' Equity – Outstanding Capped Calls."

## 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 require 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. Accounting for acquisitions can also involve significant judgment to determine when control of the acquired entity is transferred. 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. The items involving the most significant assumptions, estimates, and judgments include the following:

- Property, plant, and equipment, including determination of values in a continued-use model;
- Deferred tax assets, including projections of future taxable income and tax rates;
- Inventory, including estimated future selling prices, timing of product sales, and completion costs for work in process;
- Debt, including discount rate and timing of payments;
- Intangible assets, including valuation methodology, estimations of future revenue and costs, profit allocation rates attributable to the acquired technology, and discount rates; and
- Previously held equity interest, including discount rate and projections of future cash flows.

**Consolidations:** We have interests in entities that are VIEs. Determining whether to consolidate a VIE requires judgment in assessing whether an entity is a VIE and if we are the entity's primary beneficiary. 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 judgments.

**Contingencies:** We are subject to the possibility of losses from various contingencies. Considerable judgment is necessary to estimate the probability and amount of a loss, if any, 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. In accounting for the resolution of contingencies, considerable judgment may be necessary to estimate amounts pertaining to periods prior to the resolution that are charged to operations in the period of resolution, and amounts related to future periods.

**Goodwill and intangible assets:** We test goodwill for impairment in the fourth quarter of our fiscal year, or more frequently if indicators of an impairment exist, to determine whether it is more likely than not that the fair value of the reporting unit with goodwill is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is considered not impaired and we are not required to perform the two-step goodwill impairment test. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. For reporting units in which this assessment concludes that it is more likely than not that the fair value is below the carrying value, then goodwill is tested for impairment using a two-step process. In the first step, the fair value of each reporting unit is compared to the carrying value of the net assets assigned to the unit. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not impaired. If the carrying value of the reporting unit exceeds its fair value, then the second step of the impairment test must be performed in order to determine the implied fair value of the reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of all of the reporting unit's tangible and intangible assets and liabilities. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference between the carrying value and implied fair value.

Determining when to test for impairment, the reporting units, the assets and liabilities of the reporting unit, and the fair value of the reporting unit requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates, forecasted manufacturing costs, and other expenses and are developed as part of our routine long-range planning process. The same estimates are used in business planning, forecasting, and capital budgeting as part of our long-term manufacturing capacity analysis. We test the reasonableness of the output of our long-range planning process by calculating an implied value per share and comparing that to current stock prices, analysts' consensus pricing, and management's expectations. These estimates and assumptions are used to calculate projected future cash flows for the reporting unit, which are discounted using a risk-adjusted rate to calculate a fair value. The discount rate requires determination of appropriate market comparables. We base fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

We test other identified intangible assets with definite useful lives when events and circumstances indicate the carrying value may not be recoverable by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows. Estimating fair values involves significant assumptions, especially regarding future sales prices, sales volumes, costs, and discount rates.

**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. In recent periods, our results of operations have benefitted from increases in the amount of deferred taxes we expect to realize, primarily from the levels of capital spending and increases in the amount of taxable income we expect to realize in Japan and Taiwan. Our income tax provision or benefit is dependent, in part, on our ability to forecast future taxable income in these and other jurisdictions. Such forecasts are inherently difficult and involve numerous judgments including, among others, projecting future average selling prices and sales volumes, manufacturing and overhead costs, levels of capital spending, and other factors that significantly impact our analyses of the amount of net deferred tax assets that are more likely than not to be realized.

**Inventories:** Inventories are stated at the lower of average cost or net realizable value. Cost includes depreciation, labor, material, and overhead costs, including product and process technology costs. Determining net realizable value of inventories involves numerous judgments, including projecting future average selling prices, sales volumes, 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 net realizable value 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 net realizable value 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 net realizable value of our memory inventory by approximately \$234 million as of September 1, 2016. Due to the volatile nature of the semiconductor memory industry, actual selling prices and volumes often vary significantly from projected prices and volumes; 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 net realizable values. The amount of any inventory write-down can vary significantly depending on the determination of inventory categories. In determining the lower of average cost or net realizable value, inventories are primarily categorized as memory (including DRAM, Non-Volatile, and other memory) based on the major characteristics of product type and markets. 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.

We periodically assess the estimated useful lives of our property, plant, and equipment. We revised the estimated useful lives of equipment in our DRAM wafer fabrication facilities from five to seven years in the fourth quarter of 2016. For 2016, the effect of the revision was not material. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Significant Accounting Policies.")

**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 included in cost of goods sold.

**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 historical volatility and the implied volatility derived from traded options on our stock.

## Recently Adopted Accounting Standards

See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Recently Adopted Accounting Standards."

## Recently Issued Accounting Standards

See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Recently Issued Accounting Standards."

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

We are exposed to interest rate risk related to our indebtedness and our investment portfolio. A substantial portion of our indebtedness is at fixed interest rates. As a result, the fair value of our debt fluctuates based on changes in market interest rates. We estimate that, as of September 1, 2016 and September 3, 2015, a hypothetical decrease in market interest rates of 1% would increase the fair value of our notes payable by approximately \$420 million and \$366 million, respectively. A 1% increase in the interest rates of our variable-rate debt would result in an increase in interest expense of approximately \$10 million per year.

As of September 1, 2016 and September 3, 2015, we held fixed-rate debt securities of \$1.11 billion and \$3.83 billion, respectively, that were subject to interest rate risk. We estimate that a 0.5% increase in market interest rates would decrease the fair value of these instruments by approximately \$1 million as of September 1, 2016 and \$13 million as of September 3, 2015.

### Foreign Currency Exchange Rate Risk

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

The functional currency for us and all of our consolidated subsidiaries is the U.S. dollar. The substantial majority of our sales 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, Singapore dollar, New Taiwan dollar, and yen. We have established currency risk management programs for our operating expenditures and capital purchases to hedge against fluctuations in the fair value and volatility of future cash flows caused by changes in currency exchange rates. We generally utilize currency forward contracts in these hedging programs, which 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.

Based on our foreign currency balances from monetary assets and liabilities, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately \$241 million as of September 1, 2016 and \$134 million as of September 3, 2015. We hedge our exposure to changes in currency exchange rates from our monetary assets and liabilities by utilizing a rolling hedge strategy for our primary currency exposures with currency forward contracts that generally mature within 35 days. The effectiveness of these hedges is dependent upon our ability to accurately forecast our monetary assets and liabilities. To hedge the exposure of changes in cash flows from changes in currency exchange rates for certain capital expenditures, we utilize currency forward contracts that generally mature within 12 months. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Derivative Instruments.")

In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera. Based on the exchange rate as of September 1, 2016, we estimate the aggregate consideration payable would be approximately \$4.1 billion. This payment is contingent upon the closing of the transaction and are therefore not recorded on our balance sheet as of September 1, 2016. Changes in the exchange rate between the U.S. dollar and the New Taiwan dollar could have a significant impact on our financial statements if the transactions are consummated. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Proposed Acquisition of Inotera.")

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**MICRON TECHNOLOGY, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions except per share amounts)

For the year ended	September 1, 2016	September 3, 2015	August 28, 2014
Net sales	\$ 12,399	\$ 16,192	\$ 16,358
Cost of goods sold	9,894	10,977	10,921
Gross margin	2,505	5,215	5,437
Selling, general, and administrative	659	719	707
Research and development	1,617	1,540	1,371
Restructure and asset impairments	67	3	40
Other operating (income) expense, net	(6)	(45)	232
Operating income	168	2,998	3,087
Interest income	42	35	23
Interest expense	(437)	(371)	(352)
Other non-operating income (expense), net	(54)	(53)	(25)
	(281)	2,609	2,733
Income tax (provision) benefit	(19)	(157)	(128)
Equity in net income (loss) of equity method investees	25	447	474
Net income (loss)	(275)	2,899	3,079
Net income (loss) attributable to noncontrolling interests	(1)	—	(34)
Net income (loss) attributable to Micron	\$ (276)	\$ 2,899	\$ 3,045
Earnings (loss) per share			
Basic	\$ (0.27)	\$ 2.71	\$ 2.87
Diluted	(0.27)	2.47	2.54
Number of shares used in per share calculations			
Basic	1,036	1,070	1,060
Diluted	1,036	1,170	1,198

*See accompanying notes to consolidated financial statements.*



**MICRON TECHNOLOGY, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(in millions)

<b>For the year ended</b>	<b>September 1, 2016</b>	<b>September 3, 2015</b>	<b>August 28, 2014</b>
Net income (loss)	\$ (275)	\$ 2,899	\$ 3,079
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(49)	(42)	(2)
Pension liability adjustments	(9)	20	3
Gain (loss) on derivatives, net	7	(18)	(9)
Gain (loss) on investments, net	3	(4)	1
Other comprehensive income (loss)	(48)	(44)	(7)
Total comprehensive income (loss)	(323)	2,855	3,072
Comprehensive (income) loss attributable to noncontrolling interests	(1)	1	(34)
Comprehensive income (loss) attributable to Micron	\$ (324)	\$ 2,856	\$ 3,038

*See accompanying notes to consolidated financial statements.*

**MICRON TECHNOLOGY, INC.**

**CONSOLIDATED BALANCE SHEETS**  
(in millions except par value amounts)

As of	September 1, 2016	September 3, 2015
<b>Assets</b>		
Cash and equivalents	\$ 4,140	\$ 2,287
Short-term investments	258	1,234
Receivables	2,068	2,507
Inventories	2,889	2,340
Other current assets	140	228
Total current assets	9,495	8,596
Long-term marketable investments	414	2,113
Property, plant, and equipment, net	14,686	10,554
Equity method investments	1,364	1,379
Intangible assets, net	464	449
Deferred tax assets	657	597
Other noncurrent assets	460	455
Total assets	\$ 27,540	\$ 24,143
<b>Liabilities and equity</b>		
Accounts payable and accrued expenses	\$ 3,879	\$ 2,611
Deferred income	200	205
Current debt	756	1,089
Total current liabilities	4,835	3,905
Long-term debt	9,154	6,252
Other noncurrent liabilities	623	698
Total liabilities	14,612	10,855
Commitments and contingencies		
Redeemable convertible notes	—	49
Micron shareholders' equity		
Common stock, \$0.10 par value, 3,000 shares authorized, 1,094 shares issued and outstanding (1,084 as of September 3, 2015)	109	108
Additional capital	7,736	7,474
Retained earnings	5,299	5,588
Treasury stock, 54 shares held (45 as of September 3, 2015)	(1,029)	(881)
Accumulated other comprehensive income (loss)	(35)	13
Total Micron shareholders' equity	12,080	12,302
Noncontrolling interests in subsidiaries	848	937
Total equity	12,928	13,239
Total liabilities and equity	\$ 27,540	\$ 24,143

*See accompanying notes to consolidated financial statements.*

**MICRON TECHNOLOGY, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(in millions)

	Micron Shareholders								
	Common Stock		Additional Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Micron Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
	Number of Shares	Amount							
<b>Balance at August 29, 2013</b>	1,044	\$ 104	\$ 9,187	\$ (212)	\$ —	\$ 63	\$ 9,142	\$ 864	\$ 10,006
Net income				3,045			3,045	34	3,079
Other comprehensive income (loss), net						(7)	(7)		(7)
Stock issued under stock plans	36	4	262				266		266
Stock-based compensation expense			115				115		115
Contributions from noncontrolling interests							—	102	102
Distributions to noncontrolling interests							—	(18)	(18)
Acquisitions of noncontrolling interests			34				34	(180)	(146)
Repurchase and retirement of stock	(4)	(1)	(33)	(42)			(76)		(76)
Settlement of capped calls and share retirement	(3)	—	62	(62)			—		—
Redeemable convertible notes			(68)				(68)		(68)
Exchange, conversion, and repurchase of convertible notes			(1,691)				(1,691)		(1,691)
<b>Balance at August 28, 2014</b>	1,073	\$ 107	\$ 7,868	\$ 2,729	\$ —	\$ 56	\$ 10,760	\$ 802	\$ 11,562
Net income				2,899			2,899	—	2,899
Other comprehensive income (loss), net						(43)	(43)	(1)	(44)
Stock issued under stock plans	13	1	73				74		74
Stock-based compensation expense			168				168		168
Contributions from noncontrolling interests							—	142	142
Distributions to noncontrolling interests							—	(6)	(6)
Repurchase and retirement of stock	(2)	—	(13)	(40)			(53)		(53)
Repurchase of treasury stock					(831)		(831)		(831)
Settlement of capped calls			50		(50)		—		—
Redeemable convertible notes			19				19		19
Conversion and repurchase of convertible notes			(691)				(691)		(691)
<b>Balance at September 3, 2015</b>	1,084	\$ 108	\$ 7,474	\$ 5,588	\$ (881)	\$ 13	\$ 12,302	\$ 937	\$ 13,239
Net income (loss)				(276)			(276)	1	(275)
Other comprehensive income (loss), net						(48)	(48)	—	(48)
Stock issued under stock plans	11	1	47				48		48
Stock-based compensation expense			191				191		191
Contributions from noncontrolling interests							—	37	37
Distributions to noncontrolling interests							—	(34)	(34)
Acquisitions of noncontrolling interests							—	(93)	(93)
Repurchase and retirement of stock	(1)	—	(10)	(13)			(23)		(23)
Repurchase of treasury stock					(125)		(125)		(125)
Settlement of capped calls			23		(23)		—		—
Redeemable convertible notes			49				49		49
Conversion and repurchase of convertible notes			(38)				(38)		(38)
<b>Balance at September 1, 2016</b>	1,094	\$ 109	\$ 7,736	\$ 5,299	\$ (1,029)	\$ (35)	\$ 12,080	\$ 848	\$ 12,928

*See accompanying notes to consolidated financial statements.*

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

For the year ended	September 1, 2016	September 3, 2015	August 28, 2014
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (275)	\$ 2,899	\$ 3,079
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation expense and amortization of intangible assets	2,980	2,667	2,103
Amortization of debt discount and other costs	126	138	167
Stock-based compensation	191	168	115
Loss on restructure of debt	4	49	195
(Gain) loss from currency hedges, net	(183)	64	27
Equity in net income of equity method investees	(25)	(447)	(474)
Gain from Inotera issuance of shares	—	(3)	(97)
Gain from disposition of interest in Aptina	—	(1)	(119)
Change in operating assets and liabilities			
Receivables	465	393	(518)
Inventories	(549)	116	194
Accounts payable and accrued expenses	272	(691)	671
Deferred income taxes, net	(15)	168	68
Other noncurrent liabilities	(63)	(16)	243
Other	240	(296)	45
Net cash provided by operating activities	3,168	5,208	5,699
<b>Cash flows from investing activities</b>			
Expenditures for property, plant, and equipment	(5,817)	(4,021)	(3,107)
Purchases of available-for-sale securities	(1,026)	(4,392)	(1,063)
Payments to settle hedging activities	(152)	(132)	(26)
(Increase) decrease in restricted cash	(23)	(15)	536
Proceeds from sales and maturities of available-for-sale securities	3,690	2,248	557
Proceeds from settlement of hedging activities	335	56	18
Cash received from disposition of interest in Aptina	6	1	105
Other	(81)	23	78
Net cash provided by (used for) investing activities	(3,068)	(6,232)	(2,902)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt	2,199	2,212	2,212
Proceeds from equipment sale-leaseback transactions	765	291	14
Proceeds from issuance of stock under equity plans	49	73	265
Contributions from noncontrolling interests	37	142	102
Repayments of debt	(870)	(2,329)	(3,843)
Cash paid to acquire treasury stock	(148)	(884)	(76)
Acquisition of noncontrolling interests	(93)	—	(18)
Payments on equipment purchase contracts	(46)	(95)	(30)
Other	(148)	(128)	(125)
Net cash provided by (used for) financing activities	1,745	(718)	(1,499)
Effect of changes in currency exchange rates on cash and equivalents			
	8	(121)	(28)
Net increase (decrease) in cash and equivalents	1,853	(1,863)	1,270
Cash and equivalents at beginning of period	2,287	4,150	2,880
Cash and equivalents at end of period	\$ 4,140	\$ 2,287	\$ 4,150
<b>Supplemental disclosures</b>			
Income taxes paid, net	\$ (90)	\$ (63)	\$ (43)
Interest paid, net of amounts capitalized	(267)	(226)	(163)
Noncash investing and financing activities			
Exchange of convertible notes	—	—	756

*See accompanying notes to consolidated financial statements.*

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts in millions except per share amounts)

Significant Accounting Policies

**Basis of Presentation:** We are a global leader in advanced semiconductor systems. Our broad portfolio of high-performance memory technologies, including DRAM, NAND Flash, and NOR Flash, is the basis for solid-state drives, modules, multi-chip packages, and other system solutions. Our memory solutions enable the world's most innovative computing, consumer, enterprise storage, networking, mobile, embedded, and automotive applications. The accompanying consolidated financial statements include the accounts of Micron and our consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Fiscal years 2016 and 2014 each contained 52 weeks and fiscal year 2015 contained 53 weeks. All period references are to our fiscal periods unless otherwise indicated.

**Derivative and Hedging Instruments:** We use derivative instruments to manage a portion of our exposure to changes in currency exchange rates from our monetary assets and liabilities denominated in currencies other than the U.S. dollar. We have also had convertible note settlement obligations, which were accounted for as derivative instruments as a result of our elections to settle conversions in cash. We do not use derivative 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 non-operating 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 non-operating income (expense). Amounts in accumulated other comprehensive income (loss) from 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.

We enter into master netting arrangements with our counterparties to mitigate credit risk in derivative hedge transactions. These master netting arrangements allow us and our counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled with each counterparty have been presented in our consolidated balance sheet on a net basis.

**Financial Instruments:** Cash equivalents include highly liquid short-term investments with original maturities to us of three months or less that are readily convertible to known amounts of cash. Investments with maturities greater than three months and 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.

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

**Inventories:** Inventories are stated at the lower of average cost or net realizable value. Cost includes depreciation, labor, material, and overhead costs, including product and process technology costs. Determining net realizable value of inventories involves numerous judgments, including projecting future average selling prices, sales volumes, and costs to complete products in work in process inventories. When net realizable value is below cost, we record a charge to cost of goods sold to write down inventories to their estimated net realizable value in advance of when the inventories are actually sold. In determining the lower of average cost or net realizable value, inventories are primarily categorized as memory (including DRAM, Non-Volatile, and other memory) based on the major characteristics of product type and markets. We remove amounts from inventory and charge such amounts to cost of goods sold on an average cost basis.

**Product and Process Technology:** Costs incurred to (1) acquire product and process technology, (2) patent technology, and (3) maintain patent technology, are capitalized and amortized on a straight-line basis over periods ranging up to 12.5 years. We capitalize a portion of the costs incurred to patent technology based on historical and projected patents issued as a percent of patents we file. Capitalized product and process technology costs are amortized over the shorter of (1) the estimated useful life of the technology, (2) the patent term, or (3) the term of the technology agreement. Fully-amortized assets are removed from product and process technology and accumulated amortization.

**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 standard 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 standard terms and conditions. Our warranty obligations are not material.

**Property, Plant, and Equipment:** Property, plant, and equipment is stated at cost and depreciated using the straight-line method over estimated useful lives of generally 10 to 30 years for buildings, 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, plant, or equipment is retired or otherwise disposed, the net book value is removed and we recognize any gain or loss in our results of operations.

We capitalize interest on borrowings during the period of time we carry out the activities necessary to bring asset to the condition of their intended use and location. Capitalized interest becomes part of the cost, and amortized over the useful lives of, the assets.

We periodically assess the estimated useful lives of our property, plant, and equipment. In the fourth quarter of 2016, we identified factors such as the lengthening period of time between DRAM product technology node transitions, an increased re-use rate of equipment, and industry trends. As a result, we revised the estimated useful lives of equipment in our DRAM wafer fabrication facilities from five to seven years in the fourth quarter of 2016. For 2016, the effect of the revision was not material.

**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 has passed tests for performance and reliability. Subsequent to product qualification, product costs are included in cost of goods sold. Product design and other research and development costs for certain technologies are shared with our joint venture partners. Amounts receivable from cost-sharing arrangements are reflected as a reduction of research and development expense.

**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 collectibility is reasonably assured. If we are unable to reasonably estimate returns or the price is not fixed or determinable, sales made under agreements allowing rights of return or price protection are deferred until customers have resold the product.

**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.

**Treasury Stock:** Treasury stock is carried at cost. When we retire our treasury stock, any excess of the repurchase price paid over par value is allocated between additional capital and retained earnings.

**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.

## Variable Interest Entities

We have interests in entities that are 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 judgments.

### Unconsolidated VIEs

**Inotera:** Inotera is a VIE because of the terms of its supply agreement with us. 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 limitations on our governance rights that require the consent of other parties for key operating decisions and due to Inotera's dependence on Nanya for financing and the ability of Inotera to operate in Taiwan. Therefore, we do not consolidate Inotera and we account for our interest under the equity method. (See "Equity Method Investments – Inotera" note.)

**EQUVO:** EQUVO HK Limited ("EQUVO") is a special purpose entity created to facilitate an equipment sale-leaseback financing transaction between us and a consortium of financial institutions. Neither we nor the financing entities have an equity interest in EQUVO. EQUVO is a VIE because its equity is not sufficient to permit it to finance its activities without additional support from the financing entities and because the third-party equity holder lacks characteristics of a controlling financial interest. By design, the arrangement with EQUVO is merely a financing vehicle and we do not bear any significant risks from variable interests with EQUVO. Therefore, we have determined that we do not have the power to direct the activities of EQUVO that most significantly impact its economic performance and we do not consolidate EQUVO.

**SC Hiroshima Energy Corporation:** SC Hiroshima Energy Corporation ("SCHE") is an entity created to construct and operate a cogeneration, electrical power plant to support our wafer manufacturing facility in Hiroshima, Japan. We do not have an equity interest in SCHE. SCHE is a VIE due to the nature of its tolling agreements with us and our option to purchase SCHE's assets. We do not control the operation and maintenance of the plant, which we have determined are the activities of SCHE that most significantly impact its economic performance. Therefore, we do not consolidate SCHE.

**PTI Xi'an:** Powertech Technology Inc. Xi'an ("PTI Xi'an") is a wholly-owned subsidiary of Powertech Technology Inc. ("PTI") and was created to provide assembly services to us at our manufacturing site in Xi'an, China. We do not have an equity interest in PTI Xi'an. PTI Xi'an is a VIE because of the terms of its service agreement with us and its dependency on PTI to finance its operations. We have determined that we do not have the power to direct the activities of PTI Xi'an that most significantly impact its economic performance, primarily because we have no governance rights. Therefore, we do not consolidate PTI Xi'an.

### Consolidated VIEs

**IMFT:** IMFT is a VIE because all of its costs are passed to us and its other member, Intel, through product purchase agreements and because IMFT is dependent upon us or Intel for additional cash requirements. 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 consolidate IMFT because we have the power to direct the activities of IMFT that most significantly impact its economic performance and because we have the obligation to absorb losses and the right to receive benefits from IMFT that could potentially be significant to it.

**MP Mask:** On May 5, 2016, we acquired all of the remaining interest of MP Mask from its other member, Photronics. Prior to May 5, 2016, we consolidated MP Mask because we had the power to direct the activities of MP Mask that most significantly impacted its economic performance and because we had the obligation to absorb losses and the right to receive benefits from MP Mask that could potentially have been significant to it.

(See "Equity – Noncontrolling Interests in Subsidiaries" note.)



## Recently Adopted Accounting Standards

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17 – *Balance Sheet Classification of Deferred Taxes*, which eliminated the requirement to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. We adopted this ASU as of the beginning of our second quarter of 2016 on a prospective basis and did not retrospectively adjust prior periods. As a result of adopting this standard, we presented our deferred tax assets and liabilities as noncurrent. The adoption of this standard did not have a material impact on our financial statements.

In September 2015, the FASB issued ASU 2015-16 – *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminated the requirement to restate prior period financial statements for measurement period adjustments following a business combination. Instead, the cumulative impact of measurement period adjustments, including the impact on prior periods, is required to be recognized in the reporting period in which the adjustment is identified. We adopted this ASU in our second quarter of 2016 on a prospective basis. The adoption of this standard did not have a material impact on our financial statements.

## Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13 – *Measurement of Credit Losses on Financial Instruments*, which requires a financial asset (or a group of financial assets) measured on the basis of amortized cost to be presented at the net amount expected to be collected. This ASU requires that the income statement reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU requires that credit losses of debt securities designated as available-for-sale be recorded through an allowance for credit losses, and limits the credit loss to the amount by which fair value is below amortized cost. We are required to adopt this ASU beginning in our first quarter of 2021; however, we are permitted to adopt this ASU as early as our first quarter of 2020. This ASU is required to be adopted using a modified retrospective approach, with prospective adoption for debt securities for which an other-than-temporary impairment had been recognized before the effective date. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

In March 2016, the FASB issued ASU 2016-09 – *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, forfeitures, and classification on the statement of cash flows. We expect to adopt this ASU beginning in our first quarter of 2017 and expect to elect to account for forfeitures when they occur. This ASU allows for prospective, retrospective, or modified retrospective adoption, depending on the aspect covered. We do not anticipate the adoption of this ASU to have a material impact to our financial statements.

In February 2016, the FASB issued ASU 2016-02 – *Leases*, which amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. This ASU will be effective for us beginning in our first quarter of 2020 and early adoption is permitted. This ASU is required to be adopted using a modified retrospective approach. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

In January 2016, the FASB issued ASU 2016-01 – *Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU will be effective for us beginning in our first quarter of 2019 and requires modified-retrospective adoption. We are evaluating the effects of our adoption of this ASU on our financial statements.

In April 2015, the FASB issued ASU 2015-05 – *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides additional guidance to customers about whether a cloud computing arrangement includes a software license. Under ASU 2015-05, cloud computing arrangements that contain a software license should be accounted for in a manner consistent with the acquisition of other software licenses. If the arrangement does not contain a software license, customers should account for the arrangement as a service contract. ASU 2015-05 also removes the requirement to analogize to ASC 840-10 – *Leases*, to determine the asset acquired in a software licensing arrangement. We will prospectively adopt this ASU beginning in our first quarter of 2017 and do not anticipate it to have a material impact to our financial statements.

In February 2015, the FASB issued ASU 2015-02 – *Amendments to the Consolidation Analysis*, which amends the consolidation requirements in Accounting Standards Codification 810 – *Consolidation*. ASU 2015-02 makes targeted amendments to the consolidation guidance for VIEs, which could change consolidation conclusions. We expect to adopt this ASU under a modified-retrospective approach beginning in our first quarter of 2017 and we do not anticipate it to have a material impact to our financial statements.

In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under generally accepted accounting principles in the U.S. The core principal of this ASU, as amended, is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. We are required to adopt this ASU beginning in our first quarter of 2019; however, we are permitted to adopt this ASU as early as our first quarter of 2018. This ASU allows for either full-retrospective or modified-retrospective adoption. We expect that, as a result of the adoption of this ASU, the timing of recognizing revenue from sales of products to our distributors will be generally earlier than under the existing revenue recognition guidance. We are evaluating the effects of our adoption of this ASU on our financial statements.

## **Proposed Acquisition of Inotera**

In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera for 30 New Taiwan dollars per share in cash (equivalent to approximately \$0.95 per share, assuming 31.7 New Taiwan dollars per U.S. dollar, the exchange rate as of September 1, 2016). As of September 1, 2016, we held a 33% ownership interest in Inotera, Nanya and certain of its affiliates held a 32% ownership interest, and the remaining ownership interest in Inotera was publicly held. Based on the exchange rate as of September 1, 2016, we estimate the aggregate consideration payable for the 67% of Inotera shares not owned by us would be approximately \$4.1 billion.

On March 29, 2016, the transaction was approved by the shareholders of Inotera, including Nanya and certain of Nanya's affiliates (which approval was provided pursuant to voting and support agreements). Under the voting and support agreements, the parties have further agreed not to transfer any of their Inotera shares so long as the voting and support agreements are in effect. These agreements will terminate automatically upon the termination of the agreement to purchase the Inotera shares. On October 11, 2016, the Inotera board set the date for the closing of the transaction to be December 6, 2016. There can be no assurance that the Inotera transaction will be consummated, which is subject to certain termination rights and various conditions, including but not limited to:

- the receipt of necessary regulatory approvals from authorities in Taiwan, which have been received;
- the consummation and funding of the Term Loan Facility (described below); and
- unless we determine otherwise, the consummation and funding of the Private Placement (described below).

## **Acquisition Financing**

On October 11, 2016, we and Inotera, as co-borrowers, entered into a single-draw term loan facility (the "Term Loan Facility"), from which proceeds will be used to pay a portion of the acquisition consideration and any related transaction costs and to provide working capital for Inotera. In the second and third quarters of 2016, we entered into agreements with Nanya pursuant to which we have the option to issue a combination of shares of our common stock (the "Micron Shares") and 2.00% convertible senior notes due 2021 (the "2021 Convertible Notes") to Nanya, which is subject to regulatory approvals and various other conditions.

**Term Loan Facility:** The Term Loan Facility can be made in a single draw on or prior to July 10, 2017, subject to the satisfaction of customary conditions, up to a maximum aggregate borrowing amount of 80 billion New Taiwan dollars in cash (equivalent to \$2.5 billion). The loan will bear interest at a variable rate equal to the three-month or six-month TAIBOR, at our or Inotera's option, plus a margin of 2.05% per annum, payable monthly in arrears. The loan will mature five years from the date it is made and principal is payable in six equal semi-annual installments, commencing thirty months after such loan is made.

The Term Loan Facility will be collateralized by certain assets including a real estate mortgage on Inotera's main production facility and site, a chattel mortgage over certain equipment of Inotera, all of the stock of our MSTW subsidiary and the approximately 80% of the stock of Inotera held by MSTW following the consummation of the acquisition. Micron will guarantee all of Inotera's and MSTW's obligations under the Term Loan Facility.

The Term Loan Facility contains affirmative and negative covenants which are customary for financings of this type, including covenants that limit or restrict the ability to create liens in or dispose of collateral securing obligations under the Term Loan Facility, mergers involving MSTW and/or Inotera, loans or guarantees to third parties by Inotera and/or MSTW, and MSTW's distribution of cash dividends (subject to satisfaction of certain financial conditions). The Term Loan Facility also contains financial covenants as follows, which are tested semi-annually:

- MSTW must maintain a consolidated ratio of total debt to EBITDA not higher than 5.50x in 2017 and 2018; and not higher than 4.50x through 2019 to 2021.
- MSTW must maintain consolidated tangible net worth of not less than 4 billion New Taiwan dollars (equivalent to \$126 million) in 2017 and 2018; not less than 6.5 billion New Taiwan dollars (equivalent to \$205 million) in 2019 and 2020; and not less than 12 billion New Taiwan dollars (equivalent to \$378 million) in 2021.
- On a consolidated basis, we must maintain a ratio of total debt to EBITDA not higher than 3.50x in 2017; not higher than 3.00x in 2018 and 2019; and not higher than 2.50x in 2020 and 2021.
- On a consolidated basis, we must maintain tangible net worth not less than \$9 billion in 2017; not less than \$12.5 billion in 2018 and 2019; and not less than \$16.5 billion in 2020 and 2021.

If one or more of the required financial ratios is not maintained at the time the ratios are tested, the interest rate will be increased by 0.25% until such time as the required financial ratios are maintained. In addition, if MSTW fails to maintain a required financial ratio for two consecutive semi-annual periods, such failure will constitute an event of default that could result in all obligations owing under the Term Loan Agreement being accelerated to be immediately due and payable. Our failure to maintain a required consolidated financial ratio will only result in an increase to the applicable interest rate and will not constitute an event of default under the Term Loan Facility. The Term Loan Facility also contains customary events of default.

**Micron Shares:** We have the option to issue Micron Shares in an amount up to 31.5 billion New Taiwan dollars (equivalent to \$991 million, assuming 31.7 New Taiwan dollars per U.S. dollar) (the "Private Placement"), which would be used to fund a portion of the acquisition consideration. The per-share selling price for the Micron Shares would be equal to the greater of the New Taiwan dollar equivalent of (i) the average of the closing sale price of our common stock during the 30 consecutive trading day period ending on and including the 30<sup>th</sup> calendar day prior to the consummation of the Inotera acquisition or (ii) \$10.00.

**2021 Convertible Notes:** We have the option to issue 12.6 billion New Taiwan dollars (equivalent to \$396 million) in 2021 Convertible Notes in lieu of a corresponding value of Micron Shares so long as we also issue Micron Shares to Nanya of at least 6.3 billion New Taiwan dollars (equivalent to \$198 million) pursuant to the Private Placement.

#### **Technology Transfer and License Agreements with Nanya**

In the second quarter of 2016, we entered into technology transfer and license agreements pursuant to which Nanya has the option to require us to transfer to Nanya certain technology and deliverables related to the next DRAM process node generation (the "1X Process Node") after our 20nm process node and the next DRAM process node generation after the 1X Process Node for Nanya's use. Under the terms of the agreements, Nanya would pay royalties to us for a license to the transferred technology based on revenues from products utilizing the technology, subject to an agreed cap, and we would also receive an equity interest in Nanya upon the achievement of certain milestones. Nanya's option becomes exercisable upon the closing of the Inotera acquisition transaction.

## Cash and Investments

Cash and equivalents and the fair values of our available-for-sale investments, which approximated amortized costs, were as follows:

As of	September 1, 2016				September 3, 2015			
	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value
Cash	\$ 2,258	\$ —	\$ —	\$ 2,258	\$ 1,684	\$ —	\$ —	\$ 1,684
Level 1 <sup>(2)</sup>								
Money market funds	1,507	—	—	1,507	168	—	—	168
Level 2 <sup>(3)</sup>								
Certificates of deposit	373	33	—	406	311	28	23	362
Corporate bonds	—	142	235	377	2	616	1,261	1,879
Government securities	2	62	82	146	58	391	254	703
Asset-backed securities	—	12	97	109	—	8	575	583
Commercial paper	—	9	—	9	64	191	—	255
	<u>\$ 4,140</u>	<u>\$ 258</u>	<u>\$ 414</u>	<u>\$ 4,812</u>	<u>\$ 2,287</u>	<u>\$ 1,234</u>	<u>\$ 2,113</u>	<u>\$ 5,634</u>

<sup>(1)</sup> The maturities of long-term marketable securities range from one to four years.

<sup>(2)</sup> The fair value of Level 1 securities is measured based on quoted prices in active markets for identical assets.

<sup>(3)</sup> The fair value of Level 2 securities is measured 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 perform supplemental analysis to validate information obtained from these pricing services. No adjustments were made to such pricing information as of September 1, 2016.

Proceeds from sales of available-for-sale securities for 2016, 2015, and 2014 were \$2.31 billion, \$1.49 billion, and \$355 million, respectively. Gross realized gains and losses from sales of available-for-sale securities were not material for any period presented. As of September 1, 2016, there were no available-for-sale securities that had been in a loss position for longer than 12 months.

### Restricted Cash

As of September 1, 2016 and September 3, 2015, we had certificates of deposit classified as restricted cash (included in other noncurrent assets) of \$59 million and \$45 million, respectively, valued using Level 2 fair value measurements.

## Receivables

As of	2016	2015
Trade receivables	\$ 1,765	\$ 2,188
Income and other taxes	119	116
Other	184	203
	<u>\$ 2,068</u>	<u>\$ 2,507</u>

As of September 1, 2016 and September 3, 2015, other receivables included \$53 million and \$120 million, respectively, due from Intel for amounts related to product design and process development activities under cost-sharing agreements for NAND Flash and 3D XPoint™ memory.

## Inventories

As of	2016	2015
Finished goods	\$ 899	\$ 785
Work in process	1,761	1,315
Raw materials and supplies	229	240
	<u>\$ 2,889</u>	<u>\$ 2,340</u>

## Property, Plant, and Equipment

As of	2015	Additions	Retirements and Other	2016
Land	\$ 88	\$ —	\$ 57	\$ 145
Buildings (includes \$271 as of 2015 and \$347 as of 2016 for capital leases)	5,358	1,340	(45)	6,653
Equipment <sup>(1)</sup> (includes \$1,192 as of 2015 and \$1,374 as of 2016 for capital leases)	21,020	5,541	(651)	25,910
Construction in progress <sup>(2)</sup>	436	79	(40)	475
Software	373	51	(2)	422
	<u>27,275</u>	<u>7,011</u>	<u>(681)</u>	<u>33,605</u>
Accumulated depreciation (includes \$717 as of 2015 and \$492 as of 2016 for capital leases)	(16,721)	(2,863)	665	(18,919)
	<u>\$ 10,554</u>	<u>\$ 4,148</u>	<u>\$ (16)</u>	<u>\$ 14,686</u>

<sup>(1)</sup> Included costs related to equipment not placed into service of \$1.47 billion and \$928 million, as of September 1, 2016 and September 3, 2015, respectively.

<sup>(2)</sup> Included building-related construction and tool installation costs on assets not placed into service.

Depreciation expense was \$2.86 billion, \$2.55 billion, and \$1.99 billion for 2016, 2015, and 2014, respectively. Other noncurrent assets included land held for development of \$58 million as of September 3, 2015. As of September 1, 2016, production equipment, buildings, and land with an aggregate carrying value of \$1.97 billion were pledged as collateral under various notes payable. Interest capitalized as part of the cost of property, plant, and equipment was \$43 million, \$20 million, and \$4 million for 2016, 2015, and 2014, respectively.

## Equity Method Investments

As of	2016		2015	
	Investment Balance	Ownership Percentage	Investment Balance	Ownership Percentage
Inotera	\$ 1,314	33%	\$ 1,332	33%
Tera Probe	36	40%	38	40%
Other	14	Various	9	Various
	<u>\$ 1,364</u>		<u>\$ 1,379</u>	

As of September 1, 2016, substantially all of our maximum exposure to loss from our VIEs that were not consolidated was the \$1.31 billion carrying value of our investment in Inotera. We may also incur losses in connection with our rights and obligations to purchase all of Inotera's wafer production capacity under our supply agreement with Inotera.

We recognize our share of earnings or losses from our equity method investees generally on a two-month lag. Included in our share of earnings for 2015 was \$49 million related to Inotera's full release of its valuation allowance against net deferred tax assets related to its net operating loss carryforward and the resulting tax provision in subsequent periods. Equity in net income (loss) of equity method investees, net of tax, included the following:

For the year ended	2016	2015	2014
Inotera	\$ 32	\$ 445	\$ 465
Tera Probe	(11)	1	11
Other	4	1	(2)
	<u>\$ 25</u>	<u>\$ 447</u>	<u>\$ 474</u>

The summarized financial information in the tables below reflects aggregate amounts for our equity method investees. Financial information is presented for equity method investments as of the respective dates and for the periods through which we recorded our proportionate share of each investee's results of operations. Summarized results of operations are presented only for the periods subsequent to the acquisition, or through the disposition of, our ownership interests.

As of	2016	2015
Current assets	\$ 1,222	\$ 1,980
Noncurrent assets	4,294	3,038
Current liabilities	604	436
Noncurrent liabilities	411	119

For the year ended	2016	2015	2014
Net sales	\$ 1,671	\$ 2,647	\$ 3,382
Gross margin	155	1,253	1,576
Operating income	199	1,191	1,371
Net income	184	1,361	1,339

#### Inotera

We have partnered with Nanya in Inotera, a Taiwan DRAM memory company, since 2009. In the second quarter of 2016, we entered into agreements to acquire the remaining interest in Inotera. (See "Proposed Acquisition of Inotera" note.) In 2014, Inotera issued 400 million common shares in a public offering at a price equal to 31.50 New Taiwan dollars per share, which was in excess of our carrying value per share. As a result of the issuance, our ownership interest decreased from 35% to 33% and we recognized a non-operating gain of \$93 million in 2014.

As of September 1, 2016, the market value of our equity interest in Inotera was \$1.80 billion based on the closing trading price of 26.70 New Taiwan dollars per share in an active market. As of September 1, 2016 and September 3, 2015, there were losses of \$44 million and gains of \$13 million, respectively, in accumulated other comprehensive income (loss) for cumulative translation adjustments from our equity investment in Inotera.

From January 2013 through December 2015, we purchased all of Inotera's DRAM output under supply agreements at prices reflecting discounts from market prices for our comparable components. Effective beginning on January 1, 2016, the price for DRAM products purchased by us is based on a formula that equally shares margin between Inotera and us. We purchased \$1.43 billion, \$2.37 billion and \$2.68 billion of DRAM products in 2016, 2015, and 2014 respectively. The current supply agreement with Inotera has an initial three-year term, which commenced on January 1, 2016, followed by a three-year wind-down period. Upon termination of the initial three-year term, the share of Inotera's capacity we would purchase would decline over the wind-down period. In 2016, we manufactured and sold specialized equipment to Inotera and recognized net sales of \$55 million and margin of \$16 million.

## **Tera Probe**

In 2013, we acquired a 40% interest in Tera Probe, which provides semiconductor wafer testing and probe services to us and others. In 2016 and 2015, we recorded impairment charges of \$25 million and \$10 million, respectively, within equity in net income (loss) of equity method investees to write down the carrying value of our investment in Tera Probe to its fair value based on its trading price (Level 1 fair value measurement). As of September 1, 2016, our proportionate share of Tera Probe's underlying equity exceeded our investment balance by \$40 million, which is expected to be accreted to earnings over a weighted-average period of seven years. We incurred manufacturing costs for services performed by Tera Probe of \$70 million, \$90 million, and \$117 million in 2016, 2015, and 2014, respectively.

## **Other**

**Aptina:** We held an equity interest in Aptina until the fourth quarter of 2014, at which time we sold our interest and recognized a non-operating gain of \$119 million. For 2014, we recognized net sales of \$43 million from products sold to and services performed for Aptina, and cost of goods sold of \$37 million.

## **Intangible Assets and Goodwill**

As of	2016		2015	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizing assets				
Product and process technology	\$ 757	\$ (402)	\$ 864	\$ (416)
Other	1	—	2	(1)
	758	(402)	866	(417)
Non-amortizing assets				
In-process R&D	108	—	—	—
	\$ 866	\$ (402)	\$ 866	\$ (417)
Goodwill <sup>(1)</sup>	\$ 104		\$ 23	

<sup>(1)</sup> Included in other noncurrent assets.

We perform an annual impairment assessment for goodwill and non-amortizing intangible assets in the fourth quarter of our fiscal year.

During 2016 and 2015, we capitalized \$30 million and \$98 million, respectively, for product and process technology with weighted-average useful lives of ten years and seven years, respectively. Amortization expense was \$117 million, \$117 million, and \$110 million for 2016, 2015, and 2014, respectively. The expected annual amortization expense for intangible assets held as of September 1, 2016 is \$107 million for 2017, \$93 million for 2018, \$46 million for 2019, \$30 million for 2020, and \$25 million for 2021.

In the first quarter of 2016, we acquired Tidal Systems, Ltd., a developer of PCIe NAND Flash storage controllers, to enhance our NAND Flash controller technology for \$148 million. In connection therewith, we recognized \$108 million of in-process R&D; \$81 million of goodwill, which was derived from expected cost reductions and other synergies and was assigned to our Storage Business Unit; and \$41 million of deferred tax liabilities; which, in aggregate, represented substantially all of the purchase price. The in-process R&D was valued using a replacement cost approach, which included inputs of reproduction cost, including developer's profit, and opportunity cost. We will begin amortizing the in-process R&D when development is complete, which is estimated to be in 2018, and will amortize it over its then estimated useful life. The goodwill is not deductible for tax purposes.

## Accounts Payable and Accrued Expenses

As of	2016	2015
Accounts payable	\$ 1,186	\$ 1,020
Property, plant, and equipment payables	1,649	577
Salaries, wages, and benefits	289	321
Related party payables	273	338
Customer advances	132	15
Income and other taxes	41	85
Other	309	255
	<u>\$ 3,879</u>	<u>\$ 2,611</u>

As of September 1, 2016 and September 3, 2015, related party payables included \$266 million and \$327 million, respectively, due to Inotera primarily for the purchase of DRAM products. As of September 1, 2016 and September 3, 2015, related party payables also included \$7 million and \$11 million, respectively, due to Tera Probe for probe services performed. (See "Equity Method Investments" note.)

As of September 1, 2016, customer advances included \$108 million, and other noncurrent liabilities also included \$107 million, for amounts received from Intel in 2016 under a Trade Non-Volatile Memory supply agreement.

## Debt

Instrument	Stated Rate <sup>(1)</sup>	Effective Rate <sup>(1)</sup>	2016			2015		
			Current	Long-Term	Total	Current	Long-Term	Total
MMJ creditor installment payments	N/A	6.25%	\$ 189	\$ 680	\$ 869	\$ 161	\$ 701	\$ 862
Capital lease obligations <sup>(2)</sup>	N/A	N/A	380	1,026	1,406	326	466	792
1.258% notes	1.258%	1.97%	87	131	218	87	217	304
2022 senior notes	5.875%	6.14%	—	590	590	—	589	589
2022 senior secured term loan B	6.640%	7.10%	5	730	735	—	—	—
2023 senior notes	5.250%	5.43%	—	990	990	—	988	988
2023 senior secured notes	7.500%	7.69%	—	1,237	1,237	—	—	—
2024 senior notes	5.250%	5.38%	—	546	546	—	545	545
2025 senior notes	5.500%	5.56%	—	1,139	1,139	—	1,138	1,138
2026 senior notes	5.625%	5.73%	—	446	446	—	446	446
2032C convertible senior notes <sup>(3)</sup>	2.375%	5.95%	—	204	204	—	197	197
2032D convertible senior notes <sup>(3)</sup>	3.125%	6.33%	—	154	154	—	150	150
2033E convertible senior notes <sup>(3)</sup>	1.625%	4.50%	—	168	168	217	—	217
2033F convertible senior notes <sup>(3)</sup>	2.125%	4.93%	—	271	271	264	—	264
2043G convertible senior notes	3.000%	6.76%	—	657	657	—	644	644
Other notes payable	2.485%	2.65%	95	185	280	34	171	205
			<u>\$ 756</u>	<u>\$ 9,154</u>	<u>\$ 9,910</u>	<u>\$ 1,089</u>	<u>\$ 6,252</u>	<u>\$ 7,341</u>

<sup>(1)</sup> As of September 1, 2016.

<sup>(2)</sup> Weighted-average imputed rate of 3.3% and 3.7% as of September 1, 2016 and September 3, 2015, respectively.

<sup>(3)</sup> Since the closing price of our common stock for at least 20 trading days in the 30 trading day period ended on June 30, 2016 did not exceed 130% of the conversion price per share, these notes were not convertible by the holders during the calendar quarter ended September 30, 2016. The closing price of our common stock exceeded the thresholds for the calendar quarter ended September 30, 2016; therefore, these notes are convertible by the holders through December 31, 2016. The 2033 Notes were classified as current as of 2015 because the terms of these notes require us to pay cash for the principal amount of any converted notes and holders of these notes had the right to convert their notes as of that date.



As of	Expected Remaining Term (Years) <sup>(1)</sup>	2016			2015		
		Outstanding Principal	Unamortized Discount and Debt Issuance Costs	Net Carrying Amount	Outstanding Principal	Unamortized Discount and Debt Issuance Costs	Net Carrying Amount
MMJ creditor installment payments	3	\$ 985	\$ (116)	\$ 869	\$ 1,012	\$ (150)	\$ 862
Capital lease obligations	4	1,406	—	1,406	792	—	792
1.258% Notes	2	231	(13)	218	323	(19)	304
2022 Notes	5	600	(10)	590	600	(11)	589
2022 Term Loan B	6	750	(15)	735	—	—	—
2023 Notes	7	1,000	(10)	990	1,000	(12)	988
2023 Secured Notes	7	1,250	(13)	1,237	—	—	—
2024 Notes	7	550	(4)	546	550	(5)	545
2025 Notes	8	1,150	(11)	1,139	1,150	(12)	1,138
2026 Notes	9	450	(4)	446	450	(4)	446
2032C Notes	3	223	(19)	204	224	(27)	197
2032D Notes	5	177	(23)	154	177	(27)	150
2033E Notes	1	176	(8)	168	233	(16)	217
2033F Notes	3	297	(26)	271	297	(33)	264
2043G Notes <sup>(2)</sup>	12	1,025	(368)	657	1,025	(381)	644
Other notes payable	3	281	(1)	280	205	—	205
		<u>\$ 10,551</u>	<u>\$ (641)</u>	<u>\$ 9,910</u>	<u>\$ 8,038</u>	<u>\$ (697)</u>	<u>\$ 7,341</u>

<sup>(1)</sup> Expected remaining term for amortization of the remaining unamortized discount and debt issuance costs as of September 1, 2016. Expected remaining term for capital lease obligations and other notes payable is the weighted-average remaining term.

<sup>(2)</sup> The 2043G Notes have an original principal amount of \$820 million that accretes up to \$917 million through the expected term in November 2028 and \$1.03 billion at maturity in 2043. The discount is based on the principal at maturity.

The 2022 Term Loan B and 2023 Secured Notes are collateralized by substantially all of the assets of Micron and Micron Semiconductor Products, Inc. ("MSP"), a subsidiary of Micron, subject to certain permitted liens on such assets. Included in our consolidated balance sheet as of September 1, 2016 were \$5.37 billion of assets which collateralize these notes. The 2022 Term Loan B and 2023 Secured Notes are structurally subordinated to the indebtedness and other liabilities of all of Micron's subsidiaries that do not guarantee these debt obligations. As of September 1, 2016, only MSP guarantees these notes. Our convertible and other senior notes are unsecured obligations that rank equally in right of payment with all of our other existing and future unsecured indebtedness, and are effectively subordinated to all of our other existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. As of September 1, 2016, Micron had \$5.17 billion of unsecured debt (net of unamortized discount and debt issuance costs), including all of its convertible notes and the 2022 Notes, 2023 Notes, 2024 Notes, 2025 Notes, and 2026 Notes, that was structurally subordinated to all liabilities of its subsidiaries, including trade payables. Micron guarantees certain debt obligations of its subsidiaries, but does not guarantee the MMJ creditor installment payments. Micron's guarantees of its subsidiary debt obligations are unsecured obligations ranking equally in right of payment with all of Micron's other existing and future unsecured indebtedness.

### **MMJ Creditor Installment Payments**

Under the MMJ Companies' corporate reorganization proceedings, which set forth the treatment of the MMJ Companies' pre-petition creditors and their claims, the MMJ Companies were required to pay 200 billion yen, less certain expenses of the reorganization proceedings and other items, to their secured and unsecured creditors in seven annual installment payments (the "MMJ Creditor Installment Payments"). The MMJ Creditor Installment Payments do not provide for interest and as a result of our acquisition of the MMJ Companies in 2013, we recorded the MMJ Creditor Installment Payments at fair value. The fair-value discount is accreted to interest expense over the term of the installment payments.

Under the MMJ Companies' corporate reorganization proceedings, the secured creditors of MMJ will recover 100% of the amount of their fixed claims in six annual installment payments through December 2018 and the unsecured creditors will recover at least 17.4% of the amount of their fixed claims in seven annual installment payments through December 2019. The secured creditors of MAI were paid in full with a portion of the first installment payment made in October 2013, while the unsecured creditors of MAI will recover 19% of the amount of their claims in seven installment payments through December 2019. The remaining portion of the unsecured claims of the creditors of the MMJ Companies not recovered pursuant to the corporate reorganization proceedings will be discharged, without payment, through December 2019.

The following table presents the remaining amounts of MMJ Creditor Installment Payments (stated in Japanese yen and U.S. dollars) and the amount of unamortized discount as of September 1, 2016:

2017	¥	19,884	\$	192
2018		19,884		192
2019		29,507		285
2020		32,686		316
		101,961		985
Less unamortized discount		(12,121)		(116)
	¥	89,840	\$	869

Pursuant to the terms of an Agreement on Support for Reorganization Companies that we entered into in the fourth quarter of 2012 with the trustees of the MMJ Companies' pending corporate reorganization proceedings, we entered into a series of agreements with the MMJ Companies, including supply agreements, research and development services agreements, and general services agreements, which are intended to generate operating cash flows to meet the requirements of the MMJ Companies' businesses, including the funding of the MMJ Creditor Installment Payments.

### **Capital Lease Obligations**

In 2016, we recorded capital lease obligations aggregating \$882 million, including \$765 million related to equipment sale-leaseback transactions, at a weighted-average effective interest rate of 3.1%, with a weighted-average expected term of five years. In 2015, we recorded capital lease obligations aggregating \$324 million, including \$291 million related to equipment sale-leaseback transactions, at a weighted-average effective interest rate of 3.2%, with a weighted-average expected term of four years.

### **1.258% Notes**

In 2014, we issued \$462 million in principal amount of the 1.258% Notes, which mature in January 2019. The 1.258% Notes are collateralized by certain equipment, which had a carrying value of \$22 million as of September 1, 2016. The principal amount of the 1.258% Notes is payable in 10 semiannual installments in January and July of each year. The Export-Import Bank of the United States (the "Ex-Im Bank") guaranteed payment of all regularly scheduled installment payments of principal and interest on the 1.258% Notes, for which we paid \$23 million.

The 1.258% Notes contain covenants which are customary for financings of this type, including negative covenants that limit or restrict our ability to create liens or dispose of the equipment securing the 1.258% Notes. Events of default also include, among others, the occurrence of any event or circumstance that, in the reasonable judgment of Ex-Im Bank, is likely materially and adversely to affect our ability to perform any payment obligation, or any of our other material obligations under the indenture, the 1.258% Notes, or under any other related transaction documents to which Ex-Im Bank is a party.

**Cash Redemption at Our Option:** At any time prior to the maturity date, we may redeem the 1.258% Notes, in whole or in part, at a price equal to the principal amount to be redeemed plus a make-whole premium as described in the indenture, together with accrued and unpaid interest.

## Senior Notes

	Issuance Date	Maturity Date	Principal Issued
2022 Notes	Feb 2014	Feb 2022	\$ 600
2023 Notes	Feb 2015	Aug 2023	1,000
2024 Notes	Apr 2015	Jan 2024	550
2025 Notes	Jul 2014	Feb 2025	1,150
2026 Notes	Apr 2015	Jan 2026	450

The senior notes above contain covenants that, among other things, limit, in certain circumstances, our ability and/or the ability of our domestic restricted subsidiaries (which are generally subsidiaries in the U.S. in which we own at least 80% of the voting stock) to (1) create or incur certain liens and enter into sale and lease-back transactions, (2) create, assume, incur, or guarantee certain additional secured indebtedness and unsecured indebtedness of our domestic restricted subsidiaries, and (3) consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets, to another entity. These covenants are subject to a number of limitations, exceptions, and qualifications.

**Cash Redemption at Our Option:** We have the option to redeem these notes. The applicable redemption price will be determined as follows:

	Redemption Period Requiring Payment of:		Redemption up to 35% Using Cash Proceeds From an Equity Offering <sup>(3)</sup>	
	Make-Whole <sup>(1)</sup>	Premium <sup>(2)</sup>	Date	Specified Price
2022 Notes	Prior to Feb 15, 2017	On or after Feb 15, 2017	Prior to Feb 15, 2017	105.875%
2023 Notes	Prior to Feb 1, 2018	On or after Feb 1, 2018	Prior to Feb 1, 2018	105.250%
2024 Notes	Prior to May 1, 2018	On or after May 1, 2018	Prior to May 1, 2018	105.250%
2025 Notes	Prior to Aug 1, 2019	On or after Aug 1, 2019	Prior to Aug 1, 2017	105.500%
2026 Notes	Prior to May 1, 2020	On or after May 1, 2020	Prior to May 1, 2018	105.625%

<sup>(1)</sup> If we redeem prior to the applicable date, the price is principal plus a make-whole premium equal to the present value of the remaining scheduled interest payments as described in the applicable indenture, together with accrued and unpaid interest.

<sup>(2)</sup> If we redeem on or after the applicable date, the price is principal plus a premium which declines over time as specified in the applicable indenture, together with accrued and unpaid interest.

<sup>(3)</sup> If we redeem prior to the applicable date with net cash proceeds of one or more equity offerings, the price is equal to the amount specified above, together with accrued and unpaid interest, subject to a maximum redemption of 35% of the aggregate principal amount of the respective notes being redeemed.

## 2022 Senior Secured Term Loan B

On April 26, 2016, we entered into the 2022 Term Loan B and drew an aggregate principal amount of \$750 million which is due April 2022. Issuance costs for the 2022 Term Loan B totaled \$16 million, which included an original issue discount of 1% of the initial aggregate principal amount.

The 2022 Term Loan B bears interest, at our election, of either (1) a base rate plus 5.00%, which base rate is defined as the greatest of (a) the prime rate, (b) the federal funds rate plus 0.50%, or (c) a one-month London Interbank Offered Rate ("LIBOR") plus 1.0%, or (2) an up to twelve-month LIBOR, subject to certain adjustments, plus 6.00%. We may, from time to time, elect to convert outstanding term loans from one rate to another. Principal payments are due quarterly beginning on September 30, 2016 in an amount equal to 0.25% of the initial aggregate principal amount with the balance due at maturity and may be prepaid without penalty. Interest is payable at least quarterly, but may be monthly if we elect a monthly LIBOR rate. We are also obligated to pay certain customary fees for a credit facility of this size and type. On October 27, 2016, we amended our 2022 Term Loan B to reduce the margins added to the base rate from 5.00% to 2.75% and to the adjusted LIBOR rate from 6.00% to 3.75%.

The 2022 Term Loan B contains covenants that, among other things, limit, in certain circumstances, the ability of Micron and/or its domestic restricted subsidiaries, as defined above, to (1) create or incur certain liens and enter into sale-leaseback financing transactions; (2) in the case of domestic restricted subsidiaries, create, assume, incur, or guarantee additional indebtedness; and (3) in the case of Micron, consolidate or merge with or into, or sell, assign, convey, transfer, lease, or otherwise dispose of all or substantially all of its assets, to another entity. These covenants are subject to a number of limitations, exceptions, and qualifications. The 2022 Term Loan B is guaranteed by MSP and collateralized by substantially all of the assets of MSP.

### **2023 Senior Secured Notes**

On April 26, 2016, we issued \$1.25 billion in principal amount of 2023 Secured Notes due September 2023. Issuance costs for the 2023 Secured Notes totaled \$13 million.

The 2023 Secured Notes contain covenants that, among other things, limit, in certain circumstances, the ability of Micron and/or its domestic restricted subsidiaries to (1) create or incur certain liens and enter into sale-leaseback financing transactions; (2) in the case of domestic restricted subsidiaries, create, assume, incur, or guarantee additional indebtedness; and (3) in the case of Micron, consolidate or merge with or into, or sell, assign, convey, transfer, lease, or otherwise dispose of all or substantially all of its assets, to another entity. These covenants are subject to a number of limitations, exceptions, and qualifications. The 2023 Secured Notes are guaranteed by MSP and collateralized by substantially all of the assets of MSP.

***Cash Redemption at Our Option:*** Prior to April 15, 2019, we may redeem the 2023 Secured Notes at a price equal to the principal amount thereof, plus a "make-whole" premium as described in the indenture governing the 2023 Secured Notes, together with accrued and unpaid interest. On or after April 15, 2019, we may redeem the 2023 Secured Notes, in whole or in part, at prices above the principal amount that decline over time, as specified in the indenture, together with accrued and unpaid interest. Additionally, prior to April 15, 2019, we may use the net cash proceeds of one or more equity offerings to redeem up to 35% of the aggregate principal amount of the 2023 Secured Notes at a price equal to 107.5% of the principal amount together with accrued and unpaid interest.

### **Convertible Senior Notes**

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 a nonconvertible borrowing rate when interest expense is recognized in subsequent periods. The amount initially recorded as debt is based on the fair value of the debt component as a standalone instrument, determined using an interest rate for similar nonconvertible debt issued by entities with credit ratings similar to ours at the time of issuance. The difference between the debt recorded at inception and its principal amount is accreted to principal through interest expense over the estimated life of the note.

As of September 1, 2016, the trading price of our common stock was higher than the initial conversion prices of our 2032 Notes and our 2033 Notes. As a result, the conversion values were in excess of principal amounts for such notes. The following table summarizes our convertible notes outstanding as of September 1, 2016:

	Holder Put Date <sup>(1)</sup>	Outstanding Principal	Underlying Shares	Conversion Price Per Share	Conversion Price Per Share Threshold <sup>(2)</sup>	Conversion Value in Excess of Principal <sup>(3)</sup>
2032C Notes	May 2019	\$ 223	23	\$ 9.63	\$ 12.52	\$ 163
2032D Notes	May 2021	177	18	9.98	12.97	118
2033E Notes	February 2018	176	16	10.93	14.21	91
2033F Notes	February 2020	297	27	10.93	14.21	155
2043G Notes	November 2028	1,025	35	29.16	37.91	—
		<u>\$ 1,898</u>	<u>119</u>			<u>\$ 527</u>

<sup>(1)</sup> The terms of our convertible notes give holders the right to require us to repurchase all or a portion of their notes at a date prior to the contractual maturities of the notes at a price equal to the principal amount thereof plus accrued interest.

<sup>(2)</sup> Holders have the right to convert all or a portion of their notes at a date prior to the contractual maturity if, during any calendar quarter, 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. The closing price of our common stock exceeded the thresholds for the calendar quarter ended September 30, 2016 for our 2032 Notes and 2033 Notes; therefore, those notes are convertible by the holders through December 31, 2016.

<sup>(3)</sup> Based on our closing share price of \$16.64 as of September 1, 2016.

Carrying amounts of the equity components of our convertible notes, which are included in additional capital in the accompanying consolidated balance sheets, were as follows:

As of	2016	2015
2032C Notes	\$ 41	\$ 41
2032D Notes	35	35
2033E Notes (excludes \$16 million as of 2015 in mezzanine equity)	18	8
2033F Notes (excludes \$33 million as of 2015 in mezzanine equity)	41	8
2043G Notes	173	173
	<u>\$ 308</u>	<u>\$ 265</u>

Interest expense for our convertible notes, consisting of contractual interest and amortization of discount and issuance costs, aggregated \$87 million, \$101 million, and \$132 million for 2016, 2015, and 2014, respectively. Interest expense by note was as follows:

For the year ended	Contractual Interest			Amortization of Discount and Issuance Costs		
	2016	2015	2014	2016	2015	2014
2032C Notes	\$ 5	\$ 8	\$ 11	\$ 7	\$ 9	\$ 12
2032D Notes	6	9	13	4	6	8
2033E Notes	3	5	5	5	7	7
2033F Notes	6	6	6	7	7	6
2043G Notes	31	31	24	13	13	9
Other notes	—	—	7	—	—	24
	<u>\$ 51</u>	<u>\$ 59</u>	<u>\$ 66</u>	<u>\$ 36</u>	<u>\$ 42</u>	<u>\$ 66</u>

**2032C and 2032D Notes:** Our 2032 Notes were issued in 2012 and are due in May 2032. 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.

**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 of the 2032 Notes (approximately \$12.52 per share for the 2032C Notes and \$12.97 per share for the 2032D Notes); (3) if the trading price of the 2032 Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2032 Notes during the periods specified in the indenture; (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 any conversion. As a result, only the amounts payable in excess of the principal amounts upon conversion 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 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 1.5%.

**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 at a price 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 price equal to the principal amount plus accrued and unpaid interest.

**2033E and 2033F Notes:** Our 2033 Notes were issued in 2013 and are due in February 2033. The initial conversion rate for the 2033 Notes is 91.4808 shares of common stock per \$1,000 principal amount, equivalent to an initial conversion price of approximately \$10.93 per share of common stock. Interest is payable in February and August of each year.

**Conversion Rights:** Holders may convert their 2033 Notes under the following circumstances: (1) if the 2033 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 of the 2033 Notes (approximately \$14.21 per share); (3) if the trading price of the 2033 Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2033 Notes during the periods specified in the indenture; (4) if specified distributions or corporate events occur, as set forth in the indenture for the 2033 Notes; or (5) at any time after November 15, 2032.

Upon conversion, we will pay cash equal to the lesser of the aggregate principal amount and the conversion value of the notes being converted and cash, shares of common stock or a combination of cash and shares of common stock, at our option, for any remaining conversion obligation. As a result, only the amounts payable in excess of the principal amounts upon conversion of the 2033 Notes are considered in diluted earnings per share under the treasury stock method.

**Cash Redemption at Our Option:** We may redeem for cash the 2033E Notes on or after February 20, 2018 and the 2033F Notes on or after February 20, 2020 at a price equal 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 2033 Notes to repurchase for cash all or a portion of the 2033E Notes on February 15, 2018 and on February 15, 2023 and all or a portion of the 2033F Notes on February 15, 2020 and on February 15, 2023 at a price 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 2033 Notes may require us to repurchase for cash all or a portion of their 2033 Notes at a price equal to the principal amount plus accrued and unpaid interest.

**2043G Notes:** Our 2043G Notes were issued in 2014 and are due in November 2043. Each \$1,000 of principal amount at maturity had an original issue price of \$800. An amount equal to the difference between the original issue price and the principal amount at maturity will accrete in accordance with a schedule set forth in the indenture. The original principal amount of \$820 million accretes up to \$1.03 billion at maturity in 2043. The initial conversion rate for the 2043G Notes is 34.2936 shares of common stock per \$1,000 principal amount at maturity, equivalent to an initial conversion price of approximately \$29.16 per share of common stock. Interest is payable in May and November of each year.

**Conversion Rights:** Holders may convert their 2043G Notes under the following circumstances: (1) if the 2043G 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 of the 2043G Notes (approximately \$37.91 per share); (3) if the trading price of the 2043G Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2043G Notes during the periods specified in the indenture; (4) if specified distributions or corporate events occur, as set forth in the indenture; or (5) at any time after August 15, 2043.

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 in cash the principal amount of the 2043G Notes upon conversion. As a result, the dilutive effect of the 2043G Notes in earnings per share is computed under the treasury stock method.

**Cash Redemption at Our Option:** Prior to November 20, 2018, we may redeem for cash the 2043G Notes if the volume weighted average price of our common stock has been at least 130% of the conversion price for at least 20 trading days during any 30 consecutive trading day period. The redemption price will equal the principal amount at maturity plus accrued and unpaid interest. On or after November 20, 2018, we may redeem for cash the 2043G Notes without regard to the closing price of our common stock at a price equal to the accreted principal amount plus accrued and unpaid interest. If we redeem the 2043G Notes prior to November 20, 2018, we are required to pay in cash a make-whole premium as specified in the indenture.

**Cash Repurchase at the Option of the Holder:** Holders of the 2043G Notes may require us to repurchase for cash all or a portion of the 2043G Notes on November 15, 2028 at a price equal to the accreted principal amount of \$917 million plus accrued and unpaid interest. Holders of the 2043G Notes may also require us to repurchase for cash all or a portion of their 2043G Notes at a price equal to the accreted principal amount plus accrued and unpaid interest upon a change in control or a termination of trading, as defined in the indenture.

## **Other Facilities**

**Revolving Credit Facilities:** On February 12, 2015, we entered into a senior five-year revolving credit facility. Under this credit facility, we can draw up to the lesser of \$750 million or 80% of the net outstanding balance of certain trade receivables, as defined in the facility agreement. Any amounts drawn are collateralized by a security interest in such trade receivables. The credit facility contains customary covenants and conditions, including as a funding condition the absence of any event or circumstance that has a material adverse effect on certain of our operations, assets, prospects, business, or condition, and including negative covenants that limit or restrict our ability to create liens on, or dispose of, the collateral underlying the obligations under this facility. Interest is payable on any outstanding principal balance at a variable rate equal to the LIBOR plus an applicable margin ranging between 1.75% to 2.25%, depending upon the utilized portion of the facility. On April 16, 2015, we drew \$75 million under this facility. As of September 1, 2016, \$75 million of principal was outstanding under this facility and \$488 million was available for us to draw.

In connection with entering into the 2022 Term Loan B, on April 25, 2016, we terminated our revolving credit facility that was entered into on December 2, 2014, and repaid the \$50 million outstanding principal amount.

**Other:** On May 28, 2015, we entered into a term loan agreement to obtain financing collateralized by certain property, plant, and equipment. On June 18, 2015, we drew \$40 million under this arrangement. On December 1, 2015, we drew the remaining \$174 million available under the facility. Amounts drawn are subject to a three-year loan, with equal quarterly principal payments beginning December 2015 and accrue interest at a variable rate equal to the three-month LIBOR plus a margin not to exceed 2.2%. As of September 1, 2016, the outstanding balance was \$155 million.

## Debt Restructure

**2016 Debt Restructure:** In 2016, we repurchased \$57 million in aggregate principal amount of our 2033E Notes, which had a carrying value of \$54 million, for \$94 million in cash. The liability and equity components of the repurchased notes had previously been stated separately within debt and equity in our consolidated balance sheet. As a result, the repurchase decreased the carrying value of debt by \$54 million and equity by \$38 million.

**2015 Debt Restructure:** In 2015, we consummated a number of transactions to restructure our debt, including conversions and settlements, repurchases of convertible notes, issuances of non-convertible notes, and the early repayment of a note. The following table presents the effect of each of the actions in 2015:

	Increase (Decrease) in Principal	Increase (Decrease) in Carrying Value	Increase (Decrease) in Cash	(Decrease) in Equity	(Loss) <sup>(1)</sup>
Conversions and settlements	\$ (121)	\$ (367)	\$ (408)	\$ (15)	\$ (22)
Repurchases	(368)	(319)	(1,019)	(676)	(22)
Issuances	2,000	1,979	1,979	—	—
Early repayment	(121)	(115)	(122)	—	(5)
	<u>\$ 1,390</u>	<u>\$ 1,178</u>	<u>\$ 430</u>	<u>\$ (691)</u>	<u>\$ (49)</u>

<sup>(1)</sup> Included in other non-operating expense.

- **Conversions and Settlements:** Holders of substantially all of our then remaining 2031B Notes with an aggregate principal amount of \$114 million converted their notes in August 2014. As a result of our election to settle the conversion amounts entirely in cash, the settlement obligations became derivative debt liabilities, increasing the carrying value of the 2031B Notes by \$275 million in 2014 before being settled in 2015 for an aggregate of \$389 million in cash. Additionally, holders converted \$7 million principal amount of our 2033E Notes and we settled the conversions in cash for \$19 million in 2015.
- **Repurchases:** Repurchased \$368 million in aggregate principal amount of our 2032C Notes, 2032D Notes, 2033E Notes, and 2033F Notes.
- **Issuance:** Issued \$2.00 billion in aggregate principal amounts of 2023 Notes, 2024 Notes, and 2026 Notes.



**2014 Debt Restructure:** In 2014, we consummated a number of transactions to restructure our debt, including exchanges, conversions and settlements, repurchases of convertible notes, issuances of non-convertible notes, and early repayments of notes. The following table presents the net effect of each of the actions:

	Increase (Decrease) in Principal	Increase (Decrease) in Carrying Value	Increase (Decrease) in Cash	(Decrease) in Equity	(Loss) <sup>(1)</sup>
Exchanges	\$ 585	\$ 282	\$ —	\$ (238)	\$ (49)
Conversions and settlements	(770)	(434)	(1,446)	(886)	(130)
Repurchases	(320)	(264)	(857)	(567)	(23)
Issuances	2,212	2,157	2,157	—	—
Early repayments	(336)	(332)	(339)	—	(3)
	<u>\$ 1,371</u>	<u>\$ 1,409</u>	<u>\$ (485)</u>	<u>\$ (1,691)</u>	<u>\$ (205)</u>

<sup>(1)</sup> \$184 million included in other non-operating expense and \$21 million included in interest expense

- **Exchanges:** Exchanged \$440 million in aggregate principal amount of our 2027 Notes, 2031A Notes, and 2031B Notes into \$1.03 billion principal amount at maturity of 2043G Notes.
- **Conversions and Settlements:** Holders of substantially all of our remaining 2014 Notes, 2027 Notes, and 2031A Notes (with an aggregate principal amount of \$770 million) converted their notes and we settled the conversions in cash for \$1.45 billion. Holders of substantially all of our remaining 2031B Notes converted their notes in August 2014. As a result of our election to settle the conversion amounts entirely in cash, the settlement obligations became derivative debt liabilities, increasing the carrying value of the 2031B Notes by \$275 million in 2014 before being cash settled in 2015.
- **Repurchases:** Repurchased \$320 million in aggregate principal amount of our convertible 2031B Notes, 2032C Notes, and 2032D Notes for an aggregate of \$857 million in cash.
- **Issuances:** Issued \$600 million in principal amount of our 2022 Notes, \$1.15 billion in principal amount of our 2025 Notes, and \$462 million in principal amount of our 1.258% Notes.
- **Early Repayments:** Repaid \$332 million of notes and capital leases prior to their scheduled maturities.

#### **Maturities of Notes Payable and Future Minimum Lease Payments**

As of September 1, 2016, maturities of notes payable (including the MMJ Creditor Installment Payments) and future minimum lease payments under capital lease obligations were as follows:

	Notes Payable	Capital Lease Obligations
2017	\$ 387	\$ 423
2018	545	372
2019	562	315
2020	696	211
2021	185	73
2022 and thereafter	6,663	147
Unamortized discounts and interest, respectively	(534)	(135)
	<u>\$ 8,504</u>	<u>\$ 1,406</u>

## Commitments

As of September 1, 2016, we had commitments of approximately \$780 million for the acquisition of property, plant, and equipment. We lease certain facilities and equipment under operating leases, for which expense was \$46 million, \$48 million, and \$57 million for 2016, 2015, and 2014, respectively. Minimum future operating lease commitments (including amounts attributed to the embedded operating lease in our Inotera supply agreement) as of September 1, 2016 were as follows:

2017	\$	419
2018		400
2019		127
2020		15
2021		11
2022 and thereafter		29
	\$	1,001

## 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 applicable balance sheet dates, 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-tech 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.

On November 21, 2014, Elm 3DS Innovations, LLC ("Elm") filed a patent infringement action against Micron, MSP, and Micron Consumer Products Group, Inc. in the U.S. District Court for the District of Delaware. On March 27, 2015, Elm filed an amended complaint against the same entities. The amended complaint alleges that unspecified semiconductor products of ours that incorporate multiple stacked die infringe thirteen U.S. patents and seeks damages, attorneys' fees, and costs.

On December 15, 2014, Innovative Memory Solutions, Inc. filed a patent infringement action against Micron in the U.S. District Court for the District of Delaware. The complaint alleges that a variety of our NAND Flash products infringe eight U.S. patents and seeks damages, attorneys' fees, and costs.

On June 24, 2016, the President and Fellows of Harvard University filed a patent infringement action against Micron in the U.S. District Court for the District of Massachusetts. The complaint alleges that a variety of our DRAM products infringe two U.S. patents and seeks damages, injunctive relief, and other unspecified relief.

Among other things, the above lawsuits pertain to certain of our DDR DRAM, DDR2 DRAM, DDR3 DRAM, DDR4 DRAM, SDR SDRAM, PSRAM, RLD RAM, LPDRAM, NAND Flash, and certain other memory products we manufacture, 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. A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property 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.

## **Qimonda**

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V., our Netherlands subsidiary ("Micron B.V."), 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 Micron B.V. and Qimonda signed in fall 2008 pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera Memories, Inc. (the "Inotera Shares"), which represents approximately 55% of our total shares in Inotera as of September 1, 2016, and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and 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.

Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the Court issued judgments: (1) ordering Micron B.V. to pay approximately \$1 million in respect of certain Inotera shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on such shares and all other benefits; (4) denying Qimonda's claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the Court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by it and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by it from ownership of the Inotera Shares. The interlocutory judgments have no immediate, enforceable effect on us, and, accordingly, we expect to be able to continue to operate with full control of the Inotera Shares subject to further developments in the case. We have filed a notice of appeal, and the parties have submitted briefs to the appeals court.

We are unable to predict the outcome of the matter 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 monetary damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera Shares, and/or 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 September 1, 2016, the Inotera Shares had a carrying value in equity method investments of \$674 million and a market value of \$996 million.

## **Other**

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.

## **Redeemable Convertible Notes**

Under the terms of the indentures governing the 2033 Notes, upon conversion, we would be required to pay cash equal to the lesser of (1) the aggregate principal amount or (2) the conversion value of the notes being converted. To the extent the conversion value exceeds the principal amount, we could pay cash, shares of common stock, or a combination thereof, at our option, for the amount of such excess. The 2033 Notes were convertible at the option of the holders as of September 3, 2015 and the aggregate difference between the principal amount and the carrying value of \$49 million was classified as redeemable convertible notes in the accompanying consolidated balance sheet. Due to declines in the trading price of our common stock during 2016, the closing price of our common stock did not meet or exceed the thresholds for the calendar quarter ended June 30, 2016; therefore, the 2033 Notes were not convertible by the holders during the calendar quarter ended September 30, 2016. As a result, in 2016, the 2033 Notes were classified as noncurrent debt and the aggregate difference between the principal amount and the carrying value were reclassified from redeemable convertible notes to additional capital.

The closing price of our common stock exceeded the thresholds for the calendar quarter ended September 30, 2016; therefore, the 2033 Notes, as well as the 2032 Notes, are convertible by the holders through December 31, 2016.

## Equity

### Micron Shareholders' Equity

**Common Stock Repurchases:** Our Board of Directors has authorized the discretionary repurchase of up to \$1.25 billion of our outstanding common stock, which may be made in open-market purchases, block trades, privately-negotiated transactions, or derivative transactions. Through 2016, we had repurchased 49 million shares for \$956 million (including commissions) through open-market transactions pursuant to such authorization, which were recorded as treasury stock. Further repurchases are subject to market conditions and our ongoing determination of the best use of available cash.

**Outstanding Capped Calls:** We have capped calls intended to reduce the effect of potential dilution from our convertible notes. The capped calls provide for our receipt of cash or shares, at our election, from our counterparties if the trading price of our stock is above strike prices on their expiration dates. The amounts receivable vary based on the trading price of our stock, up to the cap prices. As of September 1, 2016, the dollar value of cash or shares that we would receive from capped calls upon their expiration date ranges from \$0, if the trading price of our stock is below strike prices for all capped calls, to \$719 million, if the trading price of our stock is at or above the cap prices for all capped calls. Settlement of the capped calls prior to the expiration dates may be for an amount less than the maximum value at expiration. We paid \$103 million in 2012 to purchase the 2032 Capped Calls and \$48 million in 2013 to purchase the 2033 Capped Calls. The amounts paid were recorded as charges to additional capital.

The following table presents information related to outstanding capped calls as of September 1, 2016:

Capped Calls	Expiration Dates		Strike Price	Cap Price Range		Underlying Common Shares	Value at Expiration	
				Low	High		Minimum	Maximum
2032C	Nov 2016	– Nov 2017	\$ 9.80	\$ 14.62	\$ 15.69	50	\$ —	\$ 279
2032D	Nov 2016	– May 2018	10.16	14.62	16.04	44	—	244
2033E	Jan 2018	– Feb 2018	10.93	14.51	14.51	27	—	98
2033F	Jan 2020	– Feb 2020	10.93	14.51	14.51	27	—	98
						148	\$ —	\$ 719

**Expiration and Unwind of Capped Calls:** A portion of our 2032C Capped Calls and 2031 Capped Calls expired in 2016. We elected share settlement and received 2 million shares of our stock, equal to a value of \$23 million, based on the trading stock price at the time of expiration. The shares received were recorded as treasury stock. A portion of our 2031 Capped Calls expired in 2015. We elected share settlement and received 3 million shares of our stock, equal to a value of \$50 million based on the trading stock price at the time of expiration. In 2014, we and the counterparties agreed to terminate and unwind a portion of our 2031 Capped Calls. We elected share settlement and received 3 million shares of our stock, equal to a value of approximately \$86 million based on the trading stock price at the time of the unwind. The shares received in 2014 were retired from treasury stock in 2014.

**Shareholder Rights Plan:** On July 20, 2016, our board of directors adopted a Section 382 Rights Agreement (the "Rights Agreement"), under which our shareholders of record as of the close of business on August 1, 2016 received one right for each share of common stock outstanding. The Rights Agreement is intended to avoid an ownership change, as defined by Section 382 of the Internal Revenue Code of 1986, as amended, and thereby preserve our current ability to utilize certain net operating loss and credit carryforwards. In general, an ownership change will occur when the percentage of our ownership by one or more 5% shareholders has increased by more than 50% at any time during the prior three years. Pursuant to the Rights Agreement, if a shareholder (or group) acquires beneficial ownership of 4.99% or more of the outstanding shares of our common stock without prior approval of our Board of Directors or without meeting certain customary exceptions, the rights would become exercisable and entitle shareholders (other than the acquiring shareholder or group) to purchase additional shares of our common stock at a significant discount and result in significant dilution in the economic interest and voting power of acquiring shareholder or group. Although the Rights Agreement is intended to reduce the likelihood of an ownership change that could adversely affect us, there is no assurance that the Rights Agreement will prevent all transfers that could result in such an ownership change. The Rights Agreement is subject to shareholder approval at the Company's Fiscal 2016 Annual Meeting of Shareholders. If not approved by the shareholders, the Rights Agreement will terminate on July 19, 2017.

**Accumulated Other Comprehensive Income (Loss):** Changes in accumulated other comprehensive income (loss) by component for the year ended September 1, 2016, were as follows:

	Cumulative Foreign Currency Translation Adjustments	Gains (Losses) on Derivative Instruments, Net	Gains (Losses) on Investments, Net	Pension Liability Adjustments	Total
Balance as of September 3, 2015	\$ —	\$ (5)	\$ (3)	\$ 21	\$ 13
Other comprehensive income (loss)	(49)	10	3	(13)	(49)
Amount reclassified out of accumulated other comprehensive income	—	(3)	—	(1)	(4)
Tax effects	—	—	—	5	5
Other comprehensive income (loss)	(49)	7	3	(9)	(48)
Balance as of September 1, 2016	\$ (49)	\$ 2	\$ —	\$ 12	\$ (35)

**Noncontrolling Interests in Subsidiaries**

As of	2016		2015	
	Noncontrolling Interest Balance	Noncontrolling Interest Percentage	Noncontrolling Interest Balance	Noncontrolling Interest Percentage
IMFT	\$ 832	49%	\$ 829	49%
MP Mask	—	—%	93	50%
Other	16	Various	15	Various
	<u>\$ 848</u>		<u>\$ 937</u>	

**IMFT:** Since IMFT's inception in 2006, we have owned 51% of IMFT, a joint venture between us and Intel that manufactures NAND Flash and 3D XPoint memory products exclusively for the members. The members share the output of IMFT generally in proportion to their investment. IMFT is governed by a Board of Managers, for which the number of managers appointed by each member varies based on the members' respective ownership interests. The IMFT joint venture agreement extends through 2024 and includes certain buy-sell rights. On January 5, 2016, we amended the IMFT joint venture agreement to change the dates of the buy-sell rights. Pursuant to the amendment, commencing in January 2016, Intel can put to us, and commencing in January 2019, we can call from Intel, Intel's interest in IMFT, in either case, for an amount equal to the noncontrolling interest balance attributable to Intel at such time either member exercises its right. If Intel exercises its put right, we can elect to set the closing date of the transaction to be any time within two years following such election by Intel and can elect to receive financing of the purchase price from Intel for one to two years from the closing date.

IMFT manufactures memory products using designs and technology we develop with Intel. We generally share with Intel the costs of product design and process development activities for NAND Flash and 3D XPoint memory. Our R&D expenses were reduced by reimbursements from Intel of \$205 million, \$224 million, and \$137 million for 2016, 2015, and 2014, respectively.

Our sales include Non-Trade Non-Volatile Memory, which primarily consists of products sold to Intel through our IMFT joint venture at long-term negotiated prices approximating cost. Non-Trade Non-Volatile Memory sales were \$501 million, \$463 million, and \$475 million for 2016, 2015, and 2014, respectively.

The following table presents the assets and liabilities of IMFT included in our consolidated balance sheets:

As of	2016	2015
<b>Assets</b>		
Cash and equivalents	\$ 98	\$ 134
Receivables	89	79
Inventories	68	65
Other current assets	6	7
Total current assets	261	285
Property, plant, and equipment, net	1,792	1,768
Other noncurrent assets	50	49
Total assets	\$ 2,103	\$ 2,102
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 175	\$ 182
Deferred income	7	9
Current debt	16	22
Total current liabilities	198	213
Long-term debt	66	49
Other noncurrent liabilities	94	100
Total liabilities	\$ 358	\$ 362

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

Creditors of IMFT have recourse only to IMFT's assets and do not have recourse to any other of our assets.

The following table presents IMFT's distributions to and contributions from its members:

For the year ended	2016	2015	2014
IMFT distributions to Micron	\$ 36	\$ 6	\$ 10
IMFT distributions to Intel	34	6	10
Micron contributions to IMFT	38	148	106
Intel contributions to IMFT	37	142	102

**MP Mask:** In 2006, we formed a joint venture with Photronics to produce photomasks for leading-edge and advanced next generation semiconductors. Through May 5, 2016, we and Photronics each owned approximately 50% of MP Mask. We purchased a substantial majority of the photomasks produced by MP Mask pursuant to a supply arrangement. On May 5, 2016 we acquired Photronics' interest in MP Mask for \$93 million, at which time MP Mask ceased to be a variable interest entity and became a wholly-owned subsidiary.

The assets and liabilities of MP Mask included in our September 3, 2015 consolidated balance sheets were as follows:

As of	2015
Current assets	\$ 21
Noncurrent assets (primarily property, plant, and equipment)	180
Current liabilities	21

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

**MMT:** As of August 29, 2013, noncontrolling interests in MMT were 11%. In 2014, we purchased additional interests in MMT for an aggregate of \$146 million. As of August 28, 2014, noncontrolling interests in MMT were less than 1%. As a result of the purchases of MMT shares in 2014, in aggregate, noncontrolling interests decreased by \$180 million and additional capital increased by \$34 million.

## Restrictions on Net Assets

As a result of the corporate reorganization proceedings of the MMJ Companies initiated in March 2012, and for so long as such proceedings continue, the MMJ Group is subject to certain restrictions on dividends, loans, and advances. In addition, our ability to access IMFT's cash and other assets through dividends, loans, or advances, including to finance our other operations, is subject to agreement by Intel. As a result, our total restricted net assets (net assets less intercompany balances and noncontrolling interests) as of September 1, 2016 were \$3.21 billion for the MMJ Group and \$913 million for IMFT, which included cash and equivalents of \$896 million for the MMJ Group and \$98 million for IMFT.

As of September 1, 2016, our retained earnings included undistributed earnings from our equity method investees of \$272 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).

All of our marketable debt and equity investments (excluding equity method investments) were classified as available-for-sale and carried at fair value. In connection with our repurchases of debt in 2016, 2015, and 2014, we determined the fair value of the debt components of our convertible notes as if they were stand-alone instruments, using interest rates for similar nonconvertible debt issued by entities with credit ratings comparable to ours (Level 2).

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 and mezzanine equity components of our convertible notes) were as follows:

As of	2016		2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes and MMJ creditor installment payments	\$ 7,257	\$ 7,050	\$ 5,020	\$ 5,077
Convertible notes	2,408	1,454	2,508	1,472

The fair values of our convertible notes were determined based on inputs that were observable in the market or that could be derived from, or corroborated with, observable market data, including the trading price of our convertible notes when available, 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 were observable in the market or that could be derived from, or corroborated with, observable market data, including the trading price of our notes, when available, and interest rates based on similar debt issued by parties with credit ratings similar to ours (Level 2).

## Derivative Instruments

We use derivative instruments to manage a portion of our exposure to changes in currency exchange rates from our monetary assets and liabilities denominated in currencies other than the U.S. dollar. We have also had convertible note settlement obligations which were accounted for as derivative instruments as a result of our elections to settle conversions in cash. We do not use derivative instruments for speculative purpose.

### Derivative Instruments without Hedge Accounting Designation

**Currency Derivatives:** To hedge our exposures of monetary assets and liabilities to changes in currency exchange rates, we generally utilize a rolling hedge strategy with currency forward contracts that mature within 35 days. At the end of each reporting period, monetary assets and liabilities 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 (Level 2 fair value measurements). To mitigate the risk of the yen strengthening against the U.S. dollar on the MMJ creditor installment payments due in December 2014 and December 2015, we entered into forward contracts to purchase 20 billion yen on November 28, 2014 and 10 billion yen on November 27, 2015. In the first quarters of 2016 and 2015, we paid \$21 million and \$33 million, respectively, upon settlement of the forward contracts.

The following summarizes our derivative instruments without hedge accounting designation, which consisted of forward contracts to purchase the noted currencies as a hedge of our net position in monetary assets:

	Notional Amount (in U.S. Dollars)	Fair Value of	
		Current Assets <sup>(1)</sup>	Current Liabilities <sup>(2)</sup>
As of September 1, 2016			
Yen	\$ 1,668	\$ —	\$ (10)
Singapore dollar	206	—	—
Euro	93	—	—
Other	85	—	(1)
	<u>\$ 2,052</u>	<u>\$ —</u>	<u>\$ (11)</u>
As of September 3, 2015			
Yen	\$ 928	\$ —	\$ (24)
Singapore dollar	282	—	—
Euro	29	—	—
Other	167	1	—
	<u>\$ 1,406</u>	<u>\$ 1</u>	<u>\$ (24)</u>

<sup>(1)</sup> Included in receivables – other.

<sup>(2)</sup> Included in accounts payable and accrued expenses – other.

Realized and unrealized gains and losses on derivative instruments without hedge accounting designation as well as the change in the underlying monetary assets and liabilities due to changes in currency exchange rates are included in other non-operating income (expense), net. Net gains (losses) for derivative instruments without hedge accounting designation were as follows:

For the year ended	2016	2015	2014
Foreign exchange contracts	\$ 185	\$ (64)	\$ (27)
Convertible notes settlement obligations	—	7	(59)

### Derivative Instruments with Cash Flow Hedge Accounting Designation

**Currency Derivatives:** We utilize currency forward contracts that generally mature within 12 months to hedge our exposure to changes in cash flows from changes in currency exchange rates for certain capital expenditures. Currency forward contracts are measured at fair value based on market-based observable inputs including currency exchange spot and forward rates, interest rates, and credit-risk spreads (Level 2 fair value measurements).



For derivative instruments designated as cash flow hedges, the effective portion of the realized and unrealized gain or loss on the derivatives is included as a component of accumulated other comprehensive income (loss). Amounts in accumulated other comprehensive income (loss) are reclassified into earnings in the same line items of the consolidated statements of operations and in the same periods in which the underlying transactions affect earnings. The ineffective or excluded portion of the realized and unrealized gain or loss is included in other non-operating income (expense), net. Total notional amounts and gross fair values for derivative instruments with cash flow hedge accounting designation were as follows:

	Notional Amount (in U.S. Dollars)	Fair Value of	
		Current Assets <sup>(1)</sup>	Current Liabilities <sup>(2)</sup>
As of September 1, 2016			
Yen	\$ 107	\$ 2	\$ (1)
Euro	65	—	(1)
	<u>\$ 172</u>	<u>\$ 2</u>	<u>\$ (2)</u>
As of September 3, 2015			
Yen	\$ 81	\$ 3	\$ —
Euro	12	—	—
	<u>\$ 93</u>	<u>\$ 3</u>	<u>\$ —</u>

<sup>(1)</sup> Included in receivables – other.

<sup>(2)</sup> Included in accounts payable and accrued expenses – other.

For 2016, 2015, and 2014, we recognized \$10 million of gains and \$10 million and \$4 million of losses, 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 non-operating income (expense) were not material in 2016, 2015, and 2014. For 2016, 2015, and 2014, we reclassified gains of \$3 million, \$6 million, and \$4 million, respectively, from accumulated other comprehensive income (loss) to earnings. As of September 1, 2016, the amount of net gains from cash flow hedges included in accumulated other comprehensive income (loss) expected to be reclassified into earnings in the next 12 months was not material.

#### **Derivative Counterparty Credit Risk and Master Netting Arrangements**

Our derivative instruments expose us to credit risk to the extent counterparties may be unable to meet the terms of the contracts. Our maximum exposure to loss due to credit risk if counterparties fail completely to perform according to the terms of the contracts would generally equal the fair value of assets for these contracts as listed in the tables above. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading risk across multiple financial institutions. As of September 1, 2016 and September 3, 2015, amounts netted under our master netting arrangements were not material.

#### **Equity Plans**

As of September 1, 2016, 90 million shares were available for future awards under our equity plans.

#### **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 February 2014 expire eight years from the date of grant. Options issued prior to February 2014 expire six years from the date of grant.

Option activity for 2016 is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding as of September 3, 2015	44	\$ 15.33		
Granted	8	15.56		
Exercised	(7)	6.96		
Canceled or expired	(3)	20.59		
Outstanding as of September 1, 2016	42	16.37	3.8	\$ 193
Exercisable as of September 1, 2016	22	\$ 12.67	2.4	\$ 153
Expected to vest after September 1, 2016	19	20.53	5.4	39

The total intrinsic value was \$52 million, \$229 million, and \$421 million for options exercised during 2016, 2015, and 2014, respectively.

Stock options granted and assumptions used in the Black-Scholes option valuation model were as follows:

For the year ended	2016	2015	2014
Stock options granted	8	8	12
Weighted-average grant-date fair value per share	\$ 6.94	\$ 14.79	\$ 9.64
Average expected life in years	5.5	5.6	4.9
Weighted-average expected volatility	47%	45%	48%
Weighted-average risk-free interest rate	1.7%	1.7%	1.6%

Stock price volatility was based on an average of historical volatility and the implied volatility derived from traded options on our stock. The expected lives of options granted were based, in part, on historical experience and on the terms and conditions of the options. 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.

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

As of September 1, 2016, there were 18 million shares of Restricted Stock Awards outstanding, of which 2 million were performance-based or market-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. Vesting for performance-based awards is contingent upon meeting a specified return on assets ("ROA"), as defined, over a three-year performance period and vesting for market-based Restricted Stock Awards is contingent upon achieving total shareholder return ("TSR") relative to the companies included in the S&P 500 over a three-year performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts, depending upon the achievement level of the specified ROA or TSR. Restricted Stock Awards activity for 2016 is summarized as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding as of September 3, 2015	14	\$ 23.88
Granted	10	15.40
Restrictions lapsed	(5)	19.89
Canceled	(1)	22.18
Outstanding as of September 1, 2016	18	20.24
Expected to vest after September 1, 2016	15	\$ 20.57

For the year ended	2016	2015	2014
Restricted stock award shares granted	10	7	7
Weighted-average grant-date fair value per share	\$ 15.40	\$ 32.60	\$ 21.88
Aggregate vesting-date fair value of shares vested	\$ 71	\$ 155	\$ 115

**Stock-based Compensation Expense**

For the year ended	2016	2015	2014
Stock-based compensation expense by caption			
Cost of goods sold	\$ 76	\$ 65	\$ 39
Selling, general, and administrative	66	60	50
Research and development	49	42	25
Other	—	1	1
	<u>\$ 191</u>	<u>\$ 168</u>	<u>\$ 115</u>

Stock-based compensation expense by type of award			
Stock options	\$ 79	\$ 81	\$ 61
Restricted stock awards	112	87	54
	<u>\$ 191</u>	<u>\$ 168</u>	<u>\$ 115</u>

Stock-based compensation expense of \$18 million and \$9 million was capitalized and remained in inventory as of September 1, 2016 and September 3, 2015, respectively. As of September 1, 2016, \$345 million of total unrecognized compensation costs for unvested awards, net of estimated forfeitures, was expected to be recognized through the fourth quarter of 2020, 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.

## 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 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 stock. We match in cash eligible contributions from employees up to 5% of the employee's annual eligible earnings. Contribution expense for the 401(k) plans was \$54 million, \$55 million, and \$44 million in 2016, 2015, and 2014, respectively.

### Retirement Plans

We have pension plans in various countries. The pension plans are only available to local employees and are generally government mandated. As of September 1, 2016, the projected benefit obligations of our plans was \$167 million and plan assets were \$131 million. As of September 3, 2015, the projected benefit obligations of our plans was \$132 million and plan assets were \$105 million. Pension expense was not material for 2016, 2015, or 2014.

## Restructure and Asset Impairments

For the year ended	2016	2015	2014
2016 Restructuring Plan	\$ 58	\$ —	\$ —
Other	9	3	40
	<u>\$ 67</u>	<u>\$ 3</u>	<u>\$ 40</u>

In the fourth quarter of 2016, we initiated a restructure plan in response to the current business environment and the need to accelerate focus on our key priorities (the "2016 Restructuring Plan"). The 2016 Restructuring Plan includes the elimination of certain projects and programs, the permanent closure of a number of open headcount requisitions, workforce reductions in certain areas of the business, and other non-headcount related spending reductions. In connection with the plan, we expect to incur charges of \$80 million, substantially all in cash expenditures, of which \$58 million was incurred in 2016, with the remainder in the early part of 2017. As of September 1, 2016, we had accrued liabilities of \$24 million related to the 2016 Restructuring Plan, substantially all of which is expected to be paid in the first quarter of 2017. For 2016, restructure and asset impairment charges of \$28 million, \$22 million, \$14 million, and \$10 million were charged to our CNBU, SBU, MBU, and EBU operating segments, respectively.

For 2014, other included charges associated with workforce optimization activities and with our efforts to wind down our 200mm operations primarily in Agrate, Italy and Kiryat Gat, Israel. We incurred restructure and asset impairment charges included in our MBU and EBU operating segments of \$21 million and \$20 million, respectively.

## Other Operating (Income) Expense, Net

For the year ended	2016	2015	2014
(Gain) loss on disposition of property, plant, and equipment	\$ (4)	\$ (17)	\$ 10
Rambus settlement	—	—	233
Other	(2)	(28)	(11)
	<u>\$ (6)</u>	<u>\$ (45)</u>	<u>\$ 232</u>

In December 2013, we settled all pending litigation between us and Rambus, Inc., including all antitrust and patent matters. We also entered into a seven-year term patent cross-license agreement with Rambus, Inc. that allows us to avoid costs of patent-related litigation during the term. The primary benefits we received from these arrangements were (1) the settlement and termination of all existing litigation, (2) the avoidance of future litigation expenses, and (3) the avoidance of future management and customer disruptions. As a result, other operating expense for 2014 included a \$233 million charge to accrue a liability, which reflected the discounted value of amounts due under this arrangement.

## Other Non-Operating Income (Expense), Net

For the year ended	2016	2015	2014
Gain (loss) from changes in currency exchange rates	\$ (24)	\$ (27)	\$ (28)
Loss on restructure of debt	(4)	(49)	(184)
Gain from disposition of interest in Aptina	—	1	119
Gain from issuance of Inotera shares	—	—	93
Other	(26)	22	(25)
	<u>\$ (54)</u>	<u>\$ (53)</u>	<u>\$ (25)</u>

In 2016, we recognized other non-operating expense of \$30 million to write off indemnification receivables upon the resolution of uncertain tax positions.

## Income Taxes

For the year ended	2016	2015	2014
Income (loss) before income taxes, net income (loss) attributable to noncontrolling interests, and equity in net income (loss) of equity method investees			
Foreign	\$ (353)	\$ 2,431	\$ 2,619
U.S.	72	178	114
	<u>\$ (281)</u>	<u>\$ 2,609</u>	<u>\$ 2,733</u>
Income tax (provision) benefit			
Current			
Foreign	\$ (27)	\$ (93)	\$ (46)
State	(1)	(1)	(2)
U.S. federal	—	6	(3)
	<u>(28)</u>	<u>(88)</u>	<u>(51)</u>
Deferred			
U.S. federal	39	15	4
State	2	1	—
Foreign	(32)	(85)	(81)
	<u>9</u>	<u>(69)</u>	<u>(77)</u>
Income tax (provision) benefit	<u>\$ (19)</u>	<u>\$ (157)</u>	<u>\$ (128)</u>

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	2016	2015	2014
U.S. federal income tax (provision) benefit at statutory rate	\$ 98	\$ (913)	\$ (956)
Foreign tax rate differential	(300)	515	474
Change in valuation allowance	63	260	544
Change in unrecognized tax benefits	52	(118)	(152)
Tax credits	48	53	11
State taxes, net of federal benefit	3	19	(39)
Noncontrolling investment transactions	—	57	—
Other	17	(30)	(10)
Income tax (provision) benefit	<u>\$ (19)</u>	<u>\$ (157)</u>	<u>\$ (128)</u>

We operate in tax jurisdictions, including Singapore and Taiwan, where our earnings are indefinitely reinvested and are taxed at lower effective tax rates than the U.S. statutory rate. We operate in a number of locations outside the U.S., including Singapore and, to a lesser extent, Taiwan, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. The benefit of tax incentive arrangements, which expire in whole or in part at various dates through 2030, were not material to our tax provision for 2016. These arrangements reduced our tax provision for 2015 and 2014 by \$338 million (benefitting our diluted earnings per share by \$0.29) and \$286 million (\$0.24 per diluted share), respectively.

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 as well as carryforwards. Deferred tax assets and liabilities consist of the following:

As of	2016	2015
<b>Deferred tax assets</b>		
Net operating loss and tax credit carryforwards	\$ 3,014	\$ 2,869
Accrued salaries, wages, and benefits	142	143
Other accrued liabilities	76	97
Other	65	86
Gross deferred tax assets	3,297	3,195
Less valuation allowance	(2,107)	(2,051)
Deferred tax assets, net of valuation allowance	1,190	1,144
<b>Deferred tax liabilities</b>		
Debt discount	(170)	(207)
Property, plant, and equipment	(135)	(2)
Unremitted earnings on certain subsidiaries	(121)	(162)
Product and process technology	(81)	(43)
Other	(28)	(55)
Deferred tax liabilities	(535)	(469)
<b>Net deferred tax assets</b>	<b>\$ 655</b>	<b>\$ 675</b>
<b>Reported as</b>		
Current deferred tax assets (included in other current assets)	\$ —	\$ 104
Deferred tax assets	657	597
Current deferred tax liabilities (included in accounts payable and accrued expenses)	—	(4)
Deferred tax liabilities (included in other noncurrent liabilities)	(2)	(22)
<b>Net deferred tax assets</b>	<b>\$ 655</b>	<b>\$ 675</b>

As of September 1, 2016, we had a full valuation allowance of \$1.16 billion against U.S. net deferred tax assets, primarily related to net operating loss carryforwards. The valuation allowance is based on our assessment of the deferred tax assets that are more likely than not to be realized. As of September 1, 2016, we had partial valuation allowances of \$765 million for Japan and \$177 million for our other foreign subsidiaries against net deferred tax assets, primarily related to net operating loss carryforwards. As of September 1, 2016, we had \$4.28 billion of net operating loss carryforwards in Japan of which \$2.47 billion is subject to a valuation allowance. Our valuation allowance increased \$56 million in 2016 primarily due to changes in foreign currencies offset by the utilization of U.S. and foreign net operating losses as well as adjustments based on management's assessment of the amount of foreign net operating losses that are more likely than not to be realized. Management continues to evaluate future projected financial performance to determine whether such performance is sufficient evidence to support a reduction in or reversal of the valuation allowances. The amount of the deferred tax asset considered realizable could be adjusted if significant positive evidence increases. Income taxes on U.S. operations for 2016 and 2015 were substantially offset by changes in the valuation allowance.

As of September 1, 2016, our federal, state, and foreign net operating loss carryforward amounts and expiration periods as reported to tax authorities, were as follows:

Year of Expiration	U.S. Federal	State	Japan	Other Foreign	Total
2017 - 2021	\$ —	\$ 57	\$ 3,653	\$ 958	\$ 4,668
2022 - 2026	—	273	628	284	1,185
2027 - 2031	2,321	1,092	—	—	3,413
2032 - 2036	1,575	517	—	—	2,092
Indefinite	—	—	—	522	522
	<u>\$ 3,896</u>	<u>\$ 1,939</u>	<u>\$ 4,281</u>	<u>\$ 1,764</u>	<u>\$ 11,880</u>

As of September 1, 2016, our federal and state tax credit carryforward amounts and expiration periods as reported to tax authorities, were as follows:

Year of Tax Credit Expiration	Federal	State	Total
2017 - 2021	\$ 33	\$ 59	\$ 92
2022 - 2026	95	40	135
2027 - 2031	63	62	125
2032 - 2036	160	1	161
Indefinite	—	49	49
	<u>\$ 351</u>	<u>\$ 211</u>	<u>\$ 562</u>

We have not recognized deferred tax assets of \$325 million for excess tax benefits that arose directly from tax deductions related to equity compensation greater than amounts recognized for financial reporting. These excess stock compensation benefits will be credited to additional capital if realized. We use the "with and without" method, as described in ASC 740, for purposes of determining when excess tax benefits have been realized.

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 liabilities. Remaining undistributed earnings of \$6.74 billion as of September 1, 2016 have been indefinitely reinvested; therefore, no provision has been made for taxes due on approximately \$7.82 billion of the excess of the financial reporting amount over the tax basis of investments in foreign subsidiaries that are indefinitely reinvested. Generally, this amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. Determination of the amount of unrecognized deferred tax liabilities related to investments in these foreign subsidiaries is not practicable.

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

For the year ended	2016	2015	2014
Beginning unrecognized tax benefits	\$ 351	\$ 228	\$ 78
Settlements with tax authorities	(47)	(1)	(1)
Lapse of statute of limitations	(5)	(6)	(1)
Increases related to tax positions taken during current year	5	119	152
Increases related to tax positions from prior years	—	17	—
Foreign currency translation increases (decreases) to tax positions	—	(6)	1
Decreases related to tax positions from prior years	—	—	(1)
Ending unrecognized tax benefits	<u>\$ 304</u>	<u>\$ 351</u>	<u>\$ 228</u>



Included in the unrecognized tax benefits balance as of September 1, 2016, September 3, 2015, and August 28, 2014 were \$2 million, \$53 million, and \$66 million, respectively, of unrecognized income tax benefits, which if recognized, would affect our effective tax rate. The decrease in unrecognized tax benefits in 2016 primarily related to the favorable resolution of certain prior year tax matters. We recognize interest and penalties related to income tax matters within income tax expense. As of September 3, 2015 and August 28, 2014, the amount accrued for interest and penalties related to uncertain tax positions was \$16 million and \$19 million, respectively, and were not material as of September 1, 2016. The resolution of tax audits or lapses of statute of limitations could also reduce our unrecognized tax benefits. Although the timing of final resolution is uncertain, the estimated potential reduction in our unrecognized tax benefits in the next 12 months would not be material.

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 2012 through 2016. In addition, tax returns open to examination in Singapore, Japan, and Taiwan range from the years 2011 to 2016. We believe that adequate amounts of taxes and related interest and penalties have been provided for, and any adjustments as a result of examinations are not expected to materially adversely affect our business, results of operations, or financial condition.

## Earnings Per Share

For the year ended	2016	2015	2014
Net income (loss) available to Micron shareholders – Basic	\$ (276)	\$ 2,899	\$ 3,045
Dilutive effect related to equity method investment	—	(3)	(2)
Net income (loss) available to Micron shareholders – Diluted	\$ (276)	\$ 2,896	\$ 3,043
Weighted-average common shares outstanding – Basic	1,036	1,070	1,060
Dilutive effect of equity plans and convertible notes	—	100	138
Weighted-average common shares outstanding – Diluted	1,036	1,170	1,198
Earnings (loss) per share			
Basic	\$ (0.27)	\$ 2.71	\$ 2.87
Diluted	(0.27)	2.47	2.54

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	2016	2015	2014
Equity plans	60	18	7
Convertible notes	119	18	26

## Segment Information

Segment information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. We have the following four business units, which are our reportable segments:

**Compute and Networking Business Unit ("CNBU"):** Includes memory products sold into compute, networking, graphics, and cloud server markets.

**Storage Business Unit ("SBU"):** Includes memory products sold into enterprise, client, cloud, and removable storage markets. SBU also includes products sold to Intel through our IMFT joint venture.

**Mobile Business Unit ("MBU"):** Includes memory products sold into smartphone, tablet, and other mobile-device markets.

**Embedded Business Unit ("EBU"):** Includes memory products sold into automotive, industrial, connected home, and consumer electronics markets.

Certain operating expenses directly associated with the activities of a specific segment are charged to that segment. Other indirect operating expenses (income) are generally allocated to segments based on their respective percentage of cost of goods sold or forecasted wafer production. The unallocated amount of operating expense for 2014 related to the Rambus settlement.

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 segments. There are no differences in the accounting policies for segment reporting and our consolidated results of operations.

For the year ended	2016	2015	2014
Net sales			
CNBU	\$ 4,529	\$ 6,725	\$ 7,333
SBU	3,262	3,687	3,480
MBU	2,569	3,692	3,627
EBU	1,939	1,999	1,774
All Other	100	89	144
	<u>\$ 12,399</u>	<u>\$ 16,192</u>	<u>\$ 16,358</u>
Operating income (loss)			
CNBU	\$ (134)	\$ 1,481	\$ 1,957
SBU	(205)	(89)	255
MBU	39	1,126	683
EBU	433	435	331
All Other	35	45	94
Unallocated	—	—	(233)
	<u>\$ 168</u>	<u>\$ 2,998</u>	<u>\$ 3,087</u>

Depreciation and amortization expense included in operating income was as follows:

For the year ended	2016	2015	2014
CNBU	\$ 1,147	\$ 1,058	\$ 878
SBU	848	765	512
MBU	584	513	475
EBU	381	322	226
All Other	20	9	12
	<u>\$ 2,980</u>	<u>\$ 2,667</u>	<u>\$ 2,103</u>

## Product Sales

For the year ended	2016	2015	2014
DRAM	\$ 7,207	\$ 10,339	\$ 11,164
Non-Volatile Memory			
Trade	4,138	4,811	3,993
Non-Trade	501	463	475
Other	553	579	726
	<u>\$ 12,399</u>	<u>\$ 16,192</u>	<u>\$ 16,358</u>

Trade Non-Volatile Memory includes NAND Flash and 3D XPoint memory. Non-Trade Non-Volatile Memory primarily consists of Non-Volatile Memory products manufactured and sold to Intel through IMFT at long-term negotiated prices approximating cost. Sales of MCP products, which combine both NAND Flash and DRAM components, are reported within Trade Non-Volatile Memory. Sales of NOR Flash products are included in Other.

## Certain Concentrations

Markets with concentrations of net sales were approximately as follows:

For the year ended	2016	2015	2014
Compute and graphics	20%	25%	30%
Mobile	20%	25%	20%
SSDs and other storage	20%	20%	20%
Automotive, industrial, medical, and other embedded	15%	10%	10%
Server	10%	15%	10%

Customer concentrations included net sales to Intel, including Non-Trade Non-Volatile Memory through IMFT, of 14% for 2016 and net sales to Kingston of 11% and 10% for 2015 and 2014, respectively. Substantially all of our sales to Intel were included in our SBU and CNBU segments, and substantially all of our sales to Kingston were included in our CNBU and SBU segments.

We generally have multiple sources of supply for our raw materials and production equipment; however, only a limited number of suppliers are capable of delivering certain raw materials and production equipment that meet our standards. In some cases, materials or production equipment 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 and monitoring credit risk of bank counterparties on an ongoing basis. 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 material losses on receivables. A concentration of risk may also exist with respect to derivatives as the number of counterparties to our currency hedges is limited and the notional amounts are relatively large. We seek to mitigate such risk by limiting our counterparties to major financial institutions and through entering into master netting arrangements. Capped calls expose us to credit risk to the extent 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.

## Geographic Information

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

For the year ended	2016	2015	2014
China	\$ 5,301	\$ 6,658	\$ 6,715
United States	1,925	2,565	2,551
Asia Pacific (excluding China, Taiwan, and Japan)	1,610	2,037	1,791
Taiwan	1,521	2,241	2,313
Europe	937	1,248	1,252
Japan	831	1,026	1,253
Other	274	417	483
	<u>\$ 12,399</u>	<u>\$ 16,192</u>	<u>\$ 16,358</u>

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

As of	2016	2015
Singapore	\$ 5,442	\$ 3,238
United States	3,890	3,643
Japan	2,685	2,173
Taiwan	2,081	1,073
China	491	331
Other	97	96
	<u>\$ 14,686</u>	<u>\$ 10,554</u>

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

2016	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	\$ 3,217	\$ 2,898	\$ 2,934	\$ 3,350
Gross margin	579	498	579	849
Operating income (loss)	(32)	(27)	(5)	232
Net income (loss)	(170)	(215)	(96)	206
Net income (loss) attributable to Micron	(170)	(215)	(97)	206
Earnings (loss) per share				
Basic	\$ (0.16)	\$ (0.21)	\$ (0.09)	\$ 0.20
Diluted	(0.16)	(0.21)	(0.09)	0.19

Results of operations in the fourth quarter of 2016 included charges of \$58 million related to the 2016 Restructuring Plan.

2015	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	\$ 3,600	\$ 3,853	\$ 4,166	\$ 4,573
Gross margin	970	1,202	1,405	1,638
Operating income	427	631	855	1,085
Net income	471	491	935	1,002
Net income attributable to Micron	471	491	934	1,003
Earnings per share				
Basic	\$ 0.44	\$ 0.46	\$ 0.87	\$ 0.94
Diluted	0.42	0.42	0.78	0.84

Results of operations in the fourth, third, and first quarters of 2015 included losses of \$1 million, \$18 million, and \$30 million, respectively, for losses on restructure of debt.

## 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 index appearing under Item 8 present fairly, in all material respects, the financial position of Micron Technology, Inc. and its subsidiaries at September 1, 2016 and September 3, 2015, and the results of their operations and their cash flows for each of the three years in the period ended September 1, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 1, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) 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 schedules, 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 schedules, 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 28, 2016

## **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 2016, 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.

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.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) 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 September 1, 2016. The effectiveness of our internal control over financial reporting as of September 1, 2016 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 ACCOUNTANT 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 September 1, 2016 and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1.	Financial Statements: See Index to Consolidated Financial Statements under Item 8.
2.	Financial Statement Schedules: Schedule I – Condensed Financial Information of the Registrant Schedule II – Valuation and Qualifying Accounts  Certain Financial Statement Schedules have been omitted since they are either not required, not applicable or the information is otherwise included.
3.	Exhibits.



**SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT**

**MICRON TECHNOLOGY, INC.**  
(Parent Company Only)

**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in millions)

<b>For the year ended</b>	<b>September 1, 2016</b>	<b>September 3, 2015</b>	<b>August 28, 2014</b>
Net sales	\$ 5,529	\$ 5,547	\$ 5,819
Cost of goods sold	3,625	3,329	3,514
Gross margin	1,904	2,218	2,305
Selling, general, and administrative	266	299	264
Research and development	1,500	1,483	1,389
Other operating (income) expense, net	26	(12)	251
Operating income (loss)	112	448	401
Interest income (expense), net	(348)	(273)	(209)
Other non-operating income (expense), net	182	(85)	(119)
	(54)	90	73
Income tax (provision) benefit	10	38	18
Equity in earnings (loss) of subsidiaries	(224)	2,773	2,956
Equity in net loss of equity method investees	(8)	(2)	(2)
Net income (loss) attributable to Micron	(276)	2,899	3,045
Other comprehensive income (loss)	(48)	(43)	(7)
Comprehensive income (loss) attributable to Micron	<u>\$ (324)</u>	<u>\$ 2,856</u>	<u>\$ 3,038</u>

*See accompanying notes to condensed financial statements.*

**SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT**

**MICRON TECHNOLOGY, INC.**  
(Parent Company Only)

**CONDENSED BALANCE SHEETS**  
(in millions except par value amounts)

As of	September 1, 2016	September 3, 2015
<b>Assets</b>		
Cash and equivalents	\$ 2,716	\$ 721
Short-term investments	258	479
Receivables	102	133
Notes and accounts receivable from subsidiaries	1,159	1,091
Finished goods	49	77
Work in process	244	321
Raw materials and supplies	91	86
Other current assets	54	82
Total current assets	4,673	2,990
Investment in subsidiaries	12,897	13,051
Long-term marketable investments	414	932
Noncurrent notes receivable from and prepaid expenses to subsidiaries	709	163
Property, plant, and equipment, net	2,026	1,679
Other noncurrent assets	412	488
Total assets	\$ 21,131	\$ 19,303
<b>Liabilities and equity</b>		
Accounts payable and accrued expenses	\$ 916	\$ 677
Short-term debt and accounts payable to subsidiaries	314	384
Current debt	75	655
Other current liabilities	16	8
Total current liabilities	1,321	1,724
Long-term debt	7,313	4,797
Other noncurrent liabilities	417	431
Total liabilities	9,051	6,952
<b>Commitments and contingencies</b>		
Redeemable convertible notes	—	49
<b>Micron shareholders' equity</b>		
Common stock, \$0.10 par value, 3,000 shares authorized, 1,094 shares issued and outstanding (1,084 as of September 3, 2015)	109	108
Other equity	11,971	12,194
Total Micron shareholders' equity	12,080	12,302
Total liabilities and equity	\$ 21,131	\$ 19,303

*See accompanying notes to condensed financial statements.*

**SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT**

**MICRON TECHNOLOGY, INC.**  
(Parent Company Only)

**CONDENSED STATEMENTS OF CASH FLOWS**  
(in millions)

For the year ended	September 1, 2016	September 3, 2015	August 28, 2014
<b>Net cash provided by operating activities</b>	\$ 836	\$ 996	\$ 888
<b>Cash flows from investing activities</b>			
Purchases of available-for-sale securities	(859)	(1,799)	(1,047)
Expenditures for property, plant, and equipment	(651)	(609)	(392)
(Payments) proceeds on loans to subsidiaries, net	(550)	65	379
Cash paid for acquisitions	(216)	(57)	—
Payments to settle hedging activities	(155)	(135)	(27)
Cash contributions to subsidiaries	(111)	(151)	(121)
Proceeds from sales of available-for-sale securities	1,015	1,045	355
Proceeds from maturities of available-for-sale securities	582	536	202
Proceeds from settlement of hedging activities	337	78	23
Cash distributions from subsidiaries	47	33	227
Cash received from disposition of interest in Aptina	6	1	105
Other	66	(8)	65
Net cash provided by (used for) investing activities	(489)	(1,001)	(231)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt	1,993	2,050	1,750
Proceeds from equipment sale-leaseback transactions	216	—	—
Proceeds from issuance of stock under equity plans	49	73	265
Repayments of debt	(332)	(1,645)	(2,469)
Cash paid to acquire treasury stock	(148)	(884)	(76)
Payments of licensing obligations	(83)	(82)	(47)
Other	(47)	(35)	(32)
Net cash provided by (used for) financing activities	1,648	(523)	(609)
Effect of changes in currency exchange rates on cash and equivalents	—	—	(1)
Net increase (decrease) in cash and equivalents	1,995	(528)	47
Cash and equivalents at beginning of period	721	1,249	1,202
Cash and equivalents at end of period	\$ 2,716	\$ 721	\$ 1,249

*See accompanying notes to condensed financial statements.*

**MICRON TECHNOLOGY, INC.**  
**SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(All tabular amounts in millions)

**Basis of Presentation**

Micron, a Delaware corporation, was incorporated in 1978. Micron is the parent company of its consolidated subsidiaries and, together with its consolidated subsidiaries, is a global leader in advanced semiconductor systems.

These condensed financial statements have been prepared on a parent-only basis. Under this parent-only presentation, Micron's investments in its consolidated subsidiaries are presented under the equity method of accounting. In accordance with Rule 12-04 of Regulation S-X, these parent-only financial statements do not include all of the information and footnotes required by Generally Accepted Accounting Principles (GAAP) in the United States for annual financial statements. Because these parent-only financial statements and notes do not include all of the information and footnotes required by GAAP in the U.S. for annual financial statements, these parent-only financial statements and other information included should be read in conjunction with Micron's audited Consolidated Financial Statements contained within Part II, Item 8 of this Annual Report on Form 10-K for the year ended September 1, 2016.

## Debt

Instrument <sup>(1)</sup>	Stated Rate <sup>(2)</sup>	Effective Rate <sup>(2)</sup>	2016			2015		
			Current	Long-Term	Total	Current	Long-Term	Total
Capital lease obligations <sup>(3)</sup>	N/A	N/A	\$ 70	\$ 171	\$ 241	\$ 174	\$ 40	\$ 214
2022 senior notes	5.875%	6.14%	—	590	590	—	589	589
2022 senior secured term loan B	6.460%	7.10%	5	730	735	—	—	—
2023 senior notes	5.250%	5.43%	—	990	990	—	988	988
2023 senior secured notes	7.500%	7.69%	—	1,237	1,237	—	—	—
2024 senior notes	5.250%	5.38%	—	546	546	—	545	545
2025 senior notes	5.500%	5.56%	—	1,139	1,139	—	1,138	1,138
2026 senior notes	5.625%	5.73%	—	446	446	—	446	446
2032C convertible senior notes <sup>(4)</sup>	2.375%	5.95%	—	204	204	—	197	197
2032D convertible senior notes <sup>(4)</sup>	3.125%	6.33%	—	154	154	—	150	150
2033E convertible senior notes <sup>(4)</sup>	1.625%	4.50%	—	168	168	217	—	217
2033F convertible senior notes <sup>(4)</sup>	2.125%	4.93%	—	271	271	264	—	264
2043G convertible senior notes	3.000%	6.76%	—	657	657	—	644	644
Other	1.650%	1.65%	—	10	10	—	60	60
			<u>\$ 75</u>	<u>\$ 7,313</u>	<u>\$ 7,388</u>	<u>\$ 655</u>	<u>\$ 4,797</u>	<u>\$ 5,452</u>

<sup>(1)</sup> Micron has either the obligation or the option to pay cash for the principal amount due upon conversion for all of its convertible notes. Micron's current intent is to settle in cash the principal amount of all of its convertible notes upon conversion.

<sup>(2)</sup> As of September 1, 2016.

<sup>(3)</sup> Weighted-average imputed rate of 3.4% and 4.5% as of September 1, 2016 and September 3, 2015, respectively.

<sup>(4)</sup> Since the closing price of Micron's common stock for at least 20 trading days in the 30 trading day period ended on June 30, 2016 did not exceed 130% of the conversion price per share, these notes were not convertible by the holders during the calendar quarter ended September 30, 2016. The closing price of our common stock exceeded the thresholds for the calendar quarter ended September 30, 2016; therefore, these notes are convertible by the holders through December 31, 2016. The 2033 Notes were classified as current as of 2015 because the terms of these notes require us to pay cash for the principal amount of any converted notes and holders of these notes had the right to convert their notes as of that date.

The 2022 Term Loan B and 2023 Secured Notes are collateralized by substantially all of the assets of Micron and Micron Semiconductor Products, Inc. ("MSP"), a subsidiary of Micron, subject to certain exceptions and permitted liens on such assets on an equal and ratable basis, subject to certain limitations. Included in Micron's balance sheet as of September 1, 2016 were \$5.37 billion of assets which collateralize these notes. The 2022 Term Loan B Notes and 2023 Senior Secured Notes are structurally subordinated to the indebtedness and other liabilities of all of Micron's subsidiaries that do not guarantee these notes. As of September 1, 2016, only MSP guarantees these debt obligations. Micron's convertible and other senior notes are unsecured obligations that rank equally in right of payment with all of Micron's other existing and future unsecured indebtedness, and are effectively subordinated to all of Micron's other existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The convertible notes and the 2022 Notes, 2023 Notes, 2024 Notes, 2025 Notes, and 2026 Notes of Micron are structurally subordinated to all liabilities of its subsidiaries, including trade payables. Micron guarantees certain debt obligations of its subsidiaries but does not guarantee the MMJ creditor installment payments. In addition, upon the consummation of the Inotera acquisition, Micron will guarantee all of Inotera's and MSTW's obligations under the Term Loan Facility. As of September 1, 2016, Micron had guaranteed \$1.08 billion of debt obligations of its subsidiaries. Micron's guarantees of its subsidiary debt obligations are unsecured obligations ranking equally in right of payment with all of its other existing and future unsecured indebtedness.

### **Capital Lease Obligations**

Micron has various capital lease obligations due in periodic installments with a weighted-average remaining term of four years as of September 1, 2016. As of September 1, 2016 and September 3, 2015, Micron had production equipment with carrying values of \$226 million and \$140 million, respectively, under capital leases.

### **Convertible Senior Notes, Senior Secured Notes, and Other Senior Notes**

For further information, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt."

### **Other Facilities**

In connection with entering into the 2022 Term Loan B on April 25, 2016, Micron terminated its revolving credit facility and repaid the \$50 million outstanding principal amount. For further information, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt – Other Facilities – Revolving Credit Facilities."

### **Maturities of Notes Payable and Future Minimum Lease Payments**

As of September 1, 2016, maturities of notes payable and future minimum lease payments under capital lease obligations were as follows:

	<b>Notes Payable</b>	<b>Capital Lease Obligations</b>
2017	\$ 8	\$ 77
2018	183	50
2019	231	44
2020	305	56
2021	195	33
2022 and thereafter	6,628	—
Unamortized discounts and interest, respectively	(403)	(19)
	<u>\$ 7,147</u>	<u>\$ 241</u>

### **Commitments**

Micron has provided various financial guarantees issued in the normal course of business on behalf of its subsidiaries. These contracts include debt guarantees and guarantees of certain banking facilities. Micron enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. Micron has entered into agreements covering certain activities of its subsidiaries, and occasionally Micron may be required to perform under such agreements on behalf of its subsidiaries.

Micron has guaranteed the obligations of Micron Semiconductor Asia Pte. Ltd. ("MSA") and Micron Semiconductor (Xi'an) Co. Ltd. ("MXA"), each wholly-owned subsidiaries of Micron, in connection with a service agreement with Powertech Technology Inc. Xi'an ("PTI Xi'an") to provide assembly services to us at our manufacturing site in Xi'an, China. Micron would be required to pay the financial obligations of MSA and/or MXA in the event MSA and/or MXA fail to pay PTI Xi'an for services performed under the assembly services agreement. Micron's guarantee of MSA and of MXA extends through March 2022, the term of the assembly service agreement, but may be further extended through March 2024 if any party extends the assembly services agreement. The maximum potential amount of future payments Micron may be required to pay under this guarantee is indeterminable because the pricing and volume under the assembly services agreement are variable.

As of September 1, 2016, the maximum potential amount of future payments Micron could have been required to make under its debt guarantees was approximately \$1.08 billion. Substantially all of this amount relates to guarantees for debt of wholly-owned entities whereby Micron would be obligated to perform under the guarantee if a subsidiary were to default on the terms of their debt arrangements. In the event of performance under the guarantee, Micron would be permitted to seek reimbursement from the subsidiary company(ies) through liquidation of the assets which were collateral under various debt instruments. At the time these contracts were entered into, the collateralized assets approximated the value of the outstanding guarantees. The majority of these guarantees expire at various times between March 2017 and June 2020. Micron guarantees a subsidiary credit facility that provides for up to \$750 million of financing. As of September 1, 2016, \$75 million of principal amount was outstanding under this facility.

Micron guarantees certain banking facilities for its wholly-owned consolidated entities. Substantially all of these guarantees relate to bank overdraft protections. The maximum potential amount of future payments Micron could be required to make under these guarantees varies based on the extent of potential overdrafts. Micron's business processes substantially mitigate the risk of wholly-owned subsidiaries overdrafting their bank accounts. The majority of these guarantees have no contractual expiration.

## **Contingencies**

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 Micron and its subsidiaries' products or manufacturing processes infringe their intellectual property rights. Micron has 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. Micron is currently a party to various litigation regarding patent, commercial, and other matters. Micron is a party to the matters listed in the "Contingencies" note in the consolidated financial statements. For further information, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Contingencies."

## **Redeemable Convertible Notes**

For further information, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Redeemable Convertible Notes."

## **Related Party Transactions**

Substantially all of Micron's activities relate to manufacturing services performed for its subsidiaries and to royalties received for use of product and process technology. Micron's net sales to consolidated subsidiaries were \$5.38 billion, \$5.42 billion, and \$5.64 billion for 2016, 2015, and 2014, respectively. Gross margins on manufacturing activities are commensurate with market rates for such services. Transactions between Micron and its consolidated subsidiaries are eliminated in consolidation.

Micron engages in various transactions with its equity method investees and eliminates the profits or losses on those transactions to the extent of its ownership interest until such time as the profits or losses are realized. Micron held an equity interest in Aptina through August 15, 2014. Net sales for 2014 included \$43 million from products sold to and services performed for Aptina. Micron held an equity interest in Aptina until the fourth quarter of 2014, at which time it sold its interest and recognized a non-operating gain of \$119 million. For further information regarding transactions between Micron and its equity method investees, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Other."

**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
(in millions)

**MICRON TECHNOLOGY, INC.**

	<b>Balance at Beginning of Year</b>		<b>Business Acquisitions</b>		<b>Charged (Credited) to Income Tax Provision</b>		<b>Currency Translation and Charges to Other Accounts</b>		<b>Balance at End of Year</b>
<u>Deferred Tax Asset Valuation Allowance</u>									
Year ended September 1, 2016	\$ 2,051	\$	10	\$	(63)	\$	109	\$	2,107
Year ended September 3, 2015	2,443		—		(260)		(132)		2,051
Year ended August 28, 2014	3,155		—		(544)		(168)		2,443



### 3. Exhibits.

Exhibit Number	Description of Exhibit
2.1*	English Translation of Agreement on Support for Reorganization Companies with Nobuaki Kobayashi and Yukio Sakamoto, the trustees of Elpida Memory, Inc. and its wholly-owned subsidiary, Akita Elpida Memory, Inc. dated July 2, 2012 (3)
2.2*	English Translation of Agreement Amending Agreement on Support for Reorganization Companies, dated October 29, 2012, by and among Micron Technology, Inc. and Nobuaki Kobayashi and Yukio Sakamoto, the trustees of Elpida Memory, Inc. and Akita Elpida Memory, Inc. (5)
2.3*	English Translation of Agreement Amending Agreement on Support for Reorganization Companies, dated July 31, 2013, by and among Micron Technology, Inc. and Nobuaki Kobayashi and Yukio Sakamoto, the trustees of Elpida Memory, Inc. and Akita Elpida Memory, Inc. (6)
2.4	English Translation of the Reorganization Plan of Elpida Memory, Inc. (6)
2.5	2016 Share Swap Agreement, dated February 3, 2016 by and among Micron Technology B.V., Micron Semiconductor Taiwan Co. Ltd. and Inotera Memories, Inc. (33)
3.1	Restated Certificate of Incorporation of the Registrant (7)
3.2	Bylaws of the Registrant, Amended and Restated (28)
4.1	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 (1)
4.2	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 (1)
4.3	Form of 2032C Note (included in Exhibit 4.1) (1)
4.4	Form of 2032D Note (included in Exhibit 4.2) (1)
4.5	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)
4.6	Indenture, dated as of February 12, 2013, by and between Micron Technology, Inc. and U.S. Bank National Association, as trustee (2)
4.7	Indenture, dated as of February 12, 2013, by and between Micron Technology, Inc. and U.S. Bank National Association, as trustee (2)
4.8	Form of 2033E Note (included in Exhibit 4.6) (2)
4.9	Form of 2033F Note (included in Exhibit 4.7) (2)
4.10	Indenture, dated as of November 12, 2013, by and between Micron Technology, Inc. & U.S. Bank National Association (10)
4.11	Form of New Note (included in Exhibit 4.10) (10)
4.12	Indenture dated as of December 16, 2013, by and among Micron Semiconductor Asia Pte., Ltd., Wells Fargo Bank, National Association, and Export-Import Bank of the United States (11)
4.13	Indenture dated as of February 10, 2014, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee (12)
4.14	Form of Note (included in Exhibit 4.13) (12)
4.15	Indenture, dated as of July 28, 2014, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee (13)
4.16	Form of Note (included in Exhibit 4.15) (13)
4.17	Indenture, dated as of April 30, 2015, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee (8)
4.18	Indenture, dated as of April 30, 2015, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee (8)
4.19	Form of Note (included in Exhibit 4.17) (8)
4.20	Form of Note (included in Exhibit 4.18) (8)
4.21	Indenture, dated as of February 3, 2015, by and between Micron Technology, Inc. and U.S. Bank National Association, as Trustee (32)
4.22	Form of Note (included in Exhibit 4.21) (32)

4.23	Indenture, dated as of April 26, 2016, by and among Micron Technology, Inc., the subsidiary guarantors from the time to time party thereto and U.S. Bank National Association, as trustee and collateral agent (34)
4.24	Form of Note (included in Exhibit 4.23) (34)
4.25	Section 382 Rights Agreement, dated as of July 20, 2016 by and between Micron Technology, Inc. and Wells Fargo Bank, National Association, as rights agent (35)
10.1	Executive Officer Performance Incentive Plan, as Amended (31)
10.2	1997 Nonstatutory Stock Option Plan, as Amended (4)
10.3	1998 Nonstatutory Stock Option Plan, as Amended (4)
10.4	2001 Stock Option Plan, as Amended (4)
10.5	2001 Stock Option Plan Form of Agreement (15)
10.6	2004 Equity Incentive Plan, as Amended and Restated
10.7	2004 Equity Incentive Plan Forms of Agreement and Terms and Conditions
10.8	Amended and Restated 2007 Equity Incentive Plan
10.9	2007 Equity Incentive Plan Forms of Agreement
10.10	Nonstatutory Stock Option Plan, as Amended
10.11	Nonstatutory Stock Option Plan Form of Agreement and Terms and Conditions
10.12	Numonyx Holdings B.V. Equity Incentive Plan (16)
10.13	Numonyx Holdings B.V. Equity Incentive Plan Forms of Agreement (16)
10.14*	Patent License Agreement dated September 15, 2006, by and among Toshiba Corporation, Acclaim Innovations, LLC and Micron Technology, Inc. (17)
10.15	Form of Indemnification Agreement between the Registrant and its officers and directors (11)
10.16*	Master Agreement dated as of November 18, 2005, between Micron Technology, Inc. and Intel Corporation (18)
10.17*	Supply Agreement dated as of January 6, 2006, between Intel Corporation and IM Flash Technologies, LLC (18)
10.18	Form of Severance Agreement (19)
10.19	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 (14)
10.20*	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 (20)
10.21*	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 (21)
10.22*	Amendment to the Master Agreement dated April 6, 2012, between Intel Corporation and Micron Technology, Inc. (21)
10.23*	Amended and Restated Supply Agreement dated April 6, 2012, between Intel Corporation and IM Flash Technologies, LLC (21)
10.24*	Amended and Restated Supply Agreement dated April 6, 2012, between Micron Technology, Inc. and IM Flash Technologies, LLC (21)
10.25*	Product Supply Agreement dated April 6, 2012, among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia PTE LTD (21)
10.26*	Wafer Supply Agreement dated April 6, 2012, among Micron Technology, Inc., Intel Corporation and Micron Singapore (21)
10.27	Form of Capped Call Confirmation dated April 2012 (1)
10.28*	Supply Agreement, dated January 17, 2013, by and among Micron Technology, Inc., Micron Semiconductor Asia Pte. Ltd. and Inotera Memories, Inc. (22)
10.29*	Joint Venture Agreement, dated January 17, 2013, by and among Micron Semiconductor B.V., Numonyx Holdings B.V., Micron Technology Asia Pacific, Inc. and Nanya Technology Corporation (22)
10.30*	Facilitation Agreement, dated January 17, 2013, by and among Micron Semiconductor B.V., Numonyx Holdings B.V., Micron Technology Asia Pacific, Inc., Nanya Technology Corporation and Inotera Memories, Inc. (22)

10.31	Micron Guaranty Agreement, dated January 17, 2013, by Micron Technology, Inc. in favor of Nanya Technology Corporation (22)
10.32*	Technology Transfer and License Option Agreement for 20NM Process Node, dated January 17, 2013, by and between Micron Technology, Inc. and Nanya Technology Corporation (23)
10.33*	Omnibus IP Agreement, dated January 17, 2013, by and between Nanya Technology Corporation and Micron Technology, Inc. (22)
10.34*	Second Amended and Restated Technology Transfer and License Agreement for 68-50NM Process Nodes, dated January 17, 2013, by and between Micron Technology, Inc. and Nanya Technology Corporation (23)
10.35*	Third Amended and Restated Technology Transfer and License Agreement, dated January 17, 2013, by and between Micron Technology, Inc. and Nanya Technology Corporation (22)
10.36*	Omnibus IP Agreement, dated January 17, 2013, by and between Micron Technology, Inc. and Inotera Memories, Inc. (22)
10.37*	English Translation of Front-End Manufacturing Supply Agreement, dated July 31, 2013, by and between Micron Semiconductor Asia Pte. Ltd. and Elpida Memory, Inc. (24)
10.38*	English Translation of Research and Development Engineering Services Agreement, dated July 31, 2013, by and between Micron Technology, Inc. and Elpida Memory, Inc. (6)
10.39*	English Translation of General Services Agreement, dated July 31, 2013, by and between Micron Semiconductor Asia Pte. Ltd. and Elpida Memory, Inc. (24)
10.40	Form of Capped Call Confirmation dated February 2013 (2)
10.41	Purchase Agreement, dated as of February 5, 2014, by and among Micron Technology, Inc. and Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the initial purchasers (25)
10.42	Registration Rights Agreement, dated as of February 10, 2014, by and among Micron Technology, Inc. and Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the initial purchasers (12)
10.43	Purchase Agreement, dated as of July 23, 2014, by and among Micron Technology, Inc. and Morgan Stanley & Co LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the initial purchasers (26)
10.44	Registration Rights Agreement dated as of July 28, 2014, by and among Micron Technology, Inc. and Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the initial purchasers (13)
10.45	Credit Agreement dated as of December 2, 2014 among Micron Technology, Inc. and Micron Semiconductor Products, Inc., as Borrowers, HSBC Bank USA, N.A., as Administrative Agent, Co-Collateral Agent, Joint Lead Arranger and Joint Book Runner, and certain other financial institutions party thereto as additional agents and/or lenders (27)
10.46	Facility Agreement, dated February 12, 2015, among Micron Semiconductor Asia Pte. Ltd., as borrower, certain financial institutions party thereto, and The Hongkong and Shanghai Banking Corporation Limited, as facility agent, security agent and account bank. (29)
10.47*	2015 Supply Agreement, dated February 10, 2015, by and among Micron Technology, Inc., Micron Semiconductor Asia Pte. Ltd. and Inotera Memories, Inc. (30)
10.48*	2016 Supply Agreement, dated February 10, 2015, by and among Micron Technology, Inc., Micron Semiconductor Asia Pte. Ltd. and Inotera Memories, Inc. (30)
10.49*	Amended and Restated Supply Agreement, dated September 1, 2015, by and among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia Pte. Ltd. (37)
10.50*	Supplemental Supply Agreement, dated September 1, 2015, by and among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia Pte. Ltd. (37)
10.51*	Wafer Supply Agreement No. 3, dated September 1, 2015, by and among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia Pte. Ltd. (37)
10.52*	First Amendment to the Wafer Supply Agreement, dated September 1, 2015, by and among Micron Technology, Inc., Intel Corporation and Micron Semiconductor Asia Pte. Ltd. (37)
10.53	Purchase Agreement, dated as of April 27, 2015, by and among Micron Technology, Inc. and Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the initial purchasers (8)
10.54*	2016 Technology Transfer and License Option Agreement for 1X Process Node dated as of February 3, 2016 by and between Micron Technology, Inc. and Nanya Technology Corporation (36)
10.55*	2016 Technology Transfer and License Option Agreement for 1Y Process Node dated as of February 3, 2016 by and between Micron Technology, Inc. and Nanya Technology Corporation (36)

10.56	Form of Voting and Support Agreement by and among Micron Technology B.V., Micron Semiconductor Taiwan Co. Ltd., and Nanya Technology Corporation and certain of its affiliates (33)
10.57	2016 First Amendment to the Second Amended and Restated Operating Agreement dated January 5, 2016 by and among Micron Technology, Inc. and Intel Corporation (33)
10.58*	Amendment to Technology Transfer and License Option Agreement for 1X Process Node dated as of May 17, 2016 by and between Micron Technology Inc. and Nanya Technology Corporation (34)
10.59*	Amendment to Technology Transfer and License Option Agreement for 1Y Process Node dated as of May 17, 2016 by and between Micron Technology Inc. and Nanya Technology Corporation (34)
10.60	Security Agreement, dated as of April 26, 2016 made by Micron Technology, Inc. and certain subsidiaries in favor of U.S. Bank National Association, as collateral agent (34)
10.61	Credit Agreement, dated as of April 26, 2016, by and among Micron Technology, Inc., as borrower, Morgan Stanley Senior Funding, Inc. as administrative agent and collateral agent, and the other agents party thereto and each financial institution party from time to time thereto (34)
10.62	Guarantee and Collateral Agreement, dated as of April 26, 2016, made by Micron Technology, Inc. and certain of its subsidiaries in favor of Morgan Stanley Senior Funding, Inc., as collateral agent (34)
21.1	Subsidiaries of the Registrant
23.1	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
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 April 12, 2012
(2)	Incorporated by reference to Current Report on Form 8-K dated February 6, 2013
(3)	Incorporated by reference to Current Report on Form 8-K/A dated July 2, 2012, and filed October 31, 2012
(4)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended August 30, 2012
(5)	Incorporated by reference to Current Report on Form 8-K dated October 29, 2012
(6)	Incorporated by reference to Current Report on Form 8-K dated July 31, 2013
(7)	Incorporated by reference to Current Report on Form 8-K dated January 26, 2015
(8)	Incorporated by reference to Current Report on Form 8-K dated April 27, 2015
(9)	Incorporated by reference to Current Report on Form 8-K dated July 26, 2011
(10)	Incorporated by reference to Current Report on Form 8-K dated November 12, 2013
(11)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 2014
(12)	Incorporated by reference to Current Report on Form 8-K dated February 10, 2014
(13)	Incorporated by reference to Current Report on Form 8-K dated July 28, 2014
(14)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 4, 2008
(15)	Incorporated by reference to Current Report on Form 8-K dated April 3, 2005
(16)	Incorporated by reference to Registration Statement on Form S-8 (Reg. No. 333-167536)
(17)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006
(18)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 1, 2005
(19)	Incorporated by reference to Current Report on Form 8-K dated October 26, 2007
(20)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 1, 2012
(21)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2012
(22)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2013
(23)	Incorporated by reference to Quarterly Report on Form 10-Q/A Amendment 2 for the fiscal quarter ended February 28, 2013
(24)	Incorporated by reference to Current Report on Form 8-K/A dated July 31, 2013, and filed October 2, 2013
(25)	Incorporated by reference to Current Report on Form 8-K dated February 5, 2014
(26)	Incorporated by reference to Current Report on Form 8-K dated July 23, 2014
(27)	Incorporated by reference to Current Report on Form 8-K dated December 8, 2014
(28)	Incorporated by reference to Current Report on Form 8-K dated April 9, 2014
(29)	Incorporated by reference to Current Report on Form 8-K dated February 12, 2015
(30)	Incorporated by reference to Current Report on Form 8-K dated February 10, 2015
(31)	Incorporated by reference to Definitive Proxy Statement on Form DEF 14A filed on December 12, 2014
(32)	Incorporated by reference to Current Report on Form 8-K dated February 3, 2015
(33)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 3, 2016
(34)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended June 2, 2016
(35)	Incorporated by reference to Current Report on Form 8-K dated July 20, 2016
(36)	Incorporated by reference to Amended Quarterly Report on Form 10-Q/A for the fiscal quarter ended March 3, 2016
(37)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended September 3, 2015

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

## ITEM 16. 10-K SUMMARY

None.

## 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 28<sup>th</sup> day of October 2016.

Micron Technology, Inc.

By: /s/ Ernest E. Maddock

Ernest E. Maddock

Chief Financial Officer and Vice President, Finance  
(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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <i>/s/ D. Mark Durcan</i> <b>(D. Mark Durcan)</b>	Chief Executive Officer (Principal Executive Officer)	October 28, 2016
<hr/> <i>/s/ Ernest E. Maddock</i> <b>(Ernest E. Maddock)</b>	Chief Financial Officer and Vice President, Finance (Principal Financial and Accounting Officer)	October 28, 2016
<hr/> <i>/s/ Robert L. Bailey</i> <b>(Robert L. Bailey)</b>	Director	October 28, 2016
<hr/> <i>/s/ Richard M. Beyer</i> <b>(Richard M. Beyer)</b>	Director	October 28, 2016
<hr/> <i>/s/ Patrick J. Byrne</i> <b>(Patrick J. Byrne)</b>	Director	October 28, 2016
<hr/> <i>/s/ Mercedes Johnson</i> <b>(Mercedes Johnson)</b>	Director	October 28, 2016
<hr/> <i>/s/ Lawrence N. Mondry</i> <b>(Lawrence N. Mondry)</b>	Director	October 28, 2016
<hr/> <i>/s/ Robert E. Switz</i> <b>(Robert E. Switz)</b>	Chairman of the Board Director	October 28, 2016

**MICRON TECHNOLOGY, INC.**  
**AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN**

**ARTICLE 1**  
**PURPOSE**

1.1. *GENERAL.* The purpose of the Micron Technology, Inc. Amended and Restated 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 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 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 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, 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) “Cause” as a reason for a Participant’s termination of employment shall have the meaning assigned such term in the employment, consulting, severance or similar agreement, if any, between such Participant and the Company or an Affiliate; provided, however, that if there is no such employment, consulting, severance or similar agreement in which such term is defined, and unless otherwise defined in the applicable Award Certificate, “Cause” shall mean any of the following acts by the Participant, as determined by the Committee: (i) the commission by the Participant of, or the Participant’s pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company or any of its Affiliates; (ii) the Participant’s engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, whether or not such act was committed in connection with the business of the Company or any of its Affiliates; (iii) the willful and repeated failure by the Participant to follow the lawful directives of the Board or the Participant’s supervisor; (iv) any material violation of the Company’s written policies; (v) any intentional misconduct by the Participant in connection with the Company and any of its Affiliate’s business or relating to the Participant’s duties, or any willful violation of any laws, rules or regulations; or (vi) the Participant’s material breach of any employment, severance, non-competition, non-solicitation, confidential information, or restrictive covenant agreement, or similar agreement, with the Company or an Affiliate. The determination of the Committee as to the existence of “Cause” shall be conclusive on the Participant and the Company.

(f) “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.

(g) “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.

(h) “Committee” means the committee of the Board described in Article 4.

(i) “Company” means Micron Technology, Inc., a Delaware corporation, or any successor corporation.



(j) “Continuous Status as a Participant” means the absence of any interruption or termination of service as an employee, officer or consultant 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.

(k) “Covered Employee” means a covered employee as defined in Code Section 162(m)(3).

(l) “Disability” or “Disabled” means the applicable authorized party under the long-term disability plan (the “LTD Plan”) maintained by the Participant’s employer (either the Company or an Affiliate) has provided written notification that the Participant qualifies for disability benefits under the LTD Plan (a “Disability Notice”). If the Participant is not eligible for disability benefits under any applicable LTD Plan, then the Participant shall not qualify as Disabled under this Plan.

(m) “Deferred Stock Unit” means a right granted to a Participant under Article 11.

(n) “Dividend Equivalent” means a right granted with respect to an Award, as provided in Article 12.

(o) “Effective Date” has the meaning assigned such term in Section 3.1.

(p) “Eligible Participant” means an employee, officer or consultant of the Company or any Affiliate.

(q) “Exchange” means any national securities exchange or national market system on which the Stock may from time to time be listed or traded.

(r) “Fair Market Value” of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the 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.

(s) “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 (or at the discretion of the Committee, settled in cash valued by reference to Stock value).

(t) “Good Reason” shall have the meaning, if any, given such term in the applicable Award Certificate. If not defined in the applicable Award Certificate, the term “Good Reason” as used herein shall not apply to a particular Award.

(u) “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.

(v) “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.

(w) “Non-Employee Director” means a director of the Company who is not a common law employee of the Company or an Affiliate.

(x) “Nonstatutory Stock Option” means an Option that is not an Incentive Stock Option.

(y) “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.

(z) “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.

(aa) “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.

(bb) “Participant” means a person who, as an employee, officer 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.

(cc) “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.

(dd) “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.

(ee) “Plan” means the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan, as amended from time to time.

(ff) “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.

(gg) “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.

(hh) “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.

(ii) “Restricted Stock Award” means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(jj) “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.

(kk) “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.

(ll) “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.

(mm) “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.

(nn) “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.

(oo) “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.

(pp) “1933 Act” means the Securities Act of 1933, as amended from time to time.

(qq) “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.* Unless earlier terminated as provided herein, the Plan shall continue in effect until the tenth anniversary of the Effective Date or, if the stockholders approve an amendment to the Plan that increases the number of Shares subject to the Plan, the tenth anniversary of the date of such approval. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination, which shall continue to be governed by the applicable terms and conditions of the Plan.

### **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. Unless and until changed by the Board, the Compensation Committee of the Board is designated as the Committee to administer the Plan. 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 the United States or any 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 above, the Board 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 as to the number and terms of Awards, 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 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 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 106,000,000; provided, however, that each Share issued under the Plan pursuant to a Full-Value Award that is settled in Stock 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 originally subject to the Award will be added back to the Plan share reserve and again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will be added back to the Plan share reserve and 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.

(d) The following shares of Stock may not again be made available for issuance as Awards under the Plan: (i) shares of Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (ii) shares of Stock used to pay the exercise price or withholding taxes related to an outstanding Option or SAR, or (iii) shares of Stock repurchased on the open market with the proceeds of the exercise price of an Option.

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 5,000,000. 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 5,000,000.

5.5. *MINIMUM VESTING REQUIREMENTS.* Except in the case of substitute Awards granted pursuant to Section 14.15, Full-Value Awards granted under the Plan to an Eligible Participant shall either (i) be subject to a minimum vesting period of three years (which may include graduated vesting within such three-year period), or one year if the vesting is based on performance criteria other than continued service, or (ii) be granted solely in exchange for foregone cash compensation. Notwithstanding the foregoing, (i) the Committee may at its discretion permit and authorize acceleration of vesting of such Full-Value Awards in the event of the Participant's death, Disability, or retirement, or the occurrence of a Change in Control (subject to the requirements of Article 11 in the case of Qualified Performance-Based Awards), and (ii) the Committee may grant Full-Value Awards without the above-described minimum vesting requirements, or may permit and authorize acceleration of vesting of Full-Value Awards otherwise subject to the above-described minimum vesting requirements, with respect to Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan.

**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) *PROHIBITION ON REPRICING.* Except as otherwise provided in Article 15, without the prior approval of stockholders of the Company: (i) the exercise price of an Option may not be reduced, directly or indirectly, (ii) an Option may not be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the exercise price of the original Option, or otherwise, and (iii) the Company may not repurchase an Option for value (in cash or otherwise) from a Participant if the current Fair Market Value of the Shares underlying the Option is lower than the exercise price per share of the Option.
- (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. 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.
- (d) *PAYMENT.* The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, and the methods by which Shares shall be delivered or deemed to be delivered to Participants. As determined by the Committee at or after the Grant Date, payment of the exercise price of an Option may be made, in whole or in part, in the form of (i) cash or cash equivalents, (ii) delivery (by either actual delivery or attestation) of previously-acquired Shares based on the Fair Market Value of the Shares on the date the Option is exercised, (iii) withholding of Shares from the Option based on the Fair Market Value of the Shares on the date the Option is exercised, (iv) broker-assisted market sales, or (v) any other “cashless exercise” arrangement.
- (e) *EXERCISE TERM.* In no event may any Option be exercisable for more than eight (8) 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) *NO DIVIDEND EQUIVALENTS.* No Option shall provide for Dividend Equivalents.
- (h) *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 eight (8th) 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 terminates by reason of the Participant's Disability; provided, however, that to the extent that an Incentive Stock Option is exercised more than three (3) months after a Participant's Continuous Status as a Participant terminates by reason of his or her Disability, the Option shall automatically become a Nonstatutory Stock Option.

(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 has the right to receive, for each Share with respect to which the Stock Appreciation Right is being exercised, 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 Article 15, without the prior approval of stockholders of the Company: (i) the base price of a SAR may not be reduced, directly or indirectly, (ii) a SAR may not be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the base price of the original SAR, or otherwise, and (iii) the Company may not repurchase a SAR for

value (in cash or otherwise) from a Participant if the current Fair Market Value of the Shares underlying the SAR is lower than the base price per share of the SAR.

(c) **TIME AND CONDITIONS OF EXERCISE.** The Committee shall determine the time or times at which a SAR may be exercised in whole or in part. No SAR granted under the Plan shall be exercisable for more than eight (8) 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) **NO DIVIDEND EQUIVALENTS.** No SAR shall provide for Dividend Equivalents.

(f) **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 eight (8) 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 if the recipient of such award (a) was a Covered Employee on the date of the modification, adjustment, change or elimination of the performance goals or performance period, or (b) in the reasonable judgment of the Committee, may be a Covered Employee on the date the Performance Award is expected to be paid.

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). Subject to the 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.

10.5. **DIVIDENDS ON RESTRICTED STOCK.** In the case of Restricted Stock, the Committee may provide that ordinary cash dividends declared on the Shares before they are vested (i) will be forfeited, (ii) will be deemed to have been reinvested in additional Shares or otherwise reinvested (subject to Share availability under Section 5.1 hereof), or (iii) in the case of Restricted Stock that is not subject to performance-based vesting, will be paid or distributed to the Participant as accrued (in which case, such dividends must be paid or distributed no later than the 15th day of the 3rd month following the later of (A) the calendar year in which the corresponding dividends were paid to stockholders, or (B) the first calendar year in which the Participant's right to such dividends is no longer subject to a substantial risk of forfeiture). Unless otherwise provided by the Committee, dividends accrued on Shares of Restricted Stock before they are vested shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be credited by the Company to an account for the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any dividends accrued with respect to forfeited Restricted Stock will be reconveyed to the Company without further consideration or any act or action by the Participant. In no event shall dividends with respect to Restricted Stock that is subject to performance-based vesting be paid or distributed until the performance-based vesting provisions of such Restricted Stock lapse.

## **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 with respect to Full-Value Awards granted hereunder 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 ordinary cash dividends or distributions with respect to all or a portion of the number of Shares subject to a Full-Value Award, as determined by the Committee. The Committee may provide that Dividend Equivalents (i) will be deemed to have been reinvested in additional Shares, or otherwise reinvested, or (ii) except in the case of Performance Shares, will be paid or distributed as accrued (in which case, such Dividend Equivalents must 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 stockholders, 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. Unless otherwise provided by the Committee, Dividend Equivalents accruing on unvested Full-Value Awards shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be credited by the Company to an account for the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any Dividend Equivalents accrued with respect to forfeited Awards will be reconveyed to the Company without further consideration or any act or action by the Participant. In no event shall Dividend Equivalents with respect to Performance Shares be paid or distributed until the performance-based vesting provisions of the Performance Shares lapse.

### **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 eight (8) 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, any payment due to the Participant shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant, in the manner provided by the Company, 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. *EFFECT OF A CHANGE IN CONTROL.* The provisions of this Section 14.7 shall apply in the case of a Change in Control, unless otherwise provided in the Award Certificate or any special Plan document or separate agreement with a Participant governing an Award.

(a) Awards Assumed or Substituted by Surviving Corporation. With respect to Awards assumed by the Surviving Corporation or otherwise equitably converted or substituted in connection with a Change in Control: if within one year after the effective date of the Change in Control, a Participant's employment is terminated without Cause or the Participant resigns for Good Reason, then:

(i) each of that Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are subject to time-based vesting requirements shall become vested and fully exercisable as of the date of termination;

(ii) each of that Participant's outstanding Awards other than Options and SARs that are subject to time-based vesting restrictions shall become vested and such restrictions shall lapse as of the date of termination; and

(iii) the payout level under each of that Participant's outstanding Awards that are subject to performance-based vesting requirements shall be deemed to have been 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 pro rata payout to such Participant within thirty (30) days following the date of termination of employment (unless a later date is required by Section 17.3 hereof), based upon the length of time within the performance period that has elapsed prior to the date of termination of employment.

With regard to each Award, a Participant shall not be considered to have resigned for Good Reason unless the Award Certificate includes such provision. 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.

(b) Awards not Assumed or Substituted by Surviving corporation. Upon the occurrence of a Change in Control, and except with respect to any Awards assumed by the Surviving Corporation or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board:

(i) all outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are subject to time-based vesting requirements shall become vested and fully exercisable as of the effective date of the Change in Control;

(ii) all outstanding Awards other than Options and SARs that are subject to time-based vesting restrictions shall become vested and such restrictions shall lapse as of the effective date of the Change in Control, and

(iii) the payout level under all outstanding Awards that are subject to performance-based vesting requirements shall be deemed to have been 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 a pro

rata payout to Participants within thirty (30) days following the Change in Control (unless a later date is required by Section 17.3 hereof), based upon the length of time within the performance period that has elapsed prior to the Change in Control.

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.

14.8. *ACCELERATION UPON DEATH OR DISABILITY.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the termination of a Participant's Continuous Status as a Participant by reason of his or her death or Disability:

(i) all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are solely subject to time-based vesting requirements shall become vested and fully exercisable as of the date of termination of Continuous Status as a Participant, and shall thereafter remain exercisable for a period of twelve (12) months or until the earlier expiration of the original term of the Option, SAR or other Award; provided, however, the to the extent that an Incentive Stock Option is exercised more than three (3) months after a Participant's Continuous Status as a Participant terminates by reason of his or her Disability, the Option shall automatically become a Nonstatutory Stock Option,

(ii) all time-based vesting restrictions on the Participant's outstanding Awards shall lapse as of the date of termination of Continuous Status as a Participant, 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 of Continuous Status as a Participant 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 of Continuous Status as a Participant.

Except as otherwise provided in this Section 14.8, any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Awards Certificate. Notwithstanding the foregoing, in the case of a Participant's termination of Continuous Status as a Participant by reason of Disability, this Section 14.8 shall apply to such Participant only if the designated person in the Participant's employer's Human Resources Department has received a copy of the Disability Notice before processing the Participant's termination. 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 5.5 as to Full-Value Awards and 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. 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 assets, 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. 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.

(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 event that occurs during a performance period, including by way of example but without limitation the following: (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) unusual or infrequently occurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncements thereto) 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; (g) foreign exchange gains and losses; and (h) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, including discontinued operations or changes in the Company's fiscal year. 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.** Awards under the Plan shall be subject to any compensation recoupment policy that the Company will adopt from time to time, as required by law or otherwise, to the extent applicable. In addition, 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, other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate, or a later determination that the vesting of, or amount realized from, a Performance Award was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, whether or not the Participant caused or contributed to such material inaccuracy.

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 stockholders 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. Notwithstanding the foregoing, the Committee shall not make any adjustments to outstanding Options or SARs that would constitute a modification or substitution of the stock right under Treas. Reg. Sections 1.409A-1(b)(5)(v) that would be treated as the grant of a new stock right or change in the form of payment for purposes of Code Section 409A.

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 (or the per-share transaction price), over the exercise or base 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) 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. Without the prior approval of the stockholders of the Company, the Plan may not be amended to permit: (i) the exercise price or base price of an Option or SAR to be reduced, directly or indirectly, (ii) an Option or SAR to be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the exercise price or base price of the original Option or SAR, or otherwise, or (iii) the Company to repurchase an Option or SAR for value (in cash or otherwise) 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.

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, without the prior approval of the stockholders of the Company: (i) the exercise price or base price of an Option or SAR may not be reduced, directly or indirectly, (ii) an Option or SAR may not be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the exercise price or base price of the original Option or SAR, or otherwise, and (iii) the Company may not repurchase an Option or SAR for value (in cash or otherwise) 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) It is intended that the payments and benefits provided under the Plan and any Award shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and all Award Certificates shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of the benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers (other than in his or her capacity as a Participant) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayer as a result of the Plan or any Award.

(b) 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 ("Non-Exempt Deferred Compensation") would otherwise be payable or distributable, or a different form of payment (e.g., lump sum or installment) would be effected, 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 Non-Exempt Deferred Compensation will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such circumstance unless 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). 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, or the application of a different form of payment of any amount or benefit, such payment or distribution shall be made at the time and in the form that would have applied absent the Change in Control, Disability or separation from service, as applicable.

(c) 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.

(d) 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 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.

(e) If, pursuant to an Award, a Participant is entitled to a series of installment payments, such Participant’s right to the series of installment payments shall be treated as a right to a series of separate payments and not to a single payment. For purposes of the preceding sentence, the term “series of installment payments” has the meaning provided in Treas. Reg. Section 1.409A-2(b)(2)(iii) (or any successor thereto).

(f) The Company shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. section 1.409A-3(j)(4) to Participants of deferred amounts, provided that such distribution(s) meets the requirements of Treas. Reg. section 1.409A-3(j)(4).

(g) Whenever an Award conditions a payment or benefit on the Participant’s execution and non-revocation of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after the date of termination of the Participant’s employment; failing which such payment or benefit shall be forfeited. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 60-day period. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, subject to subsection (d) above, (i) if such 60-day period begins and ends in a single calendar year, the Company may make or commence payment at any time during such period at its discretion, and (ii) if such 60-day period begins in one calendar year and ends in the next calendar year, the payment shall be made or commence during the second such calendar year (or any later date specified for such payment under the applicable Award), even if such signing and non-revocation of the release occur during the first such calendar year included within such 60-day period.

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, or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer 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.

17.17. *SEVERABILITY*. In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability will not be construed as rendering any other provisions contained herein as invalid or unenforceable, and all such other provisions will be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

**AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Shares. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the number of shares indicated in the notice of award of the Company’s \$0.10 par value common stock (the “Shares”). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Shares, Grantee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Shares subject to all the terms and conditions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Shares do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Restrictions. The Shares are subject to each of the following restrictions. “Restricted Shares” mean those Shares that are subject to the restrictions imposed hereunder and such restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If Grantee’s Continuous Status as a Participant terminates for any reason other than as set forth in paragraph (b) or paragraph (d) of Section 4 hereof, then Grantee shall forfeit all of Grantee’s right, title and interest in and to the Restricted Shares as of the date of termination of such service or employment, and such Restricted Shares shall revert to the Company. The restrictions imposed under this Section shall apply to all shares of the Company’s Stock with respect to the Restricted Shares or other securities issued in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock of the Company.

4. Expiration and Termination of Restrictions. The restrictions imposed under Section 3 will expire on the earliest to occur of the following (the period prior to such expiration being referred to herein as the “Restricted Period”):

- (a) On the respective vesting dates specified in the notice of award as to the number of Shares specified therein; provided Grantee remains in Continuous Status as a Participant on each vesting date specified therein;
- (b) as to all of the Shares, upon termination of Grantee’s Continuous Status as a Participant by reason of death or Disability; or
- (c) as to all of the Shares, upon the occurrence of a Change in Control, if the Shares are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control; or
- (d) as to all of the Shares, if the Shares are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Grantee’s employment by the Company without Cause [or Grantee’s resignation for “Good Reason” (as defined below)] within one year after the effective date of the Change in Control.

[For purposes of this Agreement, “Good Reason” shall mean any of the following, without Grantee’s consent: (i) a material diminution in Grantee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee’s authority, duties, or responsibilities; or (iii) the relocation of Grantee’s principal office to a location that is more than twenty-five (25) miles from the location of Grantee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee’s principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee’s principal place office being closer to Grantee’s then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

5. **Delivery of Shares.** The Shares will be registered in the name of Grantee as of the Grant Date and will be held by the Company during the Restricted Period in certificated or uncertificated form. If a certificate for Restricted Shares is issued during the Restricted Period with respect to such Shares, such certificate shall be registered in the name of Grantee and shall bear a legend in substantially the following form: "This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Agreement between the registered owner of the shares represented hereby and Micron Technology, Inc. Release from such terms and conditions shall be made only in accordance with the provisions of such Agreement, copies of which are on file in the offices of Micron Technology, Inc." Stock certificates for the Shares, without the above legend, shall be delivered to Grantee or Grantee's designee upon request of Grantee after the expiration of the Restricted Period, but delivery may be postponed for such period as may be required for the Company with reasonable diligence to comply if deemed advisable by the Company, with registration requirements under the Securities Act of 1933, listing requirements under the rules of any stock exchange, and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

6. **Voting and Dividend Rights.** Grantee, as beneficial owner of the Shares, shall have full voting rights with respect to the Shares during and after the Restricted Period. Grantee shall accrue cash and non-cash dividends, if any, paid with respect to the Restricted Shares, but the payment of such dividends shall be deferred and held (without interest) by the Company for the account of Grantee until the expiration of the Restricted Period. During the Restricted Period, such dividends shall be subject to the same vesting restrictions imposed under Section 3 as the Restricted Shares to which they relate. Accrued dividends deferred and held pursuant to the foregoing provision shall be paid by the Company to Grantee promptly upon the expiration of the Restricted Period (and in any event within thirty (30) days of the date of such expiration). If Grantee forfeits any rights he may have under this Agreement in accordance with Section 3, Grantee shall no longer have any rights as a shareholder with respect to the Restricted Shares or any interest therein and Grantee shall no longer be entitled to receive dividends on such stock.

7. **Limitation of Rights.** With respect to a grantee who is employed by the Company or an Affiliate, nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate such grantee's employment at any time, nor confer upon any such grantee any right to continue in the employ of the Company or any Affiliate. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Shares as a result of that termination or from the loss or diminution in value of such rights. The grant of the Shares does not give Grantee any right to participate in any future grants of share incentive awards.

8. **Payment of Taxes.** Upon issuance of the Shares hereunder, Grantee may make an election to be taxed upon such award under Section 83(b) of the Code. Grantee will, no later than the date as of which any amount related to the Shares first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount. The Committee may permit Grantee to surrender to the Company a number of Shares from this Award as necessary to pay the minimum applicable withholding tax obligation. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. **Amendment.** The Committee may amend, modify or terminate the Award and this Agreement without approval of the Grantee; provided, however, that such amendment, modification or termination shall not, without the Grantee's consent, reduce or diminish the value of this Award determined as if it had been fully vested on the date of such amendment or termination. Notwithstanding anything herein to the contrary, the Company is authorized, without Grantee's consent, to amend or interpret this Award and this Agreement certificate to the extent necessary, if any, to comply with Section 409A of the Code and Treasury regulations and guidance with respect to such law.

10. **Plan Controls.** The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. **Successors.** This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. **Severability.** If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices and communications under the this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83716-9632, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

**AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN**  
**OPTION AGREEMENT**  
**TERMS AND CONDITIONS**

1. Grant of Option. Micron Technology, Inc. (the “Company”) hereby grants to the Optionee named in the notice of grant (“Optionee”), under the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan (the “Plan”), stock options to purchase from the Company (the “Options”), on the terms and on conditions set forth in this agreement (this “Agreement”), the number of shares indicated in the notice of grant of the Company’s \$0.10 par value common stock, at the exercise price per share set forth in the notice of grant. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Options, Optionee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Optionee hereby accepts the Options subject to all the terms and conditions of this Agreement and the Plan. Optionee acknowledges that a Prospectus relating to the Plan was made available for review. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Optionee acknowledges that the grant and acceptance of the Options do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Vesting of Options. The Option shall vest (become exercisable) in accordance with the schedule shown in the notice of grant, provided Optionee remains in Continuous Status as a Participant on each vesting date specified therein. Notwithstanding the foregoing vesting schedule, all Options shall become fully vested and exercisable (i) upon termination of Optionee’s Continuous Status as a Participant by reason of his or her death or Disability, (ii) upon a Change in Control, unless the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control; or (iii) if the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Optionee’s employment by the Company without Cause [or Optionee’s resignation for “Good Reason” (as defined below)] within one year after the effective date of the Change in Control. [For purposes of this Agreement, “Good Reason” shall mean any of the following, without Optionee’s consent: (i) a material diminution in Optionee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Optionee’s authority, duties, or responsibilities; or (iii) the relocation of Optionee’s principal office to a location that is more than twenty-five (25) miles from the location of Optionee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Optionee’s principal office which is proposed or initiated by Optionee; or (B) any relocation that results in Optionee’s principal place office being closer to Optionee’s then-current principal residence. A termination by Optionee shall not constitute termination for Good Reason unless Optionee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Optionee within thirty (30) days following its receipt of such Good Reason Notice. Optionee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

4. Term of Options and Limitations on Right to Exercise. The term of the Options will be for a period of eight years, expiring at 5:00 p.m., Mountain Time, on the eighth anniversary of the Grant Date (the “Expiration Date”). To the extent not previously exercised, the Options will lapse prior to the Expiration Date upon the earliest to occur of the following circumstances:

- (a) Thirty days after the termination of Optionee’s Continuous Status as a Participant for any reason other than by reason of Optionee’s death or Disability.
- (b) Twelve months after termination of Optionee’s Continuous Status as Participant by reason of Disability.
- (c) Twelve months after the date of Optionee’s death, if Optionee dies while in Continuous Status as a Participant. Upon Optionee’s death, the Options may be exercised by Optionee’s beneficiary designated pursuant to the Plan.

The Committee may, prior to the lapse of the Options under the circumstances described in paragraphs (a), (b) or (c) above, extend the time to exercise the Options as determined by the Committee in writing. If Optionee or his or her beneficiary exercises an Option after termination of service, the Options may be exercised only with respect to the Shares that were otherwise vested on Optionee’s termination of service.



5. Exercise of Option. The Options shall be exercised by (a) written notice directed to the Global Stock Department of the Company or its designee at the address and in the form specified by the Company from time to time and (b) payment to the Company in full for the Shares subject to such exercise (unless the exercise is a broker-assisted cashless exercise, as described below). If the person exercising an Option is not Optionee, such person shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the Option. Payment for such Shares may be, in (a) cash, (b) in the discretion of the Company, Shares previously acquired by the purchaser, or (c) any combination thereof, for the number of Shares specified in such written notice. The value of surrendered Shares for this purpose shall be the Fair Market Value as of the last trading day immediately prior to the exercise date. To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and any limitations as may be applied from time to time by the Committee (which need not be uniform), the Options may be exercised through a broker in a so-called “cashless exercise” whereby the broker sells the Option Shares on behalf of Optionee and delivers cash sales proceeds to the Company in payment of the exercise price. In such 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 by the settlement date.

6. Beneficiary Designation. Optionee may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of Optionee hereunder and to receive any distribution with respect to the Options upon Optionee’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights hereunder is subject to all terms and conditions of this Agreement and the Plan, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives Optionee, the Options may be exercised by the legal representative of Optionee’s estate, and payment shall be made to Optionee’s estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by Optionee at any time.

7. Withholding. The Company or any employer Affiliate has the authority and the right to deduct or withhold, or require Optionee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Optionee’s FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the exercise of the Options. The withholding requirement may be satisfied, in whole or in part, at the election of the Company, by withholding from the Options 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 Company establishes.

8. Limitation of Rights. The Options do not confer to Optionee or Optionee’s beneficiary designated pursuant to Section 6 any rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with the exercise of the Options. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Optionee’s service at any time, nor confer upon Optionee any right to continue in the service of the Company or any Affiliate. Optionee waives all and any rights to any compensation or damages for the termination of Optionee’s office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Optionee ceasing to have rights in relation to the Units as a result of that termination or from the loss or diminution in value of such rights. The grant of the Options does not give Optionee any right to participate in any future grants of share incentive awards.

9. Stock Reserve. The Company shall at all times during the term of this Agreement reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement.

10. Restrictions on Transfer and Pledge. No right or interest of Optionee in the Options 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 Optionee to any other party other than the Company or an Affiliate. The Options are not assignable or transferable by Optionee other than by will or the laws of descent and distribution or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Option under the Plan; provided, however, that the Committee may (but need not) permit other transfers. The Options may be exercised during the lifetime of Optionee only by Optionee or any permitted transferee.

11. Restrictions on Issuance of Shares. If at any time the Committee shall determine in its discretion, that registration, listing or qualification of the Shares covered by the Options upon any Exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the exercise of the Options, the Options may not be exercised in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

12. Amendment. The Committee may amend, modify or terminate this Agreement without approval of the Optionee; provided, however, that such amendment, modification or termination shall not, without the Optionee’s consent, reduce or diminish the value of this award determined as if it had been fully vested and exercised on the date of such amendment or termination (with the per-share value being calculated as the excess, if any, of the Fair Market Value over the exercise price of the Options). Notwithstanding

anything herein to the contrary, the Company is authorized, without Optionee's consent, to amend or interpret this Agreement to the extent necessary, if any, to comply with Section 409A of the Code and Treasury regulations and guidance with respect to such law.

13. Plan Controls. The terms and conditions contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

14. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

15. Severability. If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

16. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83707-0006, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Optionee. Notices to Optionee will be directed to the address of Optionee then currently on file with the Company, or at any other address given by Optionee in a written notice to the Company.

17. Data Processing. By accepting the Shares, Optionee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Optionee works or is employed, including to the United States.

**AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN  
PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Shares. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the target number of shares indicated in the notice of award of the Company’s \$0.10 par value common stock (the “Shares”). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Shares, Grantee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Shares subject to all the terms and conditions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Shares do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Restrictions. The Shares are subject to each of the following restrictions. “Restricted Shares” mean those Shares that are subject to the restrictions imposed hereunder and such restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If Grantee’s Continuous Status as a Participant terminates for any reason other than as set forth in paragraph (b) or paragraph (d) of Section 3 hereof, then Grantee shall forfeit all of Grantee’s right, title and interest in and to the Restricted Shares as of the date of termination of such service or employment, and such Restricted Shares shall revert to the Company. The restrictions imposed under this Section shall apply to all shares of the Company’s Stock with respect to the Restricted Shares or other securities issued in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock of the Company.

4. Expiration and Termination of Restrictions. The restrictions imposed under Section 3 will expire, in whole or in part as indicated below, on the earliest to occur of the following (the period prior to such expiration being referred to herein as the “Restricted Period”):

- (a) as to the following number of Shares, upon achievement of the performance goal:

% of Shares Vesting*	Achievement of Performance

**\*Vesting between performance levels will be determined based on straight line interpolation.**

[Insert definition of Performance Period]. The restrictions will expire, as to the applicable number of Shares based upon the level of achievement of the performance goal, on the date of the certification of the level of achievement of the performance goal and approval of the expiration of the restrictions as to the applicable number of Shares, provided that Grantee remains in Continuous Status as a Participant on the date of certification.

- (b) If Grantee’s Continuous Status as a Participant is terminated during the Performance Period by reason of death or Disability, the number of Shares for which the restrictions shall expire shall be determined by multiplying (i) the number of Shares for which restrictions would have expired if the performance target in this Section 4 were fully satisfied, less any Shares for which restrictions had previously expired, by (ii) a fraction, the numerator of which is the number of days in the Performance Period preceding the date of the termination due to death or Disability and the denominator of which is [days in performance period.]
- (c) If a Change in Control occurs during the Performance Period and while Grantee remains in Continuous Status as a Participant and the Shares are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control, then the number of Shares for which the restrictions shall expire shall be determined by multiplying (i) the number of Shares for which Restrictions would have expired if the performance goals in this Section 4 were fully satisfied, by (ii) a fraction, the numerator of which is the number of days in the

Performance Period preceding the date of the Change in Control and the denominator of which is [days in performance period] and there shall be a pro rata payout to Grantee within thirty (30) days following the Change in Control.

- (d) If a Change in Control occurs during the Performance Period and while Grantee remains in Continuous Status as a Participant and the Shares are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control, then, if within one year after the effective date of the Change in Control Grantee's employment is terminated without Cause [or Grantee resigns for Good Reason (as defined below)], the number of Shares for which the restrictions shall expire shall be determined by multiplying (i) the number of Shares for which Restrictions would have expired if the performance goals in this Section 4 were fully satisfied, by (ii) a fraction, the numerator of which is the number of days in the Performance Period preceding the date of Grantee's termination of employment and the denominator of which is [days in performance period] and there shall be a pro rata payout to Grantee within thirty (30) days following the date of his or her termination of employment.

[For purposes of this Agreement, "Good Reason" shall mean any of the following, without Grantee's consent: (i) a material diminution in Grantee's Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee's authority, duties, or responsibilities; or (iii) the relocation of Grantee's principal office to a location that is more than twenty-five (25) miles from the location of Grantee's principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee's principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee's principal place office being closer to Grantee's then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the "Good Reason Notice"), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee's date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

Grantee shall forfeit all of Grantee's right, title and interest in and to any of the Restricted Shares for which the restrictions shall not have lapsed as of the end of the Performance Period and such Restricted Shares shall revert to the Company.

5. Delivery of Shares. The Shares will be registered in the name of Grantee as of the Grant Date and will be held by the Company during the Restricted Period in certificated or uncertificated form. If a certificate for Restricted Shares is issued during the Restricted Period with respect to such Shares, such certificate shall be registered in the name of Grantee and shall bear a legend in substantially the following form: "This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Agreement between the registered owner of the shares represented hereby and Micron Technology, Inc. Release from such terms and conditions shall be made only in accordance with the provisions of such Agreement, copies of which are on file in the offices of Micron Technology, Inc." Stock certificates for the Shares, without the above legend, shall be delivered to Grantee or Grantee's designee upon request of Grantee after the expiration of the Restricted Period, but delivery may be postponed for such period as may be required for the Company with reasonable diligence to comply if deemed advisable by the Company, with registration requirements under the Securities Act of 1933, listing requirements under the rules of any stock exchange, and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

6. Voting and Dividend Rights. Grantee, as beneficial owner of the Shares, shall have full voting rights with respect to the Shares during and after the Restricted Period. Grantee shall accrue cash and non-cash dividends, if any, paid with respect to the Restricted Shares, but the payment of such dividends shall be deferred and held (without interest) by the Company for the account of Grantee until the expiration of the Restricted Period. During the Restricted Period, such dividends shall be subject to the same vesting restrictions imposed under Section 3 as the Restricted Shares to which they relate. Accrued dividends deferred and held pursuant to the foregoing provision shall be paid by the Company to Grantee promptly upon the expiration of the Restricted Period (and in any event within thirty (30) days of the date of such expiration). If Grantee forfeits any rights he may have under this Agreement in accordance with Section 3, Grantee shall no longer have any rights as a shareholder with respect to the Restricted Shares or any interest therein and Grantee shall no longer be entitled to receive dividends on such stock.

7. Limitation of Rights. With respect to a grantee who is employed by the Company or an Affiliate, nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate such grantee's employment at any time, nor confer upon any such grantee any right to continue in the employ of the Company or any Affiliate. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Shares as a result of that termination or from the loss or diminution in value of such rights. The grant of the Shares does not give Grantee any right to participate in any future grants of share incentive awards.

8. Payment of Taxes. Upon issuance of the Shares hereunder, Grantee may make an election to be taxed upon such award under Section 83(b) of the Code. Grantee will, no later than the date as of which any amount related to the Shares first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount. The Committee may permit Grantee to surrender to the Company a number of Shares from this Award as necessary to pay the minimum applicable withholding tax obligation. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. Amendment. The Committee may amend, modify or terminate the Award and this Agreement without approval of the Grantee; provided, however, that such amendment, modification or termination shall not, without the Grantee's consent, reduce or diminish the value of this Award determined as if it had been fully vested on the date of such amendment or termination. Notwithstanding anything herein to the contrary, the Company is authorized, without Grantee's consent, to amend or interpret this Award and this Agreement certificate to the extent necessary, if any, to comply with Section 409A of the Code and Treasury regulations and guidance with respect to such law.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. Severability. If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83716-9632, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

**AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN  
PERFORMANCE UNIT AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Units. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the target number of performance units indicated in the notice of award (the “Performance Units”) representing the right to earn, on a one-for-one basis, shares of Micron Technology, Inc. (the “Company”) \$0.10 par value common stock (“Shares”).

2. General Acknowledgements. By accepting the Performance Units, Grantee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Performance Units subject to all the terms and conditions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Performance Units do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, for purposes of this Agreement:

- (a) Confirmed Performance Units is defined in Exhibit A.
- (b) Conversion Date is defined in Exhibit A.
- (c) Final Payout Factor is defined in Exhibit A.
- (d) Performance Period means [\_\_\_\_\_].
- (e) Target Award means the number of performance units granted pursuant to this Agreement, as indicated in the notice of award.
- (f) *[Insert Performance Metric and definition]*

4. Performance Units. The Performance Units have been credited to a bookkeeping account on behalf of Grantee. The Performance Units will be earned in whole, in part, or not at all, as provided on Exhibit A attached hereto. Any Performance Units that fail to vest in accordance with the terms of this Agreement will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

5. Conversion to Shares. Except as otherwise provided herein, the Confirmed Performance Units will be converted to actual unrestricted Shares (one Share per Confirmed Performance Unit) on the Conversion Date, provided that Grantee has remained in Continuous Status as a Participant through the Conversion Date. These shares will be registered on the books of the Company in Grantee’s name as of the Conversion Date and stock certificates for the Shares shall be delivered to Grantee or Grantee’s designee upon request of Grantee. Notwithstanding the foregoing, if Grantee’s Continuous Status as a Participant is terminated during the Performance Period by reason of death or Disability, then (A) the number of Performance Units earned shall be determined by multiplying (i) the Target Award, by (ii) a fraction, the numerator of which is the number of days in the Performance Period preceding the date of the termination due to death or Disability and the denominator of which is *[insert number of days in Performance Period]*, and (B) any such earned Performance Units shall convert to Shares on the date of Grantee’s termination of Continuous Status as a Participant. If Grantee’s Continuous Status as a Participant is terminated during the Performance Period for any reason other than death or Disability, and except as otherwise provided in Section 6(b) hereof, then Grantee’s Performance Units will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

6. Change in Control.

- (a) If a Change in Control occurs during the Performance Period and while Grantee remains in Continuous Status as a Participant and the Performance Units are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control, then the number of Performance Units earned shall be determined by multiplying (i) the Target Award, by (ii) a fraction, the numerator of which is the number of days in the Performance Period preceding the effective date of the Change in Control and the denominator of which is *[insert*

*number of days in Performance Period]* and there shall be a pro rata payout to Grantee within thirty (30) days following the Change in Control.

- (b) If a Change in Control occurs during the Performance Period and while Grantee remains in Continuous Status as a Participant and the Performance Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control, then, if within one year after the effective date of the Change in Control Grantee's employment is terminated without Cause [or Grantee resigns for Good Reason (as defined below)], the number of Performance Units earned shall be determined by multiplying (i) the Target Award, by (ii) a fraction, the numerator of which is the number of days in the Performance Period preceding the effective date of the Grantee's termination of employment and the denominator of which is *[insert number of days in Performance Period]* and there shall be a pro rata payout to Grantee within thirty (30) days following his or her date of termination.

[For purposes of this Agreement, "Good Reason" shall mean any of the following, without Grantee's consent: (i) a material diminution in Grantee's Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee's authority, duties, or responsibilities; or (iii) the relocation of Grantee's principal office to a location that is more than twenty-five (25) miles from the location of Grantee's principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee's principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee's principal place office being closer to Grantee's then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the "Good Reason Notice"), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee's date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

7. Restrictions on Transfer and Pledge. No right or interest of Grantee in the Performance Units may be pledged, encumbered, or hypothecated or be made subject to any lien, obligation, or liability of Grantee to any other party other than the Company. The Performance Units may not be sold, assigned, transferred or otherwise disposed of by Grantee other than by will or the laws of descent and distribution.

8. Restrictions on Issuance of Shares. If at any time the Committee shall determine, in its discretion, that registration, listing or qualification of the Shares underlying the Performance Units upon any securities exchange or similar self-regulatory organization or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Performance Units, stock units will not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

9. Limitation of Rights. The Performance Units do not confer to Grantee or Grantee's beneficiary, executors or administrators any rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with the units. Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in employment of the Company. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Units as a result of that termination or from the loss or diminution in value of such rights. The grant of the Performance Units does not give Grantee any right to participate in any future grants of share incentive awards.

10. Dividend Rights. If any dividends or other distributions are paid with respect to the Shares while the Performance Units are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of Shares then underlying the Performance Units shall be credited to a bookkeeping account and held (without interest) by the Company for the account of Grantee until the Conversion Date. Such amounts shall be subject to the same vesting and forfeiture provisions as the Performance Units to which they relate. Accrued dividends held pursuant to the foregoing provision shall be paid by the Company to Grantee on the Conversion Date, provided Grantee is then still employed by the Company.

11. Payment of Taxes. The Company employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the Performance Units. The withholding requirement may be satisfied, in whole or in part, by withholding Shares upon the settlement of the

Performance Units 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. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

12. Amendment. The Committee may amend, modify or terminate this Agreement without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested on the date of such amendment or termination.

13. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

14. Severability. If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

15. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83716-9632, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

16. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

#### Exhibit A

#### **Performance Units**

The Performance Units will be earned, in whole or in part, based on (i) Grantee's remaining in Continuous Status as a Participant, and (ii) *[the achievement of the performance metric]* over the Performance Period, as follows:

<i>[Performance Metric]</i>	<b>Payout Factor: % of Target Award Earned <sup>(1)</sup></b>

<sup>(1)</sup> Payouts between performance levels will be determined based on straight line interpolation.

Determination of Payout. No later than 60 days after the end of the Performance Period (the "Confirmation Date"), the Committee shall determine and certify (i) *[the results of the performance metric]*, and (ii) the resulting payout factor as set forth above (the "Final Payout Factor"). The Target Award shall be multiplied by the Final Payout Factor to determine the number of Performance Units earned and vested ("Confirmed Performance Units").

Payout Timing (Conversion to Shares). The Confirmed Performance Units shall automatically convert to Shares on the Confirmation Date (the "Conversion Date"); provided that Grantee has remained in Continuous Status as a Participant through the Conversion Date.



**Amended and Restated 2004 Equity Incentive Plan**  
**RESTRICTED STOCK UNIT AGREEMENT**  
**TERMS AND CONDITIONS**

1. Grant of Units. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. Amended and Restated 2004 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the number of restricted stock units indicated in the notice of award (the “Units”), which represent the right to receive an equal number of shares of the Company’s \$0.10 par value common stock (“Stock”) on the terms set forth in this Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Units, Grantee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Units subject to all the terms and provisions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Units do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units will vest and become non-forfeitable on the earliest to occur of the following (the “Vesting Date”):

- (a) as to the number of Units specified in the vesting schedule provided in the notice of award, on the respective dates specified in such vesting schedule; provided Grantee remains in Continuous Status as a Participant on each respective vesting date; or
- (b) as to all of the Units, upon the termination of Grantee’s Continuous Status as a Participant by reason of death or Disability; or
- (c) as to all of the Units, upon the occurrence of a Change in Control, unless the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control; or
- (d) as to all of the Units, if the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Grantee’s employment by the Company without Cause [or Grantee’s resignation for “Good Reason” (as defined below)] within one year after the effective date of the Change in Control.

If Grantee’s service terminates prior to the Vesting Date for any reason other than as described in (b) or (d) above, Grantee shall forfeit all right, title and interest in and to the unvested Units as of the date of such termination of service and the unvested Units will be reconveyed to the Company without further consideration or any act or action by Grantee. For purpose of Section 409A of the Code, any reference herein to Grantee’s “termination of Continuous Status as a Participant,” “termination of employment” or “termination of service” or similar words shall be interpreted to mean Grantee’s “separation from service” as defined in Code Section 409A and Treasury regulations and guidance with respect to such law. [For purposes of this Agreement, “Good Reason” shall mean any of the following, without Grantee’s consent: (i) a material diminution in Grantee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee’s authority, duties, or responsibilities; or (iii) the relocation of Grantee’s principal office to a location that is more than twenty-five (25) miles from the location of Grantee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee’s principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee’s principal place office being closer to Grantee’s then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

4. Conversion to Stock. Unless the Units are forfeited prior to the Vesting Date as provided in Section 3 above, the Units will be converted to actual shares of Stock on the Vesting Date (the “Conversion Date”). Shares of Stock will be registered on the books of the Company in the street name of the broker designated by the Company as of the Conversion Date.

5. Dividend Equivalents. The Units shall not be entitled to dividend equivalents.

6. Restrictions on Transfer. No right or interest of Grantee in the Units may be pledged, hypothecated or otherwise encumbered to or in favor of any party other than the Company or an Affiliate, or be subjected to any lien, obligation or liability of Grantee to any other party other than the Company or an Affiliate. Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code; but the Committee may permit other transfers in accordance with the Plan.

7. Limitation of Rights. The Units do not confer to Grantee or Grantee's beneficiary any rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with the Units. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's service at any time, nor confer upon Grantee any right to continue in service of the Company or any Affiliate. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Units as a result of that termination or from the loss or diminution in value of such rights. The grant of the Units does not give Grantee any right to participate in any future grants of share incentive awards.

8. Payment of Taxes. Grantee will, no later than the date as of which any amount related to the Units first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind (including Grantee's FICA obligation) required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee. The withholding requirement may be satisfied, in whole or in part, at the election of the Company, 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 Company establishes.

9. Amendment. The Committee may amend, modify or terminate the Award and this Agreement without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Units hereunder had expired) on the date of such amendment or termination. Notwithstanding anything herein to the contrary, the Committee may, without Grantee's consent, amend or interpret this Agreement to the extent necessary to comply with Section 409A of the Code and Treasury regulations and guidance with respect to such law.

10. Plan Controls. The terms contained in the Plan shall be and are hereby incorporated into and made a part of this Agreement, and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the approved Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. Severability. If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Micron Technology, Inc., 8000 South Federal Way, Boise, Idaho 83706-9632; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

**MICRON TECHNOLOGY, INC.  
AMENDED AND RESTATED 2007 EQUITY INCENTIVE PLAN**

**ARTICLE 1  
PURPOSE**

1.1. *GENERAL.* The purpose of the Micron Technology, Inc. Amended and Restated 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, officers, non-employee directors and consultants of the Company or any Affiliate (as defined below) to those of Company shareholders 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, 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, officers, non-employee 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, 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) "Cause" as a reason for a Participant's termination of employment shall have the meaning assigned such term in the employment, consulting, severance or similar agreement, if any, between such Participant and the Company or an Affiliate; provided, however, that if there is no such employment, consulting, severance or similar agreement in which such term is defined, and unless otherwise defined in the applicable Award Certificate, "Cause" shall mean any of the following acts by the Participant, as determined by the Committee: (i) the commission by the Participant of, or the Participant's pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company or any of its Affiliates; (ii) the Participant's engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, whether or not such act was committed in connection with the business of the Company or any of its Affiliates; (iii) the willful and repeated failure by the Participant to follow the lawful directives of the Board or the Participant's supervisor; (iv) any material violation of the Company's written policies; (v) any intentional misconduct by the Participant in connection with the Company and any of its Affiliate's business or relating to the Participant's duties, or any willful violation of any laws, rules or regulations; or (vi) the Participant's material breach of any employment, severance, non-competition, non-solicitation, confidential information, or restrictive covenant agreement, or similar agreement, with the Company or an Affiliate. The determination of the Committee as to the existence of "Cause" shall be conclusive on the Participant and the Company.

(f) "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 shareholders of the Company of a complete liquidation or dissolution of the Company.

(g) "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.

(h) "Committee" means the committee of the Board described in Article 4.

(i) "Company" means Micron Technology, Inc., a Delaware corporation, or any successor corporation.

(j) "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.

(k) "Corporate Officer" means an officer of the Company whose compensation is approved by the Compensation Committee of the Board, including without limitation the Chief Executive Officer of the Company.

(l) "Covered Employee" means a covered employee as defined in Code Section 162(m)(3).

(m) "Disability" or "Disabled" means the applicable authorized party under the long-term disability plan (the "LTD Plan") maintained by the Participant's employer (either the Company or an Affiliate) has provided written notification that the Participant qualifies for disability benefits under the LTD Plan (a "Disability Notice"). If the Participant is not eligible for disability benefits under any applicable LTD Plan, then the Participant shall not qualify as Disabled under this Plan.

(n) "Deferred Stock Unit" means a right granted to a Participant under Article 11.

(o) "Dividend Equivalent" means a right granted with respect to an Award, as provided in Article 12.

(p) "Effective Date" has the meaning assigned such term in Section 3.1.

(q) "Eligible Participant" means an employee, officer, non-employee director or consultant or non-employee director of the Company or any Affiliate; provided, however, that no Corporate Officer is eligible to be a Participant in the Plan.

(r) "Exchange" means any national securities exchange or national market system on which the Stock may from time to time be listed or traded.

(s) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the 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.

(t) "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 (or at the discretion of the Committee, settled in cash valued by reference to Stock value).

(u) "Good Reason" shall have the meaning, if any, given such term in the applicable Award Certificate. If not defined in the applicable Award Certificate, the term "Good Reason" as used herein shall not apply to a particular Award.

(v) "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.

(w) "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.

(x) "Non-Employee Director" means a director of the Company who is not a common law employee of the Company or an Affiliate.

(y) "Nonstatutory Stock Option" means an Option that is not an Incentive Stock Option.

(z) "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.

(aa) "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.

(bb) "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.

(cc) "Participant" means a person who, as an employee, officer, 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 any Corporate Officer of the Company.

(dd) "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.

(ee) "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.

(ff) "Plan" means the Micron Technology, Inc. Amended and Restated 2007 Equity Incentive Plan, as amended from time to time.

(gg) "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.

(hh) "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.

(ii) "Restricted Stock Award" means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(jj) "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.

(kk) "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.

(ll) "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.

(mm) "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.

(nn) "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.

(oo) "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.

(pp) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(qq) "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 the shareholders of the Company (the "Effective Date").

3.2. *TERMINATION OF PLAN.* Unless earlier terminated as provided herein, the Plan shall continue in effect until the tenth anniversary of the Effective Date or, if the shareholders approve an amendment to the Plan that increases the number of Shares subject to the Plan, the tenth anniversary of the date of such approval. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination, which shall continue to be governed by the applicable terms and conditions of the Plan. 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. Unless and until changed by the Board, the Compensation Committee of the Board is designated as the Committee to administer the Plan. 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 the United States or any 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 as to the number and terms of Awards, 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 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 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 135,000,000; provided, however, that each Share issued under the Plan pursuant to a Full Value Award that is settled in Stock 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 originally subject to the Award will be added back to the Plan share reserve and again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will be added back to the Plan share reserve and 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.

(d) The following shares of Stock may not again be made available for issuance as Awards under the Plan: (i) shares of Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (ii) shares of Stock used to pay the exercise price or withholding taxes related to an outstanding Option or SAR, or (iii) shares of Stock repurchased on the open market with the proceeds of the exercise price of an Option.

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 5,000,000. 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 5,000,000.

5.5. *MINIMUM VESTING REQUIREMENTS.* Except in the case of substitute Awards granted pursuant to Section 14.14, Full-Value Awards granted under the Plan to an Eligible Participant shall either (i) be subject to a minimum vesting period of three years (which may include graduated vesting within such three-year period), or one year if the vesting is based on performance criteria other than continued service, or (ii) be granted solely in exchange for foregone cash compensation. Notwithstanding the foregoing, (i) the Committee may at its discretion permit and authorize acceleration of vesting of such Full-Value Awards in the event of the Participant's death, Disability, or retirement, or the occurrence of a Change in Control (subject to the requirements of Article 11 in the case of Qualified Performance-Based Awards), (ii) the Committee may grant Full-Value Awards without the above-described minimum vesting requirements, or may permit and authorize acceleration of vesting of Full-Value Awards otherwise subject to the above-described minimum vesting requirements, with respect to Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan.

## **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 Article 15, without the prior approval of shareholders of the Company: (i) the exercise price of an Option may not be reduced, directly or indirectly, (ii) an Option may not be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the exercise price of the original Option or otherwise, and (iii) the Company may not repurchase an Option for value (in cash or otherwise) from a Participant if the current Fair Market Value of the Shares underlying the Option is lower than the exercise price per share of the Option.

(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 and the methods by which Shares shall be delivered or deemed to be delivered to Participants. As determined by the Committee at or after the Grant Date, payment of the exercise price of an Option may be made, in whole or in part, in the form of (i) cash or cash equivalents, (ii) delivery (by either actual delivery or attestation) of previously-acquired Shares based on the Fair Market Value of the Shares on the date the Option is exercised, (iii) withholding of Shares from the Option based on the Fair Market Value of the Shares on the date the Option is exercised, (iv) broker-assisted market sales, or (v) any other "cashless exercise" arrangement.

(e) *EXERCISE TERM.* No option granted under the Plan shall be exercisable for more than eight (8) 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) *NO DIVIDEND EQUIVALENTS.* No Option shall provide for Dividend Equivalents.

(h) *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, for each Share with respect to which the Stock Appreciation Right is being exercised, 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 Article 15, without the prior approval of shareholders of the Company: (i) the base price of a SAR may not be reduced, directly or indirectly, (ii) a SAR may not be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the base price of the original SAR, and (iii) the Company may not repurchase a SAR for value (in cash or otherwise) from a Participant if the current Fair Market Value of the Shares underlying the SAR is lower than the base price per share of the SAR.

(c) **TIME AND CONDITIONS OF EXERCISE.** The Committee shall determine the time or times at which a SAR may be exercised in whole or in part. No SAR granted under the Plan shall be exercisable for more than eight (8) 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) **NO DIVIDEND EQUIVALENTS.** No SAR shall provide for Dividend Equivalents.

(f) **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 if the recipient of such award (a) was a Covered Employee on the date of the modification, adjustment, change or elimination of the performance goals or performance period, or (b) in the reasonable judgment of the Committee, may be a Covered Employee on the date the Performance Award is expected to be paid.

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). Subject to the 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.

10.5. *DIVIDENDS ON RESTRICTED STOCK.* In the case of Restricted Stock, the Committee may provide that ordinary cash dividends declared on the Shares before they are vested (i) will be forfeited, (ii) will be deemed to have been reinvested in additional Shares or otherwise reinvested (subject to Share availability under Section 5.1 hereof), or (iii) in the case of Restricted Stock that is not subject to performance-based vesting, will be paid or distributed to the Participant as accrued (in which case, such dividends must be paid or distributed no later than the 15th day of the 3rd month following the later of (A) the calendar year in which the corresponding dividends were paid to shareholders, or (B) the first calendar year in which the Participant's right to such dividends is no longer subject to a substantial risk of forfeiture). Unless otherwise provided by the Committee, dividends accrued on Shares of Restricted Stock before they are vested shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be credited by the Company to an account for the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any dividends accrued with respect to forfeited Restricted Stock will be reconveyed to the Company without further consideration or any act or action by the Participant. In no event shall dividends with respect to Restricted Stock that is subject to performance-based vesting be paid or distributed until the performance-based vesting restrictions of such Restricted Stock lapse.

## **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 with respect to Full-Value Awards granted hereunder 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 ordinary cash dividends or distributions with respect to all or a portion of the number of Shares subject to a Full-Value Award, as determined by the Committee. The Committee may provide that Dividend Equivalents (i) will be deemed to have been reinvested in additional Shares or otherwise reinvested, or (ii) except in the case of Performance Shares, will be paid or distributed as accrued (in which case, such Dividend Equivalents must be paid or distributed no later than the 15 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. Unless otherwise provided by the Committee, Dividend Equivalents accruing on unvested Full-Value Awards shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be credited by the Company to an account for the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any Dividend Equivalents accrued with respect to forfeited Awards will be reconveyed to the Company without further consideration or any act or action by the Participant. In no event shall Dividend Equivalents with respect to Performance Shares be paid or distributed until the performance-based vesting restrictions of the Performance Shares lapse.

## **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 (but subject to Section 10.2) 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 (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, any payment due to the Participant shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant, in the manner provided by the Company, 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. *EFFECT OF A CHANGE IN CONTROL*. The provisions of this Section 14.7 shall apply in the case of a Change in Control, unless otherwise provided in the Award Certificate or any special Plan document or separate agreement with a Participant governing an Award.

(a) *Awards Assumed or Substituted by Surviving CORPORATION*. With respect to Awards assumed by the Surviving Corporation or otherwise equitably converted or substituted in connection with a Change in Control: if within one year after the effective date of the Change in Control, a Participant's employment is terminated without Cause or the Participant resigns for Good Reason, then:

(i) each of that Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are subject to time-based vesting requirements shall become vested and fully exercisable as of the date of termination;

(ii) each of that Participant's outstanding Awards other than Options and SARs that are subject to time-based vesting restrictions shall become vested and such restrictions shall lapse as of the date of termination; and

(iii) the payout level under each of that Participant's outstanding Awards that are subject to performance-based vesting requirements shall be deemed to have been 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 pro rata payout to such Participant within thirty (30) days following the date of termination of employment (unless a later date is required by Section 17.3 hereof), based upon the length of time within the performance period that has elapsed prior to the date of termination of employment.

With regard to each Award, a Participant shall not be considered to have resigned for Good Reason unless the Award Certificate includes such provision. 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.

(b) *Awards not Assumed or Substituted by Surviving corporation*. Upon the occurrence of a Change in Control, and except with respect to any Awards assumed by the Surviving Corporation or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board:

(i) all outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are subject to time-based vesting requirements shall become vested and fully exercisable as of the effective date of the Change in Control;

(ii) all outstanding Awards other than Options and SARs that are subject to time-based vesting restrictions shall become vested and such restrictions shall lapse as of the effective date of the Change in Control, and

(iii) the payout level under all outstanding Awards that are subject to performance-based vesting requirements shall be deemed to have been 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 a pro rata payout to Participants within thirty (30) days following the Change in Control (unless a later date is required by Section 17.3 hereof), based upon the length of time within the performance period that has elapsed prior to the Change in Control.

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.

14.8. *ACCELERATION UPON DEATH OR DISABILITY.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the termination of a Participant's Continuous Status as a Participant by reason of his or her death or Disability:

(i) all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised that are solely subject to time-based vesting requirements shall become vested and fully exercisable as of the date of termination of Continuous Status as a Participant, and shall thereafter remain exercisable for a period of twelve (12) months or until the earlier expiration of the original term of the Option, SAR or other Award; provided, however, the to the extent that an Incentive Stock Option is exercised more than three (3) months after a Participant's Continuous Status as a Participant terminates by reason of his or her Disability, the Option shall be deemed to be Nonstatutory Stock Option,

(ii) all time-based vesting restrictions on the Participant's outstanding Awards shall lapse as of the date of termination of Continuous Status as a Participant, 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 of Continuous Status as a Participant based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be a prorata 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) based upon the length of time within the performance period that has elapsed prior to the date of termination of Continuous Status as a Participant.

Except as otherwise provided in this Section 14.8, any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Awards Certificate. Notwithstanding the foregoing, in the case of a Participant's termination of Continuous Status as a Participant by reason of Disability, this Section 14.8 shall apply to such Participant only if the designated person in the Participant's employer's Human Resources Department has received a copy of the Disability Notice before processing the Participant's termination. 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 5.5 as to Full-Value Awards and 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. 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 assets, investment, capital or 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. 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.

(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 event that occurs during a performance period, including by way of example but without limitation the following: (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) unusual or infrequently occurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncements thereto) and /or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year; (f) acquisitions or divestitures; (g) foreign exchange gains and losses; and (h) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, including discontinued operations or changes in the Company's fiscal year. 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.** Awards under the Plan shall be subject to any compensation recoupment policy that the Company will adopt from time to time, as required by law or otherwise, to the extent applicable. In addition, 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, or a later determination that the vesting of, or amount realized from, a Performance Award was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, whether or not the Participant caused or contributed to such material inaccuracy.

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 shareholders 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. Notwithstanding the foregoing, the Committee shall not make any adjustments to outstanding Options or SARs that would constitute a modification or substitution of the stock right under Treas. Reg. Sections 1.409A-1(b)(5)(v) that would be treated as the grant of a new stock right or change in the form of payment for purposes of Code Section 409A. 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 therefore.

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 non-forfeitable and exercisable (in whole or in part) 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 (or the per-share transaction

price), over the exercise or base price of the Award, (v) that performance targets and performance periods for Performance Shares 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 shareholders 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. Without the prior approval of the shareholders of the Company, the Plan may not be amended to permit: (i) the exercise price or base price of an Option or SAR to be reduced, directly or indirectly, (ii) an Option or SAR to be cancelled in exchange for cash, other Awards, or Options or SARs with an exercise or base price that is less than the exercise price or base price of the original Option or SAR, or otherwise, or (iii) the Company to repurchase an Option or SAR for value (in cash or otherwise) 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.

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 or Stock Appreciation Right may not be extended without the prior approval of the shareholders of the Company;

(c) Except as otherwise provided in Article 15, without the prior approval of the shareholders of the Company, (i) the exercise price of an Option or SAR may not be reduced, directly or indirectly, (ii) an option or SAR may not be cancelled in exchange for cash, other Awards or Options or SARs with an exercise or base price that is less than the exercise price or base price of the original Option or SAR, or otherwise, and (iii) the Company may not repurchase an Option or SAR for value (in cash or otherwise) 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; 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) It is intended that the payments and benefits provided under the Plan and any Award shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and all Award Certificates shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of the benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers (other than in his or her capacity as a Participant) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayer as a result of the Plan or any Award.

(b) 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 ("Non-Exempt Deferred Compensation") would otherwise be payable or distributable, or a different form of payment (e.g., lump sum or installment) would be effected, 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 Non-Exempt Deferred Compensation will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such circumstance unless 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). 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, or the application of a different form of payment of any amount or benefit, such payment or distribution shall be made at the time and in the form that would have applied absent the Change in Control, Disability or separation from service, as applicable.

(c) 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 Chief Executive Officer) shall determine which Awards or portions thereof will be subject to such exemptions.

(d) 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 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.

(e) If, pursuant to an Award, a Participant is entitled to a series of installment payments, such Participant's right to the series of installment payments shall be treated as a right to a series of separate payments and not to a single payment. For purposes of the preceding sentence, the term "series of installment payments" has the meaning provided in Treas. Reg. Section 1.409A-2(b)(2)(iii) (or any successor thereto).

(f) The Company shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. section 1.409A-3(j)(4) to Participants of deferred amounts, provided that such distribution(s) meets the requirements of Treas. Reg. section 1.409A-3(j)(4).

(g) Whenever an Award conditions a payment or benefit on the Participant's execution and non-revocation of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after the date of termination of the Participant's employment; failing which such payment or benefit shall be forfeited. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 60-day period. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, subject to subsection (d) above, (i) if such 60-day period begins and ends in a single calendar year, the Company may make or commence payment at any time during such period at its discretion, and (ii) if such 60-day period begins in one calendar year and ends in the next calendar year, the payment shall be made or commence during the second such calendar year (or any later date specified for such payment under the applicable Award), even if such signing and non-revocation of the release occur during the first such calendar year included within such 60-day period.

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 any 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.

17.17. *SEVERABILITY.* In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability will not be construed as rendering any other provisions contained herein as invalid or unenforceable, and all such other provisions will be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

**AMENDED AND RESTATED 2007 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Units. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. Amended and Restated 2007 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the number of restricted stock units indicated in the notice of award (the “Units”), which represent the right to receive an equal number of shares of the Company’s \$0.10 par value common stock (“Stock”) on the terms set forth in this Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Units, Grantee hereby acknowledges that he or she has reviewed the terms and conditions of this Agreement and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Units subject to all the terms and conditions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Units do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units will vest and become non-forfeitable on the earliest to occur of the following (the “Vesting Date”):

- (a) as to the percentages of the Units specified contained in the vesting schedule hereof, on the respective dates specified contained in the vesting schedule hereof, provided Grantee remains in Continuous Status as a Participant on each vesting date specified therein; or
- (b) as to all of the Units, upon termination of Grantee’s Continuous Status as a Participant by reason of death or Disability; or
- (c) as to all of the Units, upon the occurrence of a Change in Control, unless the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control; or
- (d) as to all of the Units, if the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Grantee’s employment by the Company without Cause [or Grantee’s resignation for “Good Reason” (as defined below)] within one year after the effective date of the Change in Control.

If Grantee’s service terminates prior to the Vesting Date for any reason other than as described in (b) or (d) above, Grantee shall forfeit all right, title and interest in and to the unvested Units as of the date of such termination of service and the unvested Units will be reconveyed to the Company without further consideration or any act or action by Grantee. For purpose of Section 409A of the Code, any reference herein to Grantee’s “termination of Continuous Status as a Participant,” “termination of employment” or “termination of service” or similar words shall be interpreted to mean Grantee’s “separation from service” as defined in Code Section 409A and Treasury regulations and guidance with respect to such law. [For purposes of this Agreement, “Good Reason” shall mean any of the following, without Grantee’s consent: (i) a material diminution in Grantee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee’s authority, duties, or responsibilities; or (iii) the relocation of Grantee’s principal office to a location that is more than twenty-five (25) miles from the location of Grantee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee’s principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee’s principal place office being closer to Grantee’s then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]



4. Conversion to Stock. Unless the Units are forfeited prior to the Vesting Date as provided in Section 3 above, the Units will be converted to actual shares of Stock on the Vesting Date (the "Conversion Date"). Shares of Stock will be registered on the books of the Company in the street name of the broker designated by the Company as of the Conversion Date.

5. Dividend Equivalents. The Units shall not be entitled to dividend equivalents.

6. Restrictions on Transfer. No right or interest of Grantee in the Units may be pledged, hypothecated or otherwise encumbered to or in favor of any party other than the Company or an Affiliate, or be subjected to any lien, obligation or liability of Grantee to any other party other than the Company or an Affiliate. Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code; but the Committee may permit other transfers in accordance with the Plan.

7. Limitation of Rights. The Units do not confer to Grantee or Grantee's beneficiary any rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with the Units. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's service at any time, nor confer upon Grantee any right to continue in service of the Company or any Affiliate. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Units as a result of that termination or from the loss or diminution in value of such rights. The grant of the Units does not give Grantee any right to participate in any future grants of share incentive awards.

8. Payment of Taxes. Grantee will, no later than the date as of which any amount related to the Units first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind (including Grantee's FICA obligation) required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee. The withholding requirement may be satisfied, in whole or in part, at the election of the Company, 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 Company establishes.

9. Amendment. The Committee may amend, modify or terminate the Award and this Agreement without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Units hereunder had expired) on the date of such amendment or termination. Notwithstanding anything herein to the contrary, the Committee may, without Grantee's consent, amend or interpret this Agreement to the extent necessary to comply with Section 409A of the Code and Treasury regulations and guidance with respect to such law.

10. Plan Controls. The terms contained in the Plan shall be and are hereby incorporated into and made a part of this Agreement, and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. Severability. If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of the Award and this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Micron Technology, Inc., 8000 South Federal Way, Boise, Idaho 83706-9632; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address,

Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

**AMENDED AND RESTATED 2007 EQUITY INCENTIVE PLAN  
OPTION AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Option. The Company hereby grants to the Optionee named in the notice of grant (“Optionee”), under the Micron Technology, Inc. 2007 Equity Incentive Plan (the “Plan”), stock options to purchase from the Company (the “Options”), on the terms and on conditions set forth in this agreement (this “Agreement”), the number of shares indicated in the notice of grant of the Company’s \$0.10 par value common stock, at the exercise price per share set forth in the notice of grant. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Options, Optionee hereby acknowledges that he or she has reviewed these Terms and Conditions and the Plan, and is familiar with the provisions thereof. Optionee hereby accepts the Options subject to all the terms and provisions of this Agreement and the Plan. Optionee acknowledges that a Prospectus relating to the Plan was made available for review. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Optionee acknowledges that the grant and acceptance of the Options do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Vesting of Options. The Option shall vest (become exercisable) in accordance with the schedule shown in the notice of grant. Notwithstanding the foregoing vesting schedule, all Options shall become fully vested and exercisable (i) upon termination of Optionee’s Continuous Status as a Participant by reason of his or her death or Disability, (ii) upon a Change in Control, unless the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control; or (iii) if the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Optionee’s employment by the Company without Cause [or Optionee’s resignation for “Good Reason” (as defined herein)] within one year after the effective date of the Change in Control. [For purposes of this Agreement, “Good Reason” shall mean any of the following, without Optionee’s consent: (i) a material diminution in Optionee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Optionee’s authority, duties, or responsibilities; or (iii) the relocation of Optionee’s principal office to a location that is more than twenty-five (25) miles from the location of Optionee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Optionee’s principal office which is proposed or initiated by Optionee; or (B) any relocation that results in Optionee’s principal place office being closer to Optionee’s then-current principal residence. A termination by Optionee shall not constitute termination for Good Reason unless Optionee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Optionee within thirty (30) days following its receipt of such Good Reason Notice. Optionee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

4. Term of Options and Limitations on Right to Exercise. The term of the Options will be for a period of eight years, expiring at 5:00 p.m., Mountain Time, on the eighth anniversary of the Grant Date (the “Expiration Date”). To the extent not previously exercised, the Options will lapse prior to the Expiration Date upon the earliest to occur of the following circumstances:

(a) Thirty days after the termination of Optionee’s Continuous Status as a Participant for any reason other than by reason of Optionee’s death or Disability.

(b) Twelve months after termination of Optionee’s Continuous Status as Participant by reason of Disability.

(c) Twelve months after the date of Optionee’s death, if Optionee dies while employed. Upon Optionee’s death, the Options may be exercised by Optionee’s beneficiary designated pursuant to the Plan.

The Committee may, prior to the lapse of the Options under the circumstances described in paragraphs (a), (b) or (c) above, extend the time to exercise the Options as determined by the Committee in writing, but in no event beyond the Expiration Date. If Optionee or his or her beneficiary exercises an Option after termination of service, the Options may be exercised only with respect to the Shares that were otherwise vested on Optionee’s termination of service.

5. Exercise of Option. The Options shall be exercised by (a) written notice directed to the Global Stock Department of the Company or its designee at the address and in the form specified by the Company from time to time and (b) payment to the Company in full for the Shares subject to such exercise (unless the exercise is a broker-assisted cashless exercise, as described below). If the person exercising an Option is not Optionee, such person shall also deliver with the notice of exercise appropriate

proof of his or her right to exercise the Option. Payment for such Shares may be, in (a) cash, (b) Shares previously acquired by the purchaser, (c) withholding of Shares from the Option, or (d) any combination thereof, for the number of Shares specified in such written notice. The value of surrendered or withheld Shares for this purpose shall be the Fair Market Value as of the last trading day immediately prior to the exercise date. To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and any limitations as may be applied from time to time by the Committee (which need not be uniform), the Options may be exercised through a broker in a so-called “cashless exercise” whereby the broker sells the Option Shares on behalf of Optionee and delivers cash sales proceeds to the Company in payment of the exercise price. In such 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 by the settlement date.

6. Beneficiary Designation. Optionee may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of Optionee hereunder and to receive any distribution with respect to the Options upon Optionee’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights hereunder is subject to all terms and conditions of this Agreement and the Plan, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives Optionee, the Options may be exercised by the legal representative of Optionee’s estate, and payment shall be made to Optionee’s estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by Optionee at any time.

7. Withholding. The Company or any employer Affiliate has the authority and the right to deduct or withhold, or require Optionee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Optionee’s FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the exercise of the Options. The withholding requirement may be satisfied, in whole or in part, at the election of the Company, by withholding from the Options 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 Company establishes.

8. Limitation of Rights. The Options do not confer to Optionee or Optionee’s beneficiary designated pursuant to Section 6 any rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with the exercise of the Options. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Optionee’s service at any time, nor confer upon Optionee any right to continue in the service of the Company or any Affiliate. Optionee waives all and any rights to any compensation or damages for the termination of Optionee’s office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Optionee ceasing to have rights in relation to the Options as a result of that termination or from the loss or diminution in value of such rights. The grant of the Options does not give Optionee any right to participate in any future grants of share incentive awards.

9. Stock Reserve. The Company shall at all times during the term of this Agreement reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement.

10. Restrictions on Transfer and Pledge. No right or interest of Optionee in the Options 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 Optionee to any other party other than the Company or an Affiliate. The Options are not assignable or transferable by Optionee other than by will or the laws of descent and distribution or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Option under the Plan; provided, however, that the Committee may (but need not) permit other transfers. The Options may be exercised during the lifetime of Optionee only by Optionee or any permitted transferee.

11. Restrictions on Issuance of Shares. If at any time the Committee shall determine in its discretion, that registration, listing or qualification of the Shares covered by the Options upon any Exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the exercise of the Options, the Options may not be exercised in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

12. Amendment. The Committee may amend, modify or terminate the Award and this Agreement without approval of Optionee; provided, however, that such amendment, modification or termination shall not, without Optionee’s consent, reduce or diminish the value of this award determined as if it had been fully vested and exercised on the date of such amendment or termination (with the per-share value being calculated as the excess, if any, of the Fair Market Value over the exercise price of the Options).

13. Plan Controls. The terms and conditions contained in the Plan are incorporated into and made a part of this Agreement, and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict

between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

14. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

15. Severability. If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

16. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83716-9632, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Optionee. Notices to Optionee will be directed to the address of Optionee then currently on file with the Company, or at any other address given by Optionee in a written notice to the Company.

17. Data Processing. By accepting the Shares, Optionee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Optionee works or is employed, including to the United States.

**AMENDED AND RESTATED 2007 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AGREEMENT  
TERMS AND CONDITIONS**

1. Grant of Shares. The Company hereby grants to the Grantee named in the notice of award (“Grantee”), subject to the restrictions and the other terms and conditions set forth in the Micron Technology, Inc. 2007 Equity Incentive Plan (the “Plan”) and in this award agreement (this “Agreement”), the number of shares indicated in the notice of award of the Company’s \$0.10 par value common stock (the “Shares”). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. General Acknowledgements. By accepting the Shares, Grantee hereby acknowledges that he or she has reviewed these Terms and Conditions and the Plan, and is familiar with the provisions thereof. Grantee hereby accepts the Shares subject to all the terms and provisions of this Agreement and the Plan. Grantee acknowledges that a Prospectus relating to the Plan was made available for review. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan. Grantee acknowledges that the grant and acceptance of the Shares do not constitute an employment agreement and do not assure continuous employment with the Company or any of its Affiliates.

3. Restrictions. The Shares are subject to each of the following restrictions. “Restricted Shares” mean those Shares that are subject to the restrictions imposed hereunder and such restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If Grantee’s Continuous Status as a Participant terminates for any reason other than as set forth in paragraph (b) or (d) of Section 4 hereof, then Grantee shall forfeit all of Grantee’s right, title and interest in and to the Restricted Shares as of the date of termination of such service or employment, and such Restricted Shares shall revert to the Company without further consideration or any act or action by Grantee. The restrictions imposed under this Section shall apply to all shares of the Company’s common stock or other securities issued in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting or with respect to the Shares.

4. Expiration and Termination of Restrictions. The restrictions imposed under Section 3 will expire on the earliest to occur of the following (the period prior to such expiration being referred to herein as the “Restricted Period”):

- (a) on the respective expiration dates specified on the notice of award as to the number of Shares specified thereon; provided Grantee remains in Continuous Status as a Participant on each vesting date specified therein; or
- (b) as to all of the Shares, upon termination of Grantee’s Continuous Status as a Participant by reason of death or Disability; or
- (c) as to all of the Shares, upon the occurrence of a Change in Control, if the Shares are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control.
- (d) as to all of the Shares, if the Shares are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Grantee’s employment by the Company without Cause [or Grantee’s resignation for “Good Reason” (as defined below)] within one year after the effective date of the Change in Control.

[For purposes of this Agreement, “Good Reason” shall mean any of the following, without Grantee’s consent: (i) a material diminution in Grantee’s Base Salary (other than an across-the-board reduction in base salary that affects all peer employees); (ii) a material diminution in Grantee’s authority, duties, or responsibilities; or (iii) the relocation of Grantee’s principal office to a location that is more than twenty-five (25) miles from the location of Grantee’s principal office on the effective date of the Change in Control; provided, however, that Good Reason shall not include (A) any relocation of Grantee’s principal office which is proposed or initiated by Grantee; or (B) any relocation that results in Grantee’s principal place office being closer to Grantee’s then-current principal residence. A termination by Grantee shall not constitute termination for Good Reason unless Grantee shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than ninety (90) days after the initial occurrence of such event) (the “Good Reason Notice”), and the Company has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Grantee within thirty (30) days following its receipt of such Good Reason Notice. Grantee’s date of termination for Good Reason must occur within a period of three hundred and sixty five (365) days after the initial occurrence of an event of Good Reason.]

5. Delivery of Shares. The Shares will be registered in the name of Grantee as of the Grant Date and will be held by the Company during the Restricted Period in certificated or uncertificated form. If a certificate for Restricted Shares is issued during the Restricted Period with respect to such Shares, such certificate shall be registered in the name of Grantee and shall bear a legend in substantially

the following form: "This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Agreement between the registered owner of the shares represented hereby and Micron Technology, Inc. Release from such terms and conditions shall be made only in accordance with the provisions of such Agreement, copies of which are on file in the offices of Micron Technology, Inc." Stock certificates for the Shares, without the above legend, shall be delivered to Grantee or Grantee's designee upon request of Grantee after the expiration of the Restricted Period, but delivery may be postponed for such period as may be required for the Company with reasonable diligence to comply if deemed advisable by the Company, with registration requirements under the Securities Act of 1933, listing requirements under the rules of an Exchange, and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

6. Voting and Dividend Rights. Grantee, as beneficial owner of the Shares, shall have full voting rights with respect to the Shares during and after the Restricted Period. Grantee shall accrue cash and non-cash dividends, if any, paid with respect to the Restricted Shares, but the payment of such dividends shall be deferred and held (without interest) by the Company for the account of Grantee until the expiration of the Restricted Period. During the Restricted Period, such dividends shall be subject to the same vesting restrictions imposed under Section 3 as the Restricted Shares to which they relate. Accrued dividends deferred and held pursuant to the foregoing provision shall be paid by the Company to Grantee promptly upon the expiration of the Restricted Period (and in any event within thirty (30) days of the date of such expiration). If Grantee forfeits any rights he may have under this Agreement in accordance with Section 3, Grantee shall no longer have any rights as a shareholder with respect to the Restricted Shares or any interest therein and Grantee shall no longer be entitled to receive dividends on such stock.

7. Limitation of Rights. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's service at any time, nor confer upon Grantee any right to continue in service of the Company or any Affiliate. Grantee waives all and any rights to any compensation or damages for the termination of Grantee's office or employment with the Company or an Affiliate for any reason (including unlawful termination of employment) insofar as those rights arise from Grantee ceasing to have rights in relation to the Shares as a result of that termination or from the loss or diminution in value of such rights. The grant of the Shares does not give Grantee any right to participate in any future grants of share incentive awards.

8. Payment of Taxes. No later than 30 days after the date of grant of the Shares hereunder, Grantee may make an election to be taxed upon such award under Section 83(b) of the Code. Grantee will, no later than the date as of which any amount related to the Shares first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee. The withholding requirement may be satisfied, in whole or in part, at the election of the Company, by allowing Grantee to surrender to the Company a number of Shares from this Award 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 Company establishes.

9. Amendment. The Committee may amend, modify or terminate the Award and this Agreement without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this Award determined as if it had been fully vested on the date of such amendment or termination.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement, and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. Severability. If any one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to: Micron Technology, Inc., 8000 S. Federal Way, P.O. Box 6, Boise, ID 83716-9632, Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.



**MICRON TECHNOLOGY, INC.  
NONSTATUTORY STOCK OPTION PLAN**

1. Purposes of the Plan; Effective Date.

(a) 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.

(b) The Plan first became effective on [\_\_\_\_\_], 2016 (the "Effective Date").

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) "Cause" as a reason for an Optionee's termination of employment shall have the meaning assigned such term in the employment, consulting, severance or similar agreement, if any, between such Optionee and the Company or an Affiliate; provided, however, that if there is no such employment, consulting, severance or similar agreement in which such term is defined, and unless otherwise defined in the applicable Option Agreement, "Cause" shall mean any of the following acts by the Optionee, as determined by the Committee: (i) the commission by the Optionee of, or the Optionee's pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company or any of its Affiliates; (ii) the Optionee's engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, whether or not such act was committed in connection with the business of the Company or any of its Affiliates; (iii) the willful and repeated failure by the Optionee to follow the lawful directives of the Board or the Optionee's supervisor; (iv) any material violation of the Company's written policies; (v) any intentional misconduct by the Optionee in connection with the Company and any of its Affiliate's business or relating to the Optionee's duties, or any willful violation of any laws, rules or regulations; or (vi) the Optionee's material breach of any employment, severance, non-competition, non-solicitation, confidential information, or restrictive covenant agreement, or similar agreement, with the Company or an Affiliate. The determination of the Committee as to the existence of "Cause" shall be conclusive on the Optionee and the Company.

(f) "Change in Control" means "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 shareholders of the Company of a complete liquidation or dissolution of the Company.

(g) "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.

(h) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(i) "Common Stock" means the Common Stock of the Company.

(j) "Company." means Micron Technology, Inc., a Delaware corporation.

(k) "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.

(l) “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.

(m) “Director” means a member of the Board.

(n) “Disability” or “Disabled” means the applicable authorized party under the long-term disability plan (the “LTD Plan”) maintained by the Employee’s employer (either the Company or an Affiliate) has provided written notification that the Employee qualifies for disability benefits under the LTD Plan (a “Disability Notice”). If the Employee is not eligible for disability benefits under any applicable LTD Plan, then the Employee shall not qualify as Disabled under this Plan.

(o) “Employee” means any person, except Officers and Directors, employed by the Company or any parent, subsidiary or Affiliate of the Company.

(p) “Exchange” means any national securities exchange or national market system on which the Common Stock may from time to time be listed or traded.

(q) “Fair Market Value” of the Common Stock, on any date, means: (i) if the Common Stock is listed or traded on any Exchange, the closing price for such Common 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 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 Committee 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 the 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 Committee deems reliable, or (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.

(r) “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.

(s) “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.

(t) “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.

(u) “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.

(v) “Optioned Stock” means the Common Stock subject to an Option.

(w) “Optionee” means an Employee or Consultant who holds an outstanding Option.

(x) “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.

(y) “Plan” means this Nonstatutory Stock Option Plan.

(z) “Share” means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

(aa) “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.

(bb) “1933 Act” means the Securities Act of 1933, as amended from time to time.

(cc) “1934 Act” means the Securities Exchange Act of 1934, as amended from time to time.

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, 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 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 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;
- (xii) 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 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
- (xiii) 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 Optionee 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. The provisions of this Section 12(d) shall apply in the case of a Change in Control, unless otherwise provided in the Option Agreement or any special Plan document or separate agreement with an Optionee governing an Option.

(i) With respect to Options assumed by the surviving corporation in a Change in Control or otherwise equitably converted or substituted in connection with a Change in Control: if within one year after the effective date of the Change in Control, an Optionee's employment is terminated without Cause, then each of that Optionee's outstanding Options shall become vested and fully exercisable as of the date of termination. Any Options shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Option Agreement.

(ii) Upon the occurrence of a Change in Control, and except with respect to any Options assumed by the surviving corporation in the Change in Control or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board: all outstanding Options shall become vested and fully exercisable as of the effective date of the Change in Control.

(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, an 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 an 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 an 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.

**NONSTATUTORY STOCK OPTION PLAN  
TERMS AND CONDITIONS**

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

**I. OPTIONEE**

The Optionee named in the notice of grant has been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Nonstatutory Stock Option Plan (the “Plan”), and this Option Agreement.

**II. AGREEMENT**

1. Grant of Option. The Plan Administrator of the Company hereby grants to the Optionee (the “Optionee”), an option (the “Option”) to purchase the number of Shares, as set forth in the notice of grant, at the exercise price per share set forth in the notice of grant (the “Exercise Price”), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 14(b) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the vesting schedule set out in the notice of grant and the applicable provisions of the Plan and this Option Agreement. Notwithstanding the foregoing vesting schedule, this Option shall become fully vested and exercisable (i) upon a Change in Control, unless the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control; or (ii) if the Options are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, upon the termination of Optionee’s employment by the Company without Cause within one year after the effective date of the Change in Control. In the event of the termination of Optionee’s employment with the Company by reason of his or her death or Disability or other termination of Optionee’s employment, the exercisability of the Option is governed by the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, substantially in a form approved by the Company (the “Exercise Notice”), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “Exercise Shares”), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the Exercise Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercise Shares.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check; or,

(c) 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 of loan proceeds required to pay the exercise price.

4. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of

the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option. The term of the Option will be for a period of eight years, expiring at 5:00 p.m., Mountain Time, on the eighth anniversary of the Grant Date (the "Expiration Date"). To the extent not previously exercised, the Options will lapse prior to the Expiration Date upon the earliest to occur of the following circumstances:

(a) Thirty days after the termination of Optionee's Continuous Status as an Employee or Consultant for any reason other than by reason of Optionee's death or Disability.

(b) Twelve months after termination of Optionee's Continuous Status as an Employee or Consultant by reason of Disability.

(c) Twelve months after the date of Optionee's death, if Optionee dies while in Continuous Status as an Employee or Consultant. Upon Optionee's death, the Options may be exercised by Optionee's beneficiary designated pursuant to the Plan.

6. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan, this Option Agreement and the n notice of grant constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by Delaware law except for that body of law pertaining to conflict of laws.

7. Data Processing. By accepting the Shares, Grantee gives explicit consent to the Company and other persons who administer the Plan to process and use all personal data relevant to Plan administration, including without limitation his or her name, address, Social Security Number or other applicable tax identification number, and bank and brokerage account details, and to the transfer of any such personal data outside the country in which Grantee works or is employed, including to the United States.

8. Acknowledgments. By acceptance of this Option Agreement, Optionee acknowledges and agrees that:

(i) the Option is granted under and governed by the terms and conditions of the Plan, this Option Agreement and the notice of grant;

(ii) he or she has reviewed in entirety, and fully understands all provisions of, the Plan, this Option Agreement and the notice of grant;

(iii) he or she agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement;

(iv) he or she will notify the Company upon any change in the Optionee's residence address by contacting the Company's Stock Administration Department;

(v) the grant or acceptance of this Option does not constitute an employment agreement and does not assure continuous employment with the Company or its Affiliates.

**MICRON TECHNOLOGY, INC.**  
**SUBSIDIARIES OF THE REGISTRANT\***

<b>Name</b>	<b>State (or Jurisdiction) in which Organized</b>
IM Flash Technologies, LLC	Delaware
Micron Asia Pacific B.V.	Netherlands
Micron Consumer Products Group, Ltd.	Delaware
Micron Europe Limited <sup>(1)</sup>	United Kingdom
Micron International B.V.	Netherlands
Micron Japan, Ltd. <sup>(1)</sup>	Japan
Micron Memory Japan, Inc.	Japan
Micron Memory Taiwan Co., Ltd.	Taiwan
Micron Technology B.V.	Netherlands
Micron Semiconductor Asia, LLC	Delaware
Micron Semiconductor Asia Pte. Ltd. <sup>(1)</sup>	Singapore
Micron Semiconductor B.V.	Netherlands
Micron Semiconductor Products, Inc. <sup>(1)</sup>	Idaho
Micron Semiconductor (Xi'an) Co., Ltd.	China
Numonyx Holdings B.V.	Netherlands

<sup>(1)</sup> Also does business as Micron Consumer Products Group

\* The above list of subsidiaries of Micron Technology, Inc. omitted subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of the end of the year covered by this report.

**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, 333-190010, 333-196293, 333-203467) of Micron Technology, Inc. of our report dated October 28, 2016 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
San Jose, CA  
October 28, 2016

**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 28, 2016

/s/ D. Mark Durcan

D. Mark Durcan  
Chief Executive Officer

**RULE 13a-14(a) CERTIFICATION OF  
CHIEF FINANCIAL OFFICER**

I, Ernest E. Maddock, 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 28, 2016

/s/ Ernest E. Maddock

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Ernest E. Maddock

Chief Financial Officer and Vice President, Finance

**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 September 1, 2016, 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 28, 2016

/s/ D. Mark Durcan

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D. Mark Durcan

Chief Executive Officer



**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. 1350**

I, Ernest E. Maddock, 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 September 1, 2016, 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 28, 2016

/s/ Ernest E. Maddock

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Ernest E. Maddock

Chief Financial Officer and Vice President, Finance