

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

FORM 10-Q

(Mark One)

☒

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

For the quarterly period ended June 3, 2010

OR

☐

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

For the transition period from to

Commission file number 1-10658

Micron Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

75-1618004

(IRS Employer
Identification No.)

8000 S. Federal Way, Boise, Idaho

(Address of principal executive offices)

83716-9632

(Zip Code)

Registrant's telephone number, including area code

(208) 368-4000

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 Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

(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 number of outstanding shares of the registrant's common stock as of July 8, 2010 was 994,171,461.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions except per share amounts)

(Unaudited)

	Quarter Ended		Nine Months Ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Net sales	\$ 2,288	\$ 1,106	\$ 5,989	\$ 3,501
Cost of goods sold	1,440	999	4,056	4,110
Gross margin	848	107	1,933	(609)
Selling, general and administrative	190	80	387	272
Research and development	142	162	427	508
Restructure	(5)	19	(7)	58
Goodwill impairment	--	--	--	58
Other operating (income) expense, net	(19)	92	(30)	122
Operating income (loss)	540	(246)	1,156	(1,627)
Gain from acquisition of Numonyx	437	--	437	--
Interest income	4	6	8	20
Interest expense	(44)	(49)	(137)	(137)
Other non-operating income (expense), net	1	(4)	56	(15)
	938	(293)	1,520	(1,759)
Income tax (provision) benefit	41	4	44	(14)
Equity in net income (losses) of equity method investees, net of tax	(19)	(45)	(23)	(106)
Net income (loss)	960	(334)	1,541	(1,879)
Net (income) loss attributable to noncontrolling interests	(21)	33	(33)	97
Net income (loss) attributable to Micron	<u>\$ 939</u>	<u>\$ (301)</u>	<u>\$ 1,508</u>	<u>\$ (1,782)</u>
Earnings (loss) per share:				
Basic	\$ 1.06	\$ (0.37)	\$ 1.75	\$ (2.27)
Diluted	0.92	(0.37)	1.55	(2.27)
Number of shares used in per share calculations:				
Basic	885.4	813.3	860.0	786.5
Diluted	1,049.4	813.3	1,019.7	786.5

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

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

As of	June 3, 2010	September 3, 2009
Assets		
Cash and equivalents	\$ 2,313	\$ 1,485
Receivables	1,568	798
Inventories	1,747	987
Other current assets	96	74
Total current assets	5,724	3,344
Intangible assets, net	341	344
Property, plant and equipment, net	6,635	7,089
Equity method investments	1,010	315
Other noncurrent assets	667	367
Total assets	<u>\$ 14,377</u>	<u>\$ 11,459</u>
Liabilities and equity		
Accounts payable and accrued expenses	\$ 1,492	\$ 1,037
Deferred income	244	209
Equipment purchase contracts	223	222
Current portion of long-term debt	652	424
Total current liabilities	2,611	1,892
Long-term debt	1,717	2,379
Other noncurrent liabilities	582	249
Total liabilities	<u>4,910</u>	<u>4,520</u>
Commitments and contingencies		
Micron shareholders' equity:		
Common stock, \$0.10 par value, authorized 3,000 million shares, issued and outstanding 993.9 million and 848.7 million shares, respectively	99	85
Additional capital	8,441	7,257
Accumulated deficit	(877)	(2,385)
Accumulated other comprehensive income (loss)	17	(4)
Total Micron shareholders' equity	7,680	4,953
Noncontrolling interests in subsidiaries	1,787	1,986
Total equity	<u>9,467</u>	<u>6,939</u>
Total liabilities and equity	<u>\$ 14,377</u>	<u>\$ 11,459</u>

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(Unaudited)

Nine months ended	June 3, 2010	June 4, 2009
Cash flows from operating activities		
Net income (loss)	\$ 1,541	\$ (1,879)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,474	1,683
Stock-based compensation	73	34
Equity in net losses of equity method investees	23	106
Provision to write down inventories to estimated market values	16	603
Gain from acquisition of Numonyx	(437)	--
Gain from Inotera stock issuance	(56)	--
Noncash restructure charges (credits)	(14)	157
(Gain) loss from disposition of property, plant and equipment, net	(10)	55
Goodwill impairment	--	58
Loss on write-down of Aptina imaging assets	--	53
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(556)	224
Increase in inventories	(88)	(311)
Increase (decrease) in accounts payable and accrued expenses	165	(6)
Decrease in customer prepayments	(143)	(44)
Increase in deferred income	28	71
Other	3	45
Net cash provided by operating activities	<u>2,019</u>	<u>849</u>
Cash flows from investing activities		
Expenditures for property, plant and equipment	(269)	(439)
Acquisitions of equity method investments	(151)	(408)
Cash acquired from acquisition of Numonyx	95	--
Proceeds from sales of property, plant and equipment	86	13
(Increase) decrease in restricted cash	10	(57)
Proceeds from maturities of available-for-sale securities	--	130
Other	10	80
Net cash used for investing activities	<u>(219)</u>	<u>(681)</u>
Cash flows from financing activities		
Repayments of debt	(748)	(373)
Distributions to noncontrolling interests	(244)	(592)
Payments on equipment purchase contracts	(199)	(127)
Proceeds from debt	200	716
Cash received from noncontrolling interests	24	24
Proceeds from issuance of common stock, net of costs	7	276
Other	(12)	(29)
Net cash used for financing activities	<u>(972)</u>	<u>(105)</u>
Net increase in cash and equivalents	828	63
Cash and equivalents at beginning of period	1,485	1,243
Cash and equivalents at end of period	<u>\$ 2,313</u>	<u>\$ 1,306</u>
Supplemental disclosures		
Income taxes refunded (paid), net	\$ 11	\$ (14)
Interest paid, net of amounts capitalized	(85)	(87)
Noncash investing and financing activities:		
Stock and restricted stock units issued in acquisition of Numonyx	1,112	--
Equipment acquisitions on contracts payable and capital leases	281	305
Acquisition of interest in Transform	65	--

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in millions except per share amounts)

(Unaudited)

Business and Significant Accounting Policies

Basis of presentation: Micron Technology, Inc. and its consolidated subsidiaries (hereinafter referred to collectively as the “Company”) is a global manufacturer and marketer of semiconductor devices, principally DRAM, NAND Flash and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, embedded and mobile products. In addition, the Company manufactures CMOS image sensors and other semiconductor products. The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in the Company’s Annual Report on Form 10-K for the year ended September 3, 2009, except for changes resulting from the adoption of new accounting standards for convertible debt and noncontrolling interests. Prior year amounts and balances have been retrospectively adjusted to reflect the adoption of these new accounting standards. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the consolidated financial position of the Company and its consolidated results of operations and cash flows. (See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In the third quarter of 2010, the Company added a new reportable segment as a result of the acquisition of Numonyx and has two reportable segments, Memory and Numonyx. The Company included the former Numonyx business as a reportable segment since its acquisition on May 7, 2010. The primary products of the Memory segment are DRAM and NAND Flash memory and the primary products of the Numonyx segment are NOR Flash, NAND Flash, DRAM and Phase Change non-volatile memory.

The Company’s fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. The Company’s fiscal 2010 contains 52 weeks and the third quarter and first nine months of fiscal 2010, which ended on June 3, 2010, contained 13 weeks and 39 weeks, respectively. The Company’s fiscal 2009, which ended on September 3, 2009, contained 53 weeks and the third quarter and first nine months of fiscal 2009 contained 13 weeks and 40 weeks, respectively. All period references are to the Company’s fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended September 3, 2009 and in the Company’s report on Form 8-K filed on March 4, 2010.

Recently adopted accounting standards: In May 2008, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. This standard requires that issuers of these types of convertible debt instruments separately account for the liability and equity components of such instruments in a manner such that interest cost is recognized at the entity’s nonconvertible debt borrowing rate in subsequent periods. The Company adopted this standard as of the beginning of 2010 and retrospectively accounted for its \$1.3 billion 1.875% convertible senior notes under the provisions of this guidance from the May 2007 issuance date of the notes. As a result, prior financial statement amounts were recast. (See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In December 2007, the FASB issued a new accounting standard on noncontrolling interests in consolidated financial statements. This standard requires that (1) noncontrolling interests be reported as a separate component of equity, (2) net income attributable to the parent and to the noncontrolling interest be separately identified in the statement of operations, (3) changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and (4) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. The Company adopted this standard as of the beginning of 2010. As a result, prior financial statement amounts were recast. □ 60;(See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In December 2007, the FASB issued a new accounting standard on business combinations, which establishes the principles and requirements for how an acquirer (1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose. The Company adopted this standard effective as of the beginning of 2010. The initial adoption did not have a significant impact on the Company's financial statements. The acquisition of Numonyx was accounted for under the provisions of this new standard.

In September 2006, the FASB issued a new accounting standard on fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company adopted this standard effective as of the beginning of 2009 for financial assets and financial liabilities. The Company adopted this standard effective as of the beginning of 2010 for all other assets and liabilities. The adoptions did not have a significant impact on the Company's financial statements.

Recently issued accounting standards: In June 2009, the FASB issued a new accounting standard on variable interest entities which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise's involvement in variable interest entities. The Company is required to adopt this standard as of the beginning of 2011. The Company is evaluating the impact the adoption of this standard will have on its financial statements.

Numonyx Holdings B.V.

On May 7, 2010, the Company completed its acquisition of Numonyx Holdings B.V. ("Numonyx"), which manufactures and sells NOR Flash, NAND Flash, DRAM and Phase Change non-volatile memory technologies and products. The Company acquired Numonyx to further strengthen the Company's portfolio of memory products, increase manufacturing and revenue scale, access Numonyx's customer base and provide opportunities to increase multi-chip offerings in the embedded and mobile markets. In connection therewith, the Company issued 137.7 million shares of the Company's common stock in exchange for all of the outstanding Numonyx capital stock and issued 4.8 million restricted stock units to employees of Numonyx in exchange for all of their outstanding restricted stock units. The total fair value of the consideration the Company paid for Numonyx was \$1,112 million and consisted of \$1,091 million for the shares issued to the Numonyx shareholders and \$21 million for the restricted stock units issued to employees of Numonyx. The fair value of the consideration was determined based on the trading price of the Company's common shares on the acquisition date discounted for the resale restrictions on the shares. Of the shares issued to the Numonyx shareholders, 21.0 million were placed in escrow as partial security for the Numonyx shareholders' indemnity obligations resulting from the acquisition. The shares in escrow may be sold after November 6, 2010, but the proceeds from any sale remain in escrow until May 7, 2011, at which time the escrow assets are payable to the Numonyx shareholders, net of any indemnification claims from the Company. 160; Included in the selling, general and administrative expenses in the results of operations for the third quarter and first nine months of 2010 are transaction costs of \$12 million and \$19 million, respectively, incurred in connection with this acquisition.

The Company provisionally determined the assets and liabilities of Numonyx based on fair values as of May 7, 2010 utilizing an in-exchange model. Because the purchase price was less than the fair value of net assets of Numonyx, the Company recognized a preliminary gain on the acquisition of \$437 million. The Company believes the gain realized in acquisition accounting was the result of a number of factors, including the following: significant losses recognized by Numonyx during the recent downturn in the semiconductor memory industry; substantial volatility in Numonyx's primary markets; market perceptions that future opportunities for Numonyx products in certain markets are limited; the liquidity afforded to the sellers as a result of the limited opportunities to realize the value of their investment in Numonyx; and potential gains to the sellers through their investment in the Company's equity from synergies between Numonyx and the Company. The consideration and provisional valuation of assets acquired and liabilities assumed were as follows:

Consideration:

Fair value of common stock issued	\$	1,091
Fair value of restricted stock units issued		21
	\$	<u>1,112</u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash and equivalents	\$	95
Receivables		256
Inventories		689
Other current assets		28
Intangible assets		29
Property, plant and equipment		344
Equity method investment		414
Other noncurrent assets		307
Accounts payable and accrued expenses		(310)
Other current liabilities		(5)
Other noncurrent liabilities		(298)
Total net assets acquired		<u>1,549</u>
Gain on acquisition		(437)
	\$	<u>1,112</u>

Other noncurrent liabilities in the table above include contingent liabilities of \$66 million for uncertain tax positions (a significant portion for which the Company has recorded an indemnification asset in other noncurrent assets in the table above) and \$15 million for the Company's obligation, subject to certain conditions, to guarantee certain debt of Hynix-Numonyx Semiconductor Ltd., an acquired equity method investment. These amounts were estimated based on the present value of probability-weighted cash flows. The Company's results of operations for the third quarter and first nine months of 2010 include \$80 million of net sales and \$21 million of operating losses from the Numonyx operations after the May 7, 2010 acquisition date. (See "Equity Method Investments – Hynix JV" note.)

The following unaudited pro forma financial information presents the combined results of operations of the Company and Numonyx as if the companies were combined as of the beginning of 2009. The pro forma financial information includes the accounting affects of the business combination, including the adjustment of amortization of intangible assets, depreciation of property, plant and equipment, interest expense and elimination of intercompany sales, as if the companies were actually combined as of the beginning of 2009. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the companies been combined as of the beginning of 2009.

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Net sales	\$ 2,781	\$ 1,447	\$ 7,489	\$ 4,873
Net income (loss)	987	(402)	1,538	(2,045)
Net income (loss) attributable to Micron	966	(368)	1,505	(1,948)
Earnings (loss) per share:				
Basic	\$ 0.98	\$ (0.40)	\$ 1.53	\$ (2.16)
Diluted	0.86	(0.40)	1.38	(2.16)

The unaudited pro forma financial information for the three and nine month periods ended June 3, 2010 includes the results of the Company for the periods ended June 3, 2010 and the results of Numonyx, including the adjustments described above, for the three and nine month periods ended March 27, 2010. The three and nine month periods ended June 4, 2009 includes the results of the Company for the periods ended June 4, 2009 and the results of Numonyx, including the adjustments described above, for the three and nine month periods ended March 28, 2009.

Supplemental Balance Sheet Information

Receivables	June 3, 2010	September 3, 2009
Trade receivables (net of allowance for doubtful accounts of \$5 million and \$5 million, respectively)	\$ 1,237	\$ 591
Income and other taxes receivable	117	49
Related party receivables	65	70
Other	149	88
	<u>\$ 1,568</u>	<u>\$ 798</u>

As of June 3, 2010, related party receivables included \$60 million due from Aptina Imaging Corporation (“Aptina”) under a wafer supply agreement for image sensor products, \$3 million due from Inotera Memories, Inc. (“Inotera”) for reimbursement of expenses incurred under a technology transfer and cost sharing agreement and \$2 million due from Transform Solar Pty Limited for transition services and photovoltaic product development activities. As of September 3, 2009, related party receivables included \$69 million due from Aptina under a wafer supply agreement for image sensor products and \$1 million due from Inotera for reimbursement of expenses incurred under a technology transfer agreement.

As of June 3, 2010 and September 3, 2009, other receivables included \$30 million and \$29 million, respectively, due from Intel Corporation (“Intel”) for amounts related to NAND Flash product design and process development activities.

Inventories	June 3, 2010	September 3, 2009
Finished goods	\$ 475	\$ 233
Work in process	1,161	649
Raw materials and supplies	111	105
	<u>\$ 1,747</u>	<u>\$ 987</u>

The Company’s results of operations for the second and first quarters of 2009 included charges of \$234 million and \$369 million, respectively, to write down the carrying value of work in process and finished goods inventories of memory products (both DRAM and NAND Flash) to their estimated market values.

Intangible Assets

	June 3, 2010		September 3, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	\$ 420	\$ (171)	\$ 439	\$ (181)
Customer relationships	127	(62)	127	(50)
Other	51	(24)	28	(19)
	<u>\$ 598</u>	<u>\$ (257)</u>	<u>\$ 594</u>	<u>\$ (250)</u>

During the first nine months of 2010 and 2009, the Company capitalized \$27 million and \$82 million, respectively, for product and process technology with weighted-average useful lives of 9 years. In addition, in connection with the acquisition of Numonyx, the Company recorded other intangible assets of \$29 million related to a supply agreement, which is being amortized through the expected remaining term of the agreement of August 2010. (See “Numonyx Holdings B.V.” note.)

Amortization expense for intangible assets was \$23 million and \$57 million for the third quarter and first nine months of 2010, respectively, and \$18 million and \$58 million for the third quarter and first nine months of 2009, respectively. Annual amortization expense for intangible assets is estimated to be \$96 million for 2010, \$65 million for 2011, \$57 million for 2012, \$53 million for 2013 and \$45 million for 2014.

Property, Plant and Equipment	June 3, 2010	September 3, 2009
Land	\$ 95	\$ 96
Buildings	4,391	4,473
Equipment	12,630	11,834
Construction in progress	62	47
Software	269	268
	17,447	16,718
Accumulated depreciation	(10,812)	(9,629)
	<u>\$ 6,635</u>	<u>\$ 7,089</u>

Depreciation expense was \$453 million and \$1,356 million for the third quarter and first nine months of 2010, respectively, and \$488 million and \$1,572 million for the third quarter and first nine months of 2009, respectively.

The Company, through its IM Flash joint venture, has an unequipped wafer fabrication facility in Singapore that was completed in the first quarter of 2009 but had been idle through the first quarter of 2010. The Company has been recording depreciation expense for the facility since its completion and its net book value was \$605 million as of June 3, 2010. In the second quarter of 2010, IM Flash began moving forward with start-up activities at the Singapore wafer fabrication facility, including placing purchase orders and preparing the facility for tool installations expected to commence in 2011.

As of June 3, 2010 and September 3, 2009, other noncurrent assets included \$137 million and \$81 million, respectively, for buildings, equipment and related assets classified as held for sale. Assets held for sale as of June 3, 2010 include a facility in Catania, Italy acquired in connection with the Numonyx acquisition. In July 2010, the Company transferred title to the Catania facility to STMicroelectronics N.V. in exchange for consideration of \$78 million.

Goodwill

In the second quarter of 2009, the Company's imaging operations (the primary component of All Other segment) experienced a severe decline in sales, margins and profitability due to a significant decline in demand as a result of the downturn in global economic conditions. The drop in market demand resulted in significant declines in average selling prices and unit sales. Due to these market and economic conditions, the Company's imaging operations and its competitors experienced significant declines in market value. Accordingly, in the second quarter of 2009, the Company performed an assessment of its imaging operations segment goodwill for impairment. Based on this assessment, the Company wrote off all of the \$58 million of goodwill as associated with its imaging operations as of March 5, 2009.

Equity Method Investments

	June 3, 2010		September 3, 2009	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Inotera	\$ 442	29.9%	\$ 229	29.8%
MeiYa	45	50.0%	42	50.0%
Hynix JV	417	20.7%	--	--
Transform	74	50.0%	--	--
Aptina	32	35.0%	44	35.0%
	<u>\$ 1,010</u>		<u>\$ 315</u>	

The Company has partnered with Nanya Technology Corporation ("Nanya") in two Taiwan DRAM memory companies, Inotera Memories, Inc. ("Inotera") and MeiYa Technology Corporation ("MeiYa"), which are accounted for by the Company as equity method investments. In connection with the Numonyx acquisition on May 7, 2010, the Company acquired an equity method investment in Hynix-Numonyx Semiconductor Ltd. (the "Hynix JV"), a manufacturer of semiconductor memory products. Additionally, the Company has equity method investments in Aptina Imaging Corporation ("Aptina"), a CMOS imaging company, and in Transform Solar Pty Limited ("Transform"), a joint venture to develop and manufacture photovoltaic products.

DRAM joint ventures with Nanya: The Company has a partnering arrangement with Nanya pursuant to which the Company and Nanya jointly develop process technology and designs to manufacture stack DRAM products. In addition, the Company has deployed and licensed certain intellectual property related to the manufacture of stack DRAM products to Nanya and licensed certain intellectual property from Nanya. The Company recognized \$13 million and \$65 million of license revenue from this arrangement during the third quarter and first nine months of 2010, respectively, and recognized \$25 million and \$79 million during the third quarter and first nine months of 2009, respectively. The Company has recognized \$207 million of cumulative license revenue from this arrangement from May 2008 through April 2010. Under a cost sharing arrangement effective in April, 2010, the Company and Nanya began sharing equally in DRAM development costs and the Company's research and development costs were reduced by \$24 million in the third quarter of 2010 due to this cost sharing agreement. In addition, in the third quarter of 2010, the Company received \$2 million of royalties from Nanya for sales of stack DRAM products manufactured by or for Nanya on process nodes of 50nm or higher and will continue to receive royalties from Nanya associated with previously developed technology.

The Company has concluded that both Inotera and MeiYa are variable interest entities because of the Inotera and MeiYa supply agreements with the Company and Nanya. Nanya and the Company are considered related parties under the accounting standards for consolidating variable interest entities. The Company reviewed several factors to determine whether it is the primary beneficiary of Inotera and MeiYa, including the size and nature of the entities' operations relative to Nanya and the Company, the nature of day-to-day operations and certain other factors. Based on those factors, the Company determined that Nanya is more closely associated with, and therefore the primary beneficiary of, Inotera and MeiYa. The Company accounts for its interests using the equity method of accounting and does not consolidate these entities. The Company recognizes its share of earnings or losses from these entities on a two-month lag.

Inotera: In the first quarter of 2009, the Company acquired a 35.5% ownership interest in Inotera, a publicly-traded entity in Taiwan, from Qimonda AG ("Qimonda"). On August 3, 2009, Inotera sold 640 million common shares in a public offering at a price equal to 16.02 New Taiwan dollars per common share (approximately \$0.49 U.S. dollars on August 3, 2009). As a result of the share issuance, the Company's equity interest in Inotera decreased from 35.5% to 29.8% and the Company recognized a gain of \$56 million in the first quarter of 2010. On February 6, 2010, as part of another offering of 640 million common shares, the Company and Nanya each paid \$138 million to purchase approximately 196 million shares each, slightly increasing the Company's equity interest in Inotera from 29.8% to 29.9%. As of June 3, 2010, the ownership of Inotera was held 30.0% by Nanya, 29.9% by the Company and the balance was publicly held.

The Company's carrying value of its initial investment in Inotera is less than its proportionate share of Inotera's equity. This difference is being amortized as a credit to earnings in the Company's statement of operations through equity in net income (losses) of equity method investees (the "Inotera Amortization"). The Company's results of operations for the third quarter and first nine months of 2010 include \$14 million and \$38 million, respectively, of Inotera Amortization and its results of operations for the third quarter and first nine months of 2009 include \$15 million and \$23 million, respectively, of Inotera Amortization. During the third quarter of 2009, the Company received \$50 million from Inotera pursuant to the terms of a technology transfer agreement and, in connection therewith, recognized \$3 million and \$13 million of revenue in the third quarter and first nine months of 2010, respectively. The \$56 million gain recognized in the first quarter of 2010 on Inotera's issuance of shares included \$33 million of accelerated Inotera Amortization. As of June 3, 2010, \$138 million of Inotera Amortization remained to be recognized over a weighted-average period of 4 years.

In connection with the Company's initial acquisition of shares in Inotera, the Company and Nanya entered into a supply agreement with Inotera (the "Inotera Supply Agreement") pursuant to which Inotera will sell trench and stack DRAM products to the Company and Nanya. The cost to the Company of wafers purchased under the Inotera Supply Agreement is based on a margin sharing formula among the Company, Nanya and Inotera. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as the Company's and Nanya's selling prices for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers from Inotera. The Company has rights and obligations to purchase up to 50% of Inotera's wafer production capacity. In the third quarter and first nine months of 2010, the Company purchased \$188 million and \$543 million, respectively, of DRAM products (substantially all of which were trench technologies) from Inotera under the Inotera Supply Agreement.

During the second quarter of 2009, Qimonda filed for bankruptcy and defaulted on its obligations to purchase trench DRAM products from Inotera under a separate supply agreement between Inotera and Qimonda ("the Qimonda Supply Agreement"). Pursuant to the Company's obligations under the Inotera Supply Agreement, the Company's purchase obligation includes purchasing Inotera's trench DRAM capacity, less any trench DRAM products sold to Qimonda pursuant to the Qimonda Supply Agreement. As a result, the Company recorded \$14 million and \$65 million in cost of goods sold in the third quarter and first nine months of 2009 for its obligations to Inotera as a result of Qimonda's default.

The Company's results of operations for the third quarter and first nine months of 2010 include losses of \$4 million and \$3 million, respectively, and its results of operations for the third quarter and first nine months of 2009 include losses of \$43 million and \$99 million, respectively, from its equity interest in Inotera.

The Company recorded gains (losses) to other comprehensive income (loss) for translation adjustments on its investment in Inotera of \$7 million and \$17 million for the third quarter and first nine months of 2010, respectively, and \$(19) million and \$(18) million for the third quarter and first nine months of 2009, respectively. As of June 3, 2010, there was a gain of \$14 million in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheet for cumulative translation adjustments on the Company's equity interest in Inotera. Based on the closing trading price of Inotera's shares in an active market on June 3, 2010, the market value of the Company's equity interest in Inotera was \$819 million.

As of June 3, 2010, the Company's maximum exposure to loss on its equity interest in Inotera equaled the \$428 million recorded in the consolidated balance sheet for its investment in Inotera (which includes the \$14 million gain in accumulated other comprehensive income (loss)). The Company may also incur losses in connection with its obligations under the Inotera Supply Agreement to purchase up to 50% of Inotera's wafer production under a long-term pricing arrangement.

MeiYa: The Company and Nanya formed MeiYa in the fourth quarter of 2008. In connection with the acquisition of its equity interest in Inotera, the Company entered into a series of agreements with Nanya pursuant to which both parties ceased future funding of, and resource commitments to, MeiYa. In addition, MeiYa has sold substantially all of its assets to Inotera. As of June 3, 2010, the ownership of MeiYa was held 50% by Nanya and 50% by the Company. The Company's results of operations for the third quarter and first nine months of 2010 include gains of \$1 million and its results of operation s for the third quarter and first nine months of 2009 include losses of \$2 million and \$7 million, respectively, from its equity interest in MeiYa. The Company recorded gains (losses) to other comprehensive income (loss) for translation adjustments on its investment in MeiYa of \$1 million and \$2 million for the third quarter and first nine months of 2010, respectively, and \$(3) million and \$(8) million for the third quarter and first nine months of 2009, respectively. As of June 3, 2010, there was \$(4) million in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheet for cumulative translation adjustments on the Company's equity interest in MeiYa.

As of June 3, 2010, the Company's maximum exposure to loss on its MeiYa equity interest equaled the \$49 million recorded in the Company's consolidated balance sheet for its investment in MeiYa (which includes the \$(4) million loss in accumulated other comprehensive income (loss)).

Hynix JV: In connection with the Company's acquisition of Numonyx, the Company acquired a 20.7% noncontrolling interest in Hynix-Numonyx Semiconductor Ltd. (the "Hynix JV"), a joint venture with Hynix Semiconductor, Inc. ("Hynix") and Hynix Semiconductor (WUXI) Limited. The Hynix JV was formed pursuant to a joint venture agreement originally entered into between STMicroelectronics N.V. ("ST") and Hynix prior to the formation of Numonyx (as amended and restated, the "JV Agreement"). (See "Numonyx Holdings B.V." note.)

Under the terms of the JV Agreement, the change in control of Numonyx due to its acquisition by the Company gave rise to certain rights of the parties to the JV Agreement to buy or sell or cause the other party to buy or sell their equity interests in the Hynix JV, including the right of Hynix to purchase all of the Company's equity interest in the Hynix JV (the "Hynix Call Option"). Pursuant to the JV Agreement, the exercise price of the Hynix Call Option is an amount equal to the positive difference between the book value of the Hynix JV's total assets and the book value of the Hynix JV's total liabilities, multiplied by the Company's percentage ownership in the Hynix JV, estimated to be approximately \$425 million. On May 28, 2010, Hynix gave notice to the Company of its exercise of the Hynix Call Option to acquire the Company's 20.7% interest in the Hynix JV, subject to regulatory approval. The consummation of the equity transfer is expected to take place prior to the end of the first quarter of fiscal 2011.

Hynix JV Supply Agreement: Pursuant to the terms of a supply agreement with the Hynix JV, the Company purchased \$29 million of memory products from the Hynix JV in the third quarter of 2010. The Hynix JV is permitted to terminate the supply agreement upon exercise of the Hynix Call Option and the consummation of the equity transfer. On May 28, 2010, the Hynix JV delivered notice to the Company of its intent to terminate the JV supply agreement concurrent with the consum mation of the equity transfer. A significant portion of Numonyx's net sales is dependent upon sales of products supplied to it by the Hynix JV pursuant to the JV supply agreement. The Company and the Hynix JV are currently in discussions to enter into a new supply agreement. If the parties are unable to reach agreement and the JV supply agreement is terminated, the Hynix JV will have no further supply obligations to the Company.

DBS Loan Arrangements: Concurrent with the completion of the Company's acquisition of Numonyx, the Company and ST entered into a framework agreement (the "Framework Agreement") that provides that the Company is required to take certain actions in connection with an outstanding \$250 million loan (the "Loan"), due in periodic installments from 2014 through 2016, made by DBS Bank Ltd. ("DBS") to the Hynix JV. In particular, the Company has agreed that, subject to certain conditions, within two business days after receipt of the proceeds from the equity transfer, it will deposit \$250 million of such proceeds into a pledged account at DBS. The funds deposited into such account will collateralize the Company's obligations under a guarantee of the Loan, which guarantee is to be entered into by the Company concurrent with such deposit. The amount on deposit in the DBS account will be accounted for as restricted cash in other noncurrent assets in the accompanying consolidated balance sheet. The amount on deposit and the Company's guarantee decrease as payments are made by the Hynix JV against the Loan. As of June 3, 2010, other noncurrent liabilities included \$15 million for the fair value of the Company's obligations under the Framework Agreement.

Transform: On December 18, 2009, the Company acquired a 50% interest in Transform, a subsidiary of Origin Energy Limited ("Origin"), which is a public company in Australia. In exchange for its equity interest in Transform, the Company contributed nonmonetary assets from its Memory segment with a fair value of \$65 million, consisting of manufacturing facilities, equipment, intellectual property and a fully-paid lease to a portion of its Boise, Idaho manufacturing facilities. The carrying value of the nonmonetary assets was approximately equal to the fair value of the Company's equity interest in Transform and no gain or loss was recognized on the contribution. As of June 3, 2010, the ownership of Transform was held 50% by the Company and 50% by Origin. During the second quarter and third quarter of 2010, the Company and Origin each contributed \$5 million and \$8 million, respectively, of cash to Transform. The Company recognizes its share of earnings or losses from Transform on a two-month lag.

The Company's carrying value of its equity interest in Transform exceeds its proportionate share of Transform's equity. This difference is being amortized as a charge to earnings in the Company's statement of operations through equity in net income (losses) of equity method investees (the "Transform Amortization"). As of June 3, 2010, \$28 million of Transform Amortization remained to be recognized over a weighted-average period of 7 years.

The Company's results of operations for the third quarter of 2010 include losses of \$6 million from its equity interest in Transform. The Company's results of operations for the first nine months of 2010 include \$9 million of net sales, which approximates its cost, for transition services provided to Transform.

As of June 3, 2010, other noncurrent assets included \$34 million for the manufacturing facilities leased to Transform and liabilities included \$34 million for deferred rent revenue on the fully-paid lease. Additionally, as of June 3, 2010, other noncurrent assets and liabilities included \$6 million for the value of certain equipment and intangible assets, which the Company was obligated to contribute to Transform.

The Company has concluded that Transform is a variable interest entity because the Company's equity investment at risk is not sufficient to permit Transform to finance its activities without additional subordinated financial support from its investors. Origin and the Company are considered related parties under the accounting standards for consolidating variable interest entities. The Company reviewed several factors to determine whether it is the primary beneficiary of Transform, including the relationships and significance of Transform's activities and operations relative to Origin and the Company and certain other factors. Based on those factors, the Company determined that Origin is more closely associated with, and therefore the primary beneficiary of, Transform. The Company accounts for its interest using the equity method of accounting and does not consolidate the entity.

As of June 3, 2010, the Company's maximum exposure loss on its equity interest in Transform equaled \$74 million.

Aptina: In the fourth quarter of 2009, the Company sold a 65% interest in Aptina, previously a wholly-owned subsidiary, to Acquisition L.P. (owned primarily by Riverwood Capital LLC and TPG Partners VI, L.P.). A portion of the 65% interest held by Acquisition L.P. is in the form of convertible preferred shares that have a liquidation preference over the common shares. As a result, as of June 3, 2010, the Company's remaining interest represented 64% of Aptina's common stock, and Acquisition L.P. held 36% of Aptina's common stock. The Company recognizes its share of earnings or losses from Aptina on a two-month lag. The Company's results of operations for the third quarter and first nine months of 2010 include losses of \$11 million and \$16 million, respectively, for its equity interest in Aptina.

The Company manufactures imaging products for Aptina under a wafer supply agreement. In the third quarter and first nine months of 2010, the Company recognized sales of \$92 million and \$280 million, respectively, and cost of goods sold of \$89 million and \$283 million, respectively, from products sold to Aptina.

Accounts Payable and Accrued Expenses	June 3, 2010	September 3, 2009
Accounts payable	\$ 844	\$ 526
Salaries, wages and benefits	278	147
Related party payables	203	83
Income and other taxes	54	32
Customer advances	7	150
Other	106	99
	<u>\$ 1,492</u>	<u>\$ 1,037</u>

Related party payables consisted of amounts primarily due to Inotera under the Inotera Supply Agreement, consisting of \$136 million and \$51 million as of June 3, 2010 and September 3, 2009, respectively, for the purchase of DRAM products and \$32 million as of September 3, 2009 for underutilized capacity. Related party payables as of June 3, 2010 also included \$65 million for amounts due for the purchase of memory products related to the Hynix JV supply agreement. (See “Equity Method Investments” note.)

As of September 3, 2009, customer advances included \$142 million to provide certain NAND Flash memory products to Apple Computer, Inc. (“Apple”) through December 31, 2010 pursuant to a prepaid NAND Flash supply agreement. As of June 3, 2010 and September 3, 2009, other accounts payable and accrued expenses included \$11 million and \$24 million, respectively, for amounts due to Intel for NAND Flash product design and process development and licensing fees pursuant to a product designs development agreement.

Debt	June 3, 2010	September 3, 2009
Convertible senior notes, stated interest rate of 1.875%, effective interest rate of 7.9%, net of discount of \$255 million and \$295 million, respectively, due June 2014	\$ 1,045	\$ 1,005
Capital lease obligations, weighted-average imputed interest rates of 6.7%, due in monthly installments through February 2023	503	559
TECH credit facility, effective interest rate of 4.0% and 3.6% , respectively, net of discount of \$2 million and \$2 million, respectively, due in periodic installments through May 2012	398	548
Convertible senior notes, interest rate of 4.25%, due October 2013	230	230
EDB note, denominated in Singapore dollars, interest rate of 5.4%	--	208
Mai-Liao Power note, stated interest rate of 2.5% and 2.4%, respectively, effective interest rate of 12.1%, net of discount of \$7 million and \$18 million, respectively, due November 2010	193	182
Convertible subordinated notes, interest rate of 5.6%, due April 2010	--	70
Other notes	--	1
	<u>2,369</u>	<u>2,803</u>
Less current portion	<u>(652)</u>	<u>(424)</u>
	<u>\$ 1,717</u>	<u>\$ 2,379</u>

In the first quarter of 2010, the Company adopted a new accounting standard for certain convertible debt. The new standard was applicable to the Company’s 1.875% convertible senior notes with an aggregate principal amount of \$1.3 billion issued in May 2007 (the “Convertible Notes”) and required the liability and equity components of the Convertible Notes to be accounted for separately. (See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In the third quarter of 2010, the Company recorded \$13 million in capital lease obligations with a weighted-average imputed interest rate of 9.6%, payable in periodic installments through May 2013. As of June 3, 2010, \$34 million of the Company’s total capital lease obligations contained covenants that require minimum levels of tangible net worth, cash and investments. On May 13, 2010, the Company modified a loan agreement with a lender and, as a result, \$21 million of previously restricted cash became available to the Company. The Company was in compliance with its covenants related to capital lease obligations as of June 3, 2010.

The TECH credit facility is collateralized by substantially all of the assets of TECH (approximately \$1,700 million as of June 3, 2010) and contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. In the first quarter of 2010, the covenants were modified and as of June 3, 2010, TECH was in compliance with the covenants. The Company has guaranteed 100% of the outstanding amount of the TECH credit facility. Under the terms of the credit facility, TECH had \$60 million in restricted cash as of June 3, 2010.

On June 1, 2010, the Company repaid the outstanding balance of \$213 million to the Singapore Economic Development Board that was due February 2012.

In the first quarter of 2010, the Company's note payable to Nan Ya Plastics was replaced with a note payable to Mai-Liao Power Corporation, an affiliate of Nan Ya Plastics. Nan Ya Plastics and Mai-Liao Power Corporation are subsidiaries of Formosa Plastics Corporation. The note to Mai-Liao Power Corporation has the same terms and remaining maturity as the previous note to Nan Ya Plastics. The Company's note to Mai-Liao Power Corporation is collateralized by a first-priority security interest in certain of the Inotera shares owned by the Company aggregating a maximum market value of \$250 million. Based on Inotera's share price as of June 3, 2010 and the number of shares underlying the collateral, the carrying value of the collateral was \$135 million. (See "Equity Method Investments – DRAM joint ventures with Nanya – Inotera" note.)

On April 1, 2010, the Company repaid the \$70 million outstanding principal balance and accrued interest on the 5.6% convertible subordinated notes. The conversion option of these notes expired unexercised.

Contingencies

The Company 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, including those described below. The Company is currently a party to other legal actions arising out of the normal course of business, none of which is expected to have a material adverse effect on the Company's business, results of operations or financial condition.

In the normal course of business, the Company is a party to a variety of agreements pursuant to which it 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 the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these types of agreements have not had a material adverse effect on the Company's business, results of operations or financial condition.

The Company is involved in the following antitrust, patent and securities matters.

Antitrust matters: On May 5, 2004, Rambus, Inc. ("Rambus") filed a complaint in the Superior Court of the State of California (San Francisco County) against the Company and other DRAM suppliers alleging that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM ("RDRAM") by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleges various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus alleges that it is entitled to actual damages of more than a billion dollars and seeks joint and several liability, treble damages, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. A trial date has not been scheduled.

At least sixty-eight purported class action price-fixing lawsuits have been filed against the Company and other DRAM suppliers in various federal and state courts in the United States and in Puerto Rico on behalf of indirect purchasers alleging price-fixing in violation of federal and state antitrust laws, violations of state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products during the period from April 1999 through at least June 2002. The complaints seek joint and several damages, trebled, in addition to restitution, costs and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings. On January 29, 2008, the Northern District of California court granted in part and denied in part the Company's motion to dismiss plaintiffs' second amended consolidated complaint. Plaintiffs subsequently filed a motion seeking certification for interlocutory appeal of the decision. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs' interlocutory appeal. In addition, various states, through their Attorneys General, have filed suit against the Company and other DRAM manufacturers. On July 14, 2006, and on September 8, 2006 in an amended complaint, the following Attorneys General filed suit in the U.S. District Court for the Northern District of California: Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and the Commonwealth of the Northern Mariana Islands. Thereafter, three states, Ohio, New Hampshire, and Texas, voluntarily dismissed their claims. The remaining states filed a third amended complaint on October 1, 2007. Alaska, Delaware, Kentucky, and Vermont subsequently voluntarily dismissed their claims. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seeks joint and several damages, trebled, as well as injunctive and other relief. Additionally, on July 13, 2006, the State of New York filed a similar suit in the U.S. District Court for the Southern District of New York. That case was subsequently transferred to the U.S. District Court for the Northern District of California for pre-trial purposes. The State of New York filed an amended complaint on October 1, 2007. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, the Company executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, the Company agreed to pay a total of approximately \$67 million in three equal installments over a two-year period.

Three purported class action DRAM lawsuits also have been filed against the Company in Quebec, Ontario, and British Columbia, Canada, on behalf of direct and indirect purchasers, alleging violations of the Canadian Competition Act. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs subsequently filed an appeal of each of those decisions. On November 12, 2009, the British Columbia Court of Appeal reversed the denial of class certification and remanded the case for further proceedings. The appeal of the Quebec case is still pending.

In February and March 2007, All American Semiconductor, Inc., Jaco Electronics, Inc., and the DRAM Claims Liquidation Trust each filed suit against the Company and other DRAM suppliers in the U.S. District Court for the Northern District of California after opting-out of a direct purchaser class action suit that was settled. The complaints allege, among other things, violations of federal and state antitrust and competition laws in the DRAM industry, and seek joint and several damages, trebled, as well as restitution, attorneys' fees, costs and injunctive relief.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including the Company, and focuses on the period from July 1998 to June 2002. The Company has not yet been served with the investigation.

Three purported class action lawsuits alleging price-fixing of SRAM products have been filed in Canada, asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased SRAM products directly or indirectly from various SRAM suppliers.

In addition, three purported class action lawsuits alleging price-fixing of Flash products have been filed in Canada, asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased Flash memory directly and indirectly from various Flash memory suppliers.

The Company is unable to predict the outcome of these lawsuits and therefore cannot estimate the range of possible loss. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on the Company's business, results of operations or financial condition.

Patent matters: As is typical in the semiconductor and other high technology industries, from time to time, others have asserted, and may in the future assert, that the Company's products or manufacturing processes infringe their intellectual property rights. In this regard, the Company is engaged in litigation with Rambus relating to certain of Rambus' patents and certain of the Company's claims and defenses. Lawsuits between Rambus and the Company are pending in the U.S. District Court for the District of Delaware, U.S. District Court for the Northern District of California, Germany, France, and Italy. On January 9, 2009, the Delaware Court entered an opinion in favor of the Company holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against the Company. Rambus subsequently appealed the decision to the U.S. Court of Appeals for the Federal Circuit. That appeal is pending. In the U.S. District Court for the Northern District of California, trial on a patent phase of the case has been stayed pending resolution of Rambus' appeal of the Delaware spoliation decision or further order of the California Court.

On March 6, 2009, Panavision Imaging, LLC filed suit against the Company and Aptina Imaging Corporation, then a wholly-owned subsidiary of the Company ("Aptina"), in the U.S. District Court for the Central District of California. The complaint alleges that certain of the Company and Aptina's image sensor products infringe four Panavision Imaging U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On December 11, 2009, Ring Technology Enterprises of Texas LLC ("Ring") filed suit against the Company in the U.S. District Court for the Eastern District of Texas alleging that certain of the Company's memory products infringe one Ring Technology U.S. patent. On June 26, 2010, the Company executed a settlement agreement with Ring resolving the dispute.

Among other things, the above lawsuits pertain to certain of the Company's SDRAM, DDR SDRAM, DDR2 SDRAM, DDR3 SDRAM, RLDRAM and image sensor products, which account for a significant portion of net sales.

The Company is unable to predict the outcome of assertions of infringement made against the Company and therefore cannot estimate the range of possible loss. A court determination that the Company's products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require the Company to make material changes to its products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on the Company's business, results of operations or financial condition.

Securities matters: On February 24, 2006, a putative class action complaint was filed against the Company and certain of its officers in the U.S. District Court for the District of Idaho alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. Four substantially similar complaints subsequently were filed in the same Court. The cases purport to be brought on behalf of a class of purchasers of the Company's stock during the period February 24, 2001 to February 13, 2003. The five lawsuits have been consolidated and a consolidated amended class action complaint was filed on July 24, 2006. The complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding alleged illegal price-fixing conduct. The complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. On December 19, 2007, the Court issued an order certifying the class but reducing the class period to purchasers of the Company's stock during the period from February 24, 2001 to September 18, 2002.

The Company is unable to predict the outcome of these cases and therefore cannot estimate the range of possible loss. A court determination in any of these actions against the Company could result in significant liability and could have a material adverse effect on the Company's business, results of operations or financial condition.

Adjustments for Retrospective Application of New Accounting Standards

Effective as of the beginning of 2010, the Company adopted new accounting standards for noncontrolling interests and certain convertible debt instruments. These new accounting standards required retrospective application and the Company's financial statements contained herein have been adjusted to reflect the impact of adopting these new accounting standards. The impact of the retrospective adoption is summarized below.

Noncontrolling interests in subsidiaries: Under the new standard, noncontrolling interests in subsidiaries is (1) reported as a separate component of equity in the consolidated balance sheets and (2) included in net income in the consolidated statement of operations.

Convertible debt instruments: The new standard applies to convertible debt instruments that may be fully or partially settled in cash upon conversion and is applicable to the Company's 1.875% convertible senior notes with an aggregate principal amount of \$1.3 billion issued in May 2007 (the "Convertible Notes"). The standard requires the liability and equity components of convertible notes to be accounted for separately, whereby the liability component recognized at the issuance of convertible notes equals the estimated fair value of a similar liability without a conversion option and the remainder of the proceeds received at issuance is allocated to equity. In subsequent periods, the liability component recognized at issuance is amortized or accreted to the principal amount through interest expense. The adoption of the new standard for the May 2007 Convertible Notes resulted in a \$402 million decrease in debt, a \$394 million increase in additional capital and an \$8 million decrease in deferred debt issuance costs (included in other noncurrent assets). Information related to the equity and debt components of the Convertible Notes is as follows:

As of	June 3, 2010	September 3, 2009
Principal amount of the Convertible Notes	\$ 1,300	\$ 1,300
Unamortized discount	(255)	(295)
Carrying amount of the Convertible Notes	<u>\$ 1,045</u>	<u>\$ 1,005</u>
Carrying amount of the equity component	<u>\$ 394</u>	<u>\$ 394</u>

The unamortized discount as of June 3, 2010 will be recognized as interest expense over approximately 4 years through the June 2014 maturity date of the Convertible Notes.

Information related to interest rates and expenses is as follows:

	Quarter Ended		Nine Months Ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Effective interest rate	7.9%	7.9%	7.9%	7.9%
Interest expense:				
Contractual interest coupon	\$ 6	\$ 6	\$ 18	\$ 19
Amortization of discount and issuance costs	14	13	41	39

Effect of adjustments for retrospective application of new accounting standards on financial statements: The following tables set forth the financial statement line items affected by the retrospective application of the new accounting standards for noncontrolling interests and certain convertible debt as of and for the periods indicated:

	Consolidated Statement of Operations			
	As Previously Reported	Effects of Adoption		As
		Noncontrolling Interests	Convertible Debt	Retrospectively Adjusted
Quarter ended June 4, 2009:				
Other operating (income) expense, net	\$ 92	\$ --	\$ --	\$ 92
Interest expense	(37)	--	(12)	(49)
Other non-operating income (expense), net	(3)	--	(1)	(4)
Income tax (provision) benefit	2	--	2	4
Net loss	(290)	(33)	(11)	(334)
Net loss attributable to Micron	--	(290)	(11)	(301)
Net loss per share:				
Basic and diluted	\$ (0.36)	\$ --	\$ (0.01)	\$ (0.37)
Nine months ended June 4, 2009:				
Other operating (income) expense, net	\$ 121	\$ --	\$ 1	\$ 122
Interest expense	(102)	--	(35)	(137)
Income tax (provision) benefit	(15)	--	1	(14)
Net loss	(1,747)	(97)	(35)	(1,879)
Net loss attributable to Micron	--	(1,747)	(35)	(1,782)
Net loss per share:				
Basic and diluted	\$ (2.22)	\$ --	\$ (0.05)	\$ (2.27)
	Consolidated Balance Sheet			
	As Previously Reported	Effects of Adoption		As
		Noncontrolling Interests	Convertible Debt	Retrospectively Adjusted
As of September 3, 2009				
Assets				
Property, plant and equipment, net	\$ 7,081	\$ --	\$ 8	\$ 7,089
Other noncurrent assets	371	--	(4)	367
Total assets	11,455	--	4	11,459
Liabilities and equity				
Long-term debt	\$ 2,674	\$ --	\$ (295)	\$ 2,379
Total liabilities	4,815	--	(295)	4,520
Micron shareholders' equity:				
Additional capital	\$ 6,863	\$ --	\$ 394	\$ 7,257
Accumulated deficit	(2,291)	--	(94)	(2,385)
Accumulated other comprehensive (loss)	(3)	--	(1)	(4)
Total Micron shareholders' equity	--	4,654	299	4,953
Total equity	4,654	1,986	299	6,939
Total liabilities and equity	11,455	--	4	11,459

	Consolidated Statement of Cash Flows			
		Effects of Adoption		As
	As Previously Reported	Noncontrolling Interests	Convertible Debt	Retrospectively Adjusted
Nine Months Ended June 4, 2009:				
Cash flows from operating activities:				
Net loss	\$ (1,747)	\$ (97)	\$ (35)	\$ (1,879)
Depreciation and amortization	1,648	--	35	1,683
Noncontrolling interests in net income (loss)	(97)	97	--	--

Derivative Financial Instruments

The Company is exposed to currency exchange rate risk for monetary assets and liabilities held or denominated in foreign currencies, primarily the Singapore dollar, euro and yen. The Company uses derivative instruments to manage exposures to foreign currency. The Company's primary objective in entering into these derivatives is to reduce the volatility of earnings associated with changes in foreign currency. The Company's derivatives consist primarily of forward contracts that are designed to reduce the impact that changes in foreign exchange rates have on earnings attributable to Micron shareholders. The Company utilizes a rolling hedge strategy with currency forward contracts that generally mature within 35 days. The currency forward contracts are not designated for hedge accounting. At the end of each reporting period, monetary assets and liabilities held or denominated in foreign currencies are remeasured in U.S. dollars and the associated outstanding forward contracts are marked-to-market. Foreign currency forward contracts are valued at fair values based on bid prices of dealer or exchange quotations (referred to as Level 2). Realized and unrealized foreign currency gains and losses on derivative instruments and the underlying monetary assets are included in other operating income (expense).

The derivatives expose the Company to credit risk to the extent the counterparties may be unable to meet the terms of the derivative instrument. The Company seeks to mitigate such risk by limiting its counterparties to major financial institutions and by spreading risk across multiple 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.

Total gross notional amounts and fair values for derivative currency forward contracts outstanding as of June 3, 2010, presented by currency, were as follows:

Currency	Notional Amount Outstanding (in U.S. Dollars)	Balance Sheet Line Item	Fair Value of Asset (Liability)
Euro	\$ 251	Accounts payable and accrued expenses	\$ (9)
Singapore dollar	154	Accounts payable and accrued expenses	(1)
Yen	60	Receivables	1
Other	8	Accounts payable and accrued expenses	--
	<u>\$ 473</u>		<u>\$ (9)</u>

For the third quarter and first nine months of 2010, the Company recognized losses of \$23 million and \$38 million, respectively, included in other operating income (expense), on currency forward contracts.

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), observable inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2) and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level 3).

Fair value measurements on a recurring basis: Assets measured at fair value on a recurring basis as of June 3, 2010 and September 3, 2009 were as follows:

	As of June 3, 2010				As of September 3, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money market ⁽¹⁾	\$ 1,710	\$ --	\$ --	\$ 1,710	\$ 1,184	\$ --	\$ --	\$ 1,184
Certificates of deposit ⁽²⁾	--	379	--	379	--	217	--	217
Marketable equity investments ⁽³⁾	17	--	--	17	15	--	--	15
Assets held for sale ⁽³⁾⁽⁴⁾	--	--	137	137	--	--	--	--
	<u>\$ 1,727</u>	<u>\$ 379</u>	<u>\$ 137</u>	<u>\$ 2,243</u>	<u>\$ 1,199</u>	<u>\$ 217</u>	<u>\$ --</u>	<u>\$ 1,416</u>

⁽¹⁾Included in cash and equivalents.

⁽²⁾\$297 million and \$82 million included in cash and equivalents and other noncurrent assets, respectively, as of June 3, 2010 and \$187 million and \$30 million, respectively, as of September 3, 2009.

⁽³⁾Included in other noncurrent assets.

⁽⁴⁾The Company adopted the accounting standard for fair value measurements of nonfinancial assets and nonfinancial liabilities as of the beginning of 2010.

Certificates of deposit assets are valued using observable inputs in active markets for similar assets or alternative pricing sources and models utilizing observable market inputs (Level 2).

Assets held for sale are primarily comprised of semiconductor equipment and are valued based on inputs obtained from equipment dealers that require assumptions including the remaining useful life and configuration of the equipment (Level 3). Losses recognized in the third quarter and first nine months of 2010 due to fair value measurements using Level 3 inputs were de minimis.

Fair value of financial instruments: As of June 3, 2010, the estimated aggregate fair value of the Company's convertible debt instruments was \$1,624 million compared to their aggregate carrying value of \$1,275 million (the carrying value excludes the equity component of the Convertible Notes which is classified in equity). As of September 3, 2009, the estimated aggregate fair value of the Company's convertible debt instruments was \$1,410 million compared to their aggregate carrying value of \$1,305 million (the carrying value excludes the equity component of the Convertible Notes which is classified in equity). The fair value of the Company's convertible debt instruments is based on quoted market prices in active markets (Level 1). As of June 3, 2010 and September 3, 2009, the aggregate fair value of the Company's other debt instruments was \$1,087 million and \$1,458 million, respectively, as compared to their aggregate carrying value of \$1,094 million and \$1,498 million, respectively. The fair value of the Company's other debt instruments was estimated based on discounted cash flows using inputs that are observable in the market or that could be derived from or corroborated with observable market data, including interest rates based on yield curves of similar debt issues from parties with similar credit ratings as the Company (Level 2). Amounts reported as cash and equivalents, short-term investments, receivables, other current assets, and accounts payable and accrued expenses approximate their fair values.

Fair value measurements on a nonrecurring basis: In connection with the implementation of the new accounting standard for certain convertible debt instruments in the first quarter of 2010, the Company determined the \$898 million fair value for the liability component of its Convertible Notes as of their May 2007 issuance date using a market interest rate for similar nonconvertible debt issued at that time by entities with credit ratings comparable to those of the Company (Level 2). (See "Adjustments for Retrospective Application of New Accounting Standards" note.)

Equity Plans

As of June 3, 2010, the Company had an aggregate of 190.5 million shares of its common stock reserved for issuance of stock options and restricted stock awards, of which 132.9 million shares were subject to outstanding awards and 57.6 million shares were available for future grants. Awards are subject to terms and conditions as determined by the Company's Board of Directors.

Stock options: The Company granted 0.1 million and 15.8 million stock options during the third quarter and first nine months of 2010, respectively, with weighted-average grant-date fair values per share of \$5.17 and \$4.13, respectively. The Company granted 0.3 million and 21.1 million stock options during the third quarter and first nine months of 2009, respectively, with weighted-average grant-date fair values per share of \$2.70 and \$1.67, respectively.

The fair values of option awards were estimated as of the date of grant using the Black-Scholes option valuation model. The Black-Scholes model requires the input of assumptions, including the expected stock price volatility and estimated option life. The expected volatilities utilized were based on implied volatilities from traded options on the Company's stock and on historical volatility. The expected lives of options granted subsequent to 2008 were based, in part, on historical experience and on the terms and conditions of the options. The expected lives of options granted prior to 2009 were based on the simplified method provided by the Securities and Exchange Commission. The risk-free interest rates utilized were based on the U.S. Treasury yield in effect at the time of the grant. No dividends were assumed in estimated option values. Assumptions used in the Black-Scholes model are presented below:

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Average expected life in years	5.08	5.02	5.11	4.91
Weighted-average expected volatility	57%	71%	60%	73%
Weighted-average risk-free interest rate	2.4%	1.9%	2.3%	1.9%

Restricted stock and restricted stock units ("Restricted Stock Awards"): As of June 3, 2010, there were 14.1 million shares of Restricted Stock Awards outstanding, of which 4.9 million were performance-based Restricted Stock Awards. For service-based Restricted Stock Awards, restrictions generally lapse either in one-fourth or one-third increments during each year of employment after the grant date. For performance-based Restricted Stock Awards, vesting is contingent upon meeting certain performance goals.

The Company granted 5.9 million and 1.8 million shares of service-based and performance-based Restricted Stock Awards, respectively, during the first nine months of 2010, including 4.1 million of service-based and 0.7 million of performance-based Restricted Stock Awards as part of the Company's acquisition of Numonyx. During the first nine months of 2009, the Company granted 1.9 million and 1.7 million shares of service-based and performance-based Restricted Stock Awards, respectively. The weighted-average grant-date fair values per share were \$8.75 and \$8.29 for Restricted Stock Awards granted during the third quarter and first nine months of 2010, respectively, and was \$4.40 for Restricted Stock Awards granted during the first nine months of 2009.

Stock-based compensation expense: Total compensation costs for the Company's equity plans were as follows:

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Stock-based compensation expense by caption:				
Cost of goods sold	\$ 5	\$ 4	\$ 18	\$ 12
Selling, general and administrative	9	4	39	12
Research and development	4	4	14	10
Equity in net income (losses) of equity method investees	2	--	2	--
	<u>\$ 20</u>	<u>\$ 12</u>	<u>\$ 73</u>	<u>\$ 34</u>
Stock-based compensation expense by type of award:				
Stock options	\$ 9	\$ 7	\$ 28	\$ 22
Restricted stock	11	5	45	12
	<u>\$ 20</u>	<u>\$ 12</u>	<u>\$ 73</u>	<u>\$ 34</u>

During the first quarter of 2010, the Company determined that certain performance-based restricted stock that previously had not been expensed met the probability threshold for expense recognition due to improved operating results. As of June 3, 2010, \$127 million of total unrecognized compensation costs, net of estimated forfeitures, related to non-vested awards was expected to be recognized through the third quarter of 2014, resulting in a weighted-average period of 1.24 years. Stock-based compensation expense in the above presentation does not reflect any significant income tax benefits, which is consistent with the Company's treatment of income or loss from its U.S. operations. (See "Income Taxes" note.)

Restructure

In response to a severe downturn in the semiconductor memory industry and global economic conditions, the Company initiated a restructure plan in 2009 primarily within the Company's Memory segment. In the first quarter of 2009, IM Flash, a joint venture between the Company and Intel, terminated its agreement with the Company to obtain NAND Flash memory supply from the Company's Boise facility. Also, the Company and Intel agreed to suspend tooling and the ramp of NAND Flash production at IM Flash's Singapore wafer fabrication facility in the first quarter of 2009. In addition, the Company phased out all remaining 200mm DRAM wafer manufacturing operations in Boise, Idaho in the second half of 2009. The following table summarizes restructure charges (credits) resulting from the restructure activities:

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
(Gain) loss from disposition of equipment	\$ (4)	\$ 7	\$ (9)	\$ 150
Severance and other termination benefits	--	11	1	50
Gain from termination of NAND Flash supply agreement	--	--	--	(144)
Other	(1)	1	1	2
	<u>\$ (5)</u>	<u>\$ 19</u>	<u>\$ (7)</u>	<u>\$ 58</u>

During the third quarter and first nine months of 2010, the Company made cash payments of \$1 million and \$7 million, respectively, for severance and related termination benefits and costs to decommission production facilities. As of June 3, 2010, all amounts related to the restructure plan initiated in 2009 had been paid and as of September 3, 2009, \$5 million of restructure costs, primarily related to severance and other termination benefits, were unpaid. The Company does not expect to incur any additional material restructure charges related to the plan initiated in 2009.

Other Operating (Income) Expense, Net

Other operating (income) expense consisted of the following:

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
(Gain) loss on disposition of property, plant and equipment	\$ (1)	\$ 12	\$ (10)	\$ 55
(Gain) loss from changes in currency exchange rates	1	28	20	25
Other	(19)	52	(40)	42
	<u>\$ (19)</u>	<u>\$ 92</u>	<u>\$ (30)</u>	<u>\$ 122</u>

Other operating income in the third quarter and first nine months of 2010 includes \$16 million and \$24 million, respectively, of grant income related to the Company's operations in China. Other operating income in the first nine months of 2010 also includes \$11 million of receipts from the U.S. government in connection with anti-dumping tariffs which is reflected in other in the table above. Other operating expense for the third quarter of 2009 includes a loss of \$53 million to write down the carrying value of certain long-lived assets in connection with the Company's sale of a majority interest in its Aptina imaging solutions business.

Income Taxes

Income taxes in the third quarter of 2010 include a benefit of \$51 million from reduction of a portion of the deferred tax asset valuation allowance in connection with the expected sale of the Company's equity interest in the Hynix JV that was acquired as part of the Numonyx acquisition. Except for this benefit, taxes in 2010 and 2009 primarily reflect taxes on the Company's non-U.S. operations and U.S. alternative minimum tax. The Company has a valuation allowance for a substantial portion of its net deferred tax asset associated with its U.S. operations. Taxes attributable to U.S. operations in 2010 and 2009 were substantially offset by changes in the valuation allowance.

In connection with the acquisition of Numonyx, the Company accrued a \$66 million liability related to uncertain tax positions on the tax years of Numonyx open to examination. The Company has recorded an indemnification asset for a significant portion of these unrecognized income tax benefits related to uncertain tax positions.

Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of common shares and stock rights outstanding. Diluted earnings per share is computed based on the weighted-average number of common shares and stock rights outstanding plus the dilutive effects of stock options, convertible notes and restricted shares. Potential common shares that would increase earnings per share amounts or decrease loss per share amounts are antidilutive and are therefore excluded from diluted earnings per share calculations. Antidilutive potential common shares that could dilute basic earnings per share in the future were 93.1 million and 94.7 million for the third quarter and first nine months of 2010, respectively, and were 271.2 million for the third quarter and first nine months of 2009.

During the third quarter of 2010, in connection with the acquisition of Numonyx, the Company issued 137.7 million shares of common stock and issued 4.8 million restricted stock units. Of the restricted stock units issued, 1.6 million were vested as of the time of issuance on May 7, 2010. In connection with the Numonyx acquisition, as of June 3, 2010, there were 21.0 million shares of stock in escrow as partial security for Numonyx shareholders' indemnity obligations. The shares held in escrow were included in diluted earnings per share but were excluded from basic earnings per share. (See "Numonyx Holdings B.V." note.)

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Net income (loss) available to Micron's shareholders – Basic	\$ 939	\$ (301)	\$ 1,508	\$ (1,782)
Net effect of assumed conversion of debt	24	--	70	--
Net income (loss) available to Micron's shareholders – Diluted	<u>\$ 963</u>	<u>\$ (301)</u>	<u>\$ 1,578</u>	<u>\$ (1,782)</u>
Weighted-average common shares outstanding – Basic	885.4	813.3	860.0	786.5
Net effect of dilutive equity awards, escrow shares and assumed conversion of debt	164.0	--	159.7	--
Weighted-average common shares outstanding – Diluted	<u>1,049.4</u>	<u>813.3</u>	<u>1,019.7</u>	<u>786.5</u>
Earnings (loss) per share:				
Basic	\$ 1.06	\$ (0.37)	\$ 1.75	\$ (2.27)
Diluted	0.92	(0.37)	1.55	(2.27)

Comprehensive Income (Loss)

The components of comprehensive income (loss) and comprehensive income (loss) attributable to Micron were as follows:

	Quarter Ended		Nine Months Ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Net income (loss)	\$ 960	\$ (334)	\$ 1,541	\$ (1,879)
Other comprehensive income (loss), net of tax:				
Accumulated translation adjustment	8	(22)	19	(26)
Unrealized gain on investment	(3)	3	1	7
Other	--	--	1	1
Total other comprehensive income (loss)	5	(19)	21	(18)
Comprehensive income (loss)	965	(353)	1,562	(1,897)
Comprehensive (income) loss attributable to noncontrolling interests	(21)	33	(33)	97
Comprehensive income (loss) attributable to Micron	<u>\$ 944</u>	<u>\$ (320)</u>	<u>\$ 1,529</u>	<u>\$ (1,800)</u>

Consolidated Variable Interest Entities

NAND Flash joint ventures with Intel (“IM Flash”): The Company has formed two joint ventures with Intel (IM Flash Technologies, LLC formed January 2006 and IM Flash Singapore, LLP formed February 2007) to manufacture NAND Flash memory products for the exclusive benefit of the partners. IMFT and IMFS are each governed by a Board of Managers, with the Company and Intel initially appointing an equal number of managers to each of the boards. The number of managers appointed by each party adjusts depending on the parties’ ownership interests. These ventures will operate until 2016 but are subject to prior termination under certain terms and conditions. IMFT and IMFS are aggregated as IM Flash in the following disclosures due to the similarity of their ownership structure, function, operations and the way the Company’s management reviews the results of their operations. The partner’s ownership percentages are based on contributions to the partnership. As of June 3, 2010, the Company owned approximately 51% and Intel owned approximately 49% of IM Flash.

IM Flash is a variable interest entity because all costs of IM Flash are passed to the Company and Intel through product purchase agreements and IM Flash is dependent upon the Company and Intel for any additional cash requirements. The Company and Intel are considered related parties under the accounting standards for consolidating variable interest entities due to restrictions on transfers of ownership interests. As a result, the primary beneficiary of IM Flash is the entity that is most closely associated with IM Flash. The Company considered several factors to determine whether it or Intel is more closely associated with IM Flash, including the size and nature of IM Flash’s operations relative to the Company and Intel and which entity had the majority of economic exposure under the purchase agreements. Based on those factors, the Company determined that it is more closely associated with IM Flash and is therefore the primary beneficiary. Accordingly, the financial results of IM Flash are included in the Company’s consolidated financial statements and all amounts pertaining to Intel’s interests in IM Flash are reported as noncontrolling interests in subsidiaries.

IM Flash manufactures NAND Flash memory products using designs developed by the Company and Intel. Product design and other research and development (“R&D”) costs for NAND Flash are generally shared equally between the Company and Intel. As a result of reimbursements received from Intel under a NAND Flash R&D cost-sharing arrangement, the Company’s R&D expenses were reduced by \$24 million and \$79 million for the third quarter and first nine months of 2010, respectively, and by \$26 million and \$83 million for the third quarter and first nine months of 2009, respectively.

IM Flash sells products to the joint venture partners generally in proportion to their ownership interests at long-term negotiated prices approximating cost. IM Flash sales to Intel were \$204 million and \$569 million for the third quarter and first nine months of 2010, respectively, and were \$195 million and \$728 million for the third quarter and first nine months of 2009, respectively. As of June 3, 2010 and September 3, 2009, IM Flash had receivables from Intel primarily for sales of NAND Flash products of \$117 million and \$95 million, respectively. In addition, as of June 3, 2010 and September 3, 2009, the Company had receivables from Intel of \$30 million and \$29 million, respectively, related to NAND Flash product design and process development activities. As of June 3, 2010 and September 3, 2009, IM Flash had payables to Intel of \$2 million and \$3 million, respectively, for various services.

In the first quarter of 2009, IM Flash substantially completed construction of a new 300mm wafer fabrication facility structure in Singapore and the Company and Intel agreed to suspend tooling and the ramp of production at this facility through the first quarter of 2010. In the second quarter of 2010, IM Flash began moving forward with start-up activities in the Singapore wafer fabrication facility, including placing purchase orders and preparing the facility for tool installations that will commence in 2011. The level of the Company's future capital contributions to IM Flash will depend on the extent to which Intel participates with the Company in future IM Flash capital calls.

The following table presents IM Flash's distributions to, and contributions from, shareholders:

	Quarter Ended		Nine Months Ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
IM Flash distributions to the Company	\$ 75	\$ 124	\$ 254	\$ 606
IM Flash distributions to Intel	72	119	244	582
Company contributions to IM Flash	\$ 26	\$ --	\$ 51	\$ 25
Intel contributions to IM Flash	24	--	24	24

Total IM Flash assets and liabilities included in the Company's consolidated balance sheets are as follows:

As of	June 3, 2010	September 3, 2009
Assets		
Cash and equivalents	\$ 206	\$ 114
Receivables	132	111
Inventories	146	161
Other current assets	5	8
Total current assets	489	394
Property, plant and equipment, net	2,957	3,377
Other noncurrent assets	52	63
Total assets	<u>\$ 3,498</u>	<u>\$ 3,834</u>
Liabilities		
Accounts payable and accrued expenses	\$ 151	\$ 93
Deferred income	133	137
Equipment purchase contracts	11	1
Current portion of long-term debt	7	6
Total current liabilities	302	237
Long-term debt	63	66
Other noncurrent liabilities	4	4
Total liabilities	<u>\$ 369</u>	<u>\$ 307</u>

Amounts exclude intercompany balances that are eliminated in the Company's consolidated balance sheets.

The Company's ability to access IM Flash's cash and marketable investment securities to finance the Company's other operations is subject to agreement by the joint venture partners. The creditors of IM Flash have recourse only to the assets of IM Flash and do not have recourse to any other assets of the Company.

MP Mask Technology Center, LLC (“MP Mask”): In 2006, the Company formed a joint venture, MP Mask, with Photronics, Inc. (“Photronics”) to produce photomasks for leading-edge and advanced next generation semiconductors. At inception and through June 3, 2010, the Company owned 50.01% and Photronics owned 49.99% of MP Mask. The Company purchases a substantial majority of the reticles produced by MP Mask pursuant to a supply agreement. In connection with the formation of the joint venture, the Company received \$72 million in 2006 in exchange for entering into a license agreement with Photronics, which is being recognized over the term of the 10-year agreement. As of June 3, 2010, deferred income and other noncurrent liabilities included an aggregate of \$43 million related to this agreement. MP Mask made distributions to both the Company and Photronics of \$5 million and \$10 million each in the third quarter and first nine months of 2009.

MP Mask is a variable interest entity because all costs of MP Mask are passed on to the Company and Photronics through product purchase agreements and MP Mask is dependent upon the Company and Photronics for any additional cash requirements. The Company and Photronics are also considered related parties under the accounting standards for consolidating variable interest entities due to restrictions on transfers of ownership interests. As a result, the primary beneficiary of MP Mask is the entity that is more closely associated with MP Mask. The Company considered several factors to determine whether it or Photronics is more closely associated with the joint venture. The most important factor was the nature of the joint venture’s operations relative to the Company and Photronics. Based on those factors, the Company determined that it is more closely associated with the joint venture and is therefore the primary beneficiary. Accordingly, the financial results of MP Mask are included in the Company’s consolidated financial statements and all amounts pertaining to Photronics’ interest in MP Mask are reported as noncontrolling interests in subsidiaries.

Total MP Mask assets and liabilities included in the Company’s consolidated balance sheets are as follows:

As of	June 3, 2010	September 3, 2009
Current assets	\$ 36	\$ 25
Noncurrent assets (primarily property, plant and equipment)	82	97
Current liabilities	4	8

Amounts exclude intercompany balances that are eliminated in the Company’s consolidated balance sheets.

The creditors of MP Mask have recourse only to the assets of MP Mask and do not have recourse to any other assets of the Company.

Since the third quarter of 2009, the Company has leased to Photronics a facility to produce photomasks. In the third quarter and first nine months of 2010, the Company received \$2 million and \$5 million, respectively, in lease payments from Photronics.

TECH Semiconductor Singapore Pte. Ltd.

Since 1998, the Company has participated in TECH Semiconductor Singapore Pte. Ltd. (“TECH”), a semiconductor memory manufacturing joint venture in Singapore among the Company, Canon Inc. (“Canon”) and Hewlett-Packard Company (“HP”). The financial results of TECH are included in the Company’s consolidated financial statements and all amounts pertaining to the equity interests of Canon and HP are reported as noncontrolling interests in subsidiaries. On January 27, 2010, the Company purchased shares of TECH for \$80 million, which increased the Company’s ownership from approximately 85% to approximately 87% and increased additional capital of Micron shareholders by \$10 million. As of June 3, 2010, the Company held an approximate 87% interest in TECH.

The shareholders’ agreement for TECH expires in April 2011. In September 2009, TECH received a notice from HP that it does not intend to extend the TECH joint venture beyond April 2011. The Company is in discussions with HP and Canon to reach a resolution of the matter. The parties’ inability to reach a resolution of this matter prior to April 2011 could result in the dissolution of TECH.

TECH's cash and marketable investment securities (\$278 million as of June 3, 2010) are not anticipated to be available to pay dividends to the Company or finance its other operations. As of June 3, 2010, TECH had \$398 million outstanding under a credit facility which is collateralized by substantially all of the assets of TECH (carrying value of approximately \$1,700 million as of June 3, 2010) and contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. In the first quarter of 2010, the covenants were modified and as of June 3, 2010, TECH was in compliance with the covenants. The Company has guaranteed 100% of the outstanding amount of the TECH credit facility. (See "Debt" note.)

Segment Information

In the third quarter of 2010, the Company added a new reportable segment as a result of the acquisition of Numonyx and has two reportable segments, Memory and Numonyx. The Company included the former Numonyx business as a reportable segment since its acquisition on May 7, 2010. The primary products of the Memory segment are DRAM and NAND Flash memory and the primary products of the Numonyx segment are NOR Flash, NAND Flash, DRAM and Phase Change non-volatile memory.

In 2009, the Company's two reportable segments were Memory and Imaging. In the first quarter of 2010, Imaging no longer met the quantitative thresholds of a reportable segment and management does not expect that Imaging will meet the quantitative thresholds in future years. As a result, Imaging is no longer considered a reportable segment and is included in the All Other nonreportable segments. Prior period amounts have been recast to reflect Imaging in All Other. Operating results of All Other primarily reflect activity of Imaging and also include activity of microdisplay, solar and other operations. Segment information reported below is consistent with how it is reviewed and evaluated by the Company's chief operating decision makers and is based on the nature of the Company's operations and products offered to customers. The Company does not identify or report depreciation and amortization, capital expenditures or assets by segment.

	Quarter ended		Nine months ended	
	June 3, 2010	June 4, 2009	June 3, 2010	June 4, 2009
Net sales:				
Memory				
External	\$ 2,097	\$ 979	\$ 5,592	\$ 3,111
Intersegment	6	--	6	--
	<u>2,103</u>	<u>979</u>	<u>5,598</u>	<u>3,111</u>
Numonyx	80	--	80	--
All Other	111	127	317	390
Total segments	<u>2,294</u>	<u>1,106</u>	<u>5,995</u>	<u>3,501</u>
Elimination of intersegment	(6)	--	(6)	--
Consolidated net sales	<u>\$ 2,288</u>	<u>\$ 1,106</u>	<u>\$ 5,989</u>	<u>\$ 3,501</u>
Operating income (loss):				
Memory				
External	\$ 569	\$ (149)	\$ 1,210	\$ (1,431)
Intersegment	1	--	1	--
	<u>570</u>	<u>(149)</u>	<u>1,211</u>	<u>(1,431)</u>
Numonyx	(21)	--	(21)	--
All Other	(8)	(97)	(33)	(196)
Total segments	<u>541</u>	<u>(246)</u>	<u>1,157</u>	<u>(1,627)</u>
Elimination of intersegment	(1)	--	(1)	--
Consolidated operating income (loss)	<u>\$ 540</u>	<u>\$ (246)</u>	<u>\$ 1,156</u>	<u>\$ (1,627)</u>

Certain Concentrations

Sales to HP, Apple and Intel were 16%, 11% and 9%, respectively, of net sales in the third quarter of 2010, and were 14%, 10% and 10%, respectively, of net sales in the first nine months of 2010. Sales to Intel were 18% and 22% of net sales in the third quarter and first nine months of 2009, respectively. Substantially all of these sales were included in the Memory segment.

Item 2. 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 in "Results of Operations" regarding the future composition of the Company's reportable segments; in "Net Sales" regarding future royalty and other payments from Nanya; in "Gross Margin" regarding future charges for inventory write-downs regarding future margins on sales of Numonyx products; in "Selling, General and Administrative" regarding future legal expenses and increased expenses resulting from the acquisition of Numonyx; in "Research and Development" regarding increased expenses resulting from the acquisition of Numonyx; in "Liquidity and Capital Resources" regarding capital spending in 2010 and 2011, future distributions from IM Flash to Intel and future contribution by the Company to IM Flash; and in "Recently Issued Accounting Standards" regarding the impact from the adoption of new accounting standards. The Company's actual results could differ materially from the Company's 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 II. OTHER INFORMATION – Item 1A. Risk Factors." This discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes and with the Company's Annual Report on Form 10-K for the year ended September 3, 2009 and Form 8-K filed on March 3, 2010. All period references are to the Company's fiscal periods unless otherwise indicated. The Company's fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. The Company's fiscal 2010, which ends on September 2, 2010, contains 52 weeks. All tabular dollar amounts are in millions. All production data includes production of the Company and its consolidated joint ventures and the Company's supply from Inotera.

Overview

The Company is a global manufacturer and marketer of semiconductor devices, principally DRAM, NAND Flash and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, embedded and mobile products. In addition, the Company manufactures semiconductor components for CMOS image sensors and other semiconductor products. Its products are used in a broad range of electronic applications including personal computers, workstations, network servers, mobile phones and other consumer applications including Flash memory cards, USB storage devices, digital still cameras, MP3/4 players and in automotive applications. The Company markets its products through its internal sales force, independent sales representatives and distributors primarily to original equipment manufacturers and retailers located around the world. The Company's success is largely dependent on the market acceptance of its diversified portfolio of semiconductor products, efficient utilization of the Company's manufacturing infrastructure, successful ongoing development of advanced process technologies and the return on research and development investments.

The Company has made significant investments to develop the proprietary product and process technology that is implemented in its worldwide manufacturing facilities and through its joint ventures to enable the production of semiconductor products with increasing functionality and performance at lower costs. The Company generally reduces the manufacturing cost of each generation of product through advancements in product and process technology such as its leading-edge line-width process technology and innovative array architecture. The Company continues to introduce new generations of products that offer improved performance characteristics, such as higher data transfer rates, reduced package size, lower power consumption and increased memory density. To leverage its significant investments in research and development, the Company has formed various strategic joint ventures under which costs of developing memory product and process technologies are shared with its joint venture partners. In addition, from time to time, the Company has also sold and/or licensed technology to other parties. The Company continues to pursue additional opportunities to recover its investment in intellectual property through partnering and other arrangements.

Numonyx Holdings B.V. (“Numonyx”): On May 7, 2010, the Company completed its acquisition of Numonyx Holdings B.V. (“Numonyx”), which manufactures and sells NOR Flash, NAND Flash, DRAM and Phase Change non-volatile memory technologies and products. The Company acquired Numonyx to further strengthen the Company’s portfolio of memory products, increase manufacturing and revenue scale, access Numonyx’s customer base and provide opportunities to increase multi-chip offerings in the embedded and mobile markets. In connection therewith, the Company issued 137.7 million shares of the Company’s common stock in exchange for all of the outstanding Numonyx capital stock and issued 4.8 million restricted stock units to the employees of Numonyx in exchange for all of their outstanding restricted stock units. The total fair value of the consideration the Company paid for Numonyx was \$1,112 million and the net assets acquired were valued at \$1,549 million resulting in a gain of \$437 million. In addition, the Company recognized a \$51 million income tax benefit in connection with the acquisition. The Company’s results of operations for the third quarter and first nine months of 2010 include \$80 million of net sales and \$21 million of operating losses from the Numonyx operations after the May 7, 2010 acquisition date. The Company incurred transaction costs of \$19 million in the first nine months of 2010 in connection with the acquisition.

In connection with the Numonyx acquisition, the Company acquired a 20.7% noncontrolling interest in Hynix-Numonyx Semiconductor Ltd. (the “Hynix JV”), a joint venture with Hynix Semiconductor, Inc. (“Hynix”) and Hynix Semiconductor (WUXI) Limited. Subsequent to the acquisition, Hynix gave notice of its exercise of an option to purchase the Company’s equity interest in the Hynix JV for approximately \$425 million, subject to regulatory approval. Pursuant to the terms of a supply agreement with the Hynix JV, the Company purchased \$29 million of memory products from the Hynix JV in the third quarter of 2010. The Hynix JV is permitted to terminate the supply agreement upon exercise of the Hynix Call Option and the consummation of the equity transfer. On May 28, 2010, the Hynix JV delivered notice to the Company of its intent to terminate the JV supply agreement concurrent with the consummation of the equity transfer. A significant portion of Numonyx’s net sales is dependent upon sales of products supplied to it by the Hynix JV pursuant to the JV supply agreement. The Company and the Hynix JV are currently in discussions to enter into a new supply agreement. If the parties are unable to reach agreement and the existing JV supply agreement is terminated, the Hynix JV will have no further supply obligations to the Company. Even if the parties are able to reach agreement on a new supply agreement, it is anticipated that the existing JV supply agreement will be terminated, in which case the favorable pricing under the existing JV supply agreement will end at that time. There can be no assurance that the Company will reach agreement with the Hynix JV on a new supply agreement or that it will be able to do so on commercially acceptable terms. Accordingly, the Company may be required to purchase certain products at market rates or forgo sales of these products to end customers.

(See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Numonyx Holdings B.V.” note and “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Equity Method Investments – Hynix JV” note.)

Results of Operations

	Third Quarter				Second Quarter				Nine Months			
	2010	% of net sales	2009	% of net sales	2010	% of net sales	2010	% of net sales	2009	% of net sales	2009	% of net sales
(amounts in millions and as a percent of net sales)												
Net sales:												
Memory	\$ 2,103	92 %	\$ 979	89 %	\$ 1,872	95 %	\$ 5,598	93 %	\$ 3,111	89 %		
Numonyx	80	3 %	--	--	--	--	80	1 %	--	--		
All Other	111	5 %	127	11 %	89	5 %	317	6 %	390	11 %		
Intersegment	(6)	(0) %	--	--	--	--	(6)	(0) %	--	--		
	<u>\$ 2,288</u>	<u>100 %</u>	<u>\$ 1,106</u>	<u>100 %</u>	<u>\$ 1,961</u>	<u>100 %</u>	<u>\$ 5,989</u>	<u>100 %</u>	<u>\$ 3,501</u>	<u>100 %</u>		
Gross margin:												
Memory	\$ 839	40 %	\$ 104	11 %	\$ 649	35 %	\$ 1,930	34 %	\$ (667)	(21) %		
Numonyx	5	6 %	--	--	--	--	5	6 %	--	--		
All Other	5	5 %	3	2 %	(7)	(8) %	(1)	(0) %	58	15 %		
Intersegment	(1)	17 %	--	--	--	--	(1)	17 %	--	--		
	<u>\$ 848</u>	<u>37 %</u>	<u>\$ 107</u>	<u>10 %</u>	<u>\$ 642</u>	<u>33 %</u>	<u>\$ 1,933</u>	<u>32 %</u>	<u>\$ (609)</u>	<u>(17) %</u>		
SG&A	\$ 190	8 %	\$ 80	7 %	\$ 100	5 %	\$ 387	6 %	\$ 272	8 %		
R&D	142	6 %	162	15 %	148	8 %	427	7 %	508	15 %		
Restructure	(5)	(0) %	19	2 %	(1)	(0) %	(7)	(0) %	58	2 %		
Goodwill impairment	--	--	--	--	--	--	--	--	58	2 %		
Other operating (income) expense, net	(19)	(1) %	92	8 %	(20)	(1) %	(30)	(1) %	122	3 %		
Gain from acquisition of Numonyx	437	19 %	--	--	--	--	437	7 %	--	--		
Equity in net income (losses) of equity method investees	(19)	(1) %	(45)	(4) %	13	1 %	(23)	(0) %	(106)	(3) %		
Net income (loss) attributable to Micron	939	41 %	(301)	(27) %	365	19 %	1,508	25 %	(1,782)	(51) %		

The Company's third quarter of 2010, second quarter of 2010 and third quarter of 2009, all contained 13 weeks. The Company's first nine months of 2010 contained 39 weeks as compared to 40 weeks for the first nine months of 2009.

In the third quarter of 2010, the Company added a new reportable segment as a result of the acquisition of Numonyx and has two reportable segments, Memory and Numonyx. The Company included the former Numonyx business as a reportable segment since its acquisition on May 7, 2010. In 2009, the Company had two reportable segments, Memory and Imaging. In the first quarter of 2010, Imaging no longer met the quantitative thresholds of a reportable segment and management does not expect that Imaging will meet the quantitative thresholds in future years. As a result, Imaging is no longer considered a reportable segment and is included in the Company's All Other nonreportable segments. Prior period amounts have been recast to reflect Imaging in All Other. Operating results of All Other primarily reflect activity of Imaging and also include activity of the Company's microdisplay, solar and other operations.

Net Sales

Memory sales for the third quarter of 2010 increased 12% from the second quarter of 2010 primarily due to a 10% increase in sales of DRAM products and a 16% increase in sales of NAND Flash products.

Sales of DRAM products for the third quarter of 2010 increased from the second quarter of 2010 primarily due to a 9% increase in average selling prices and a 2% increase in gigabits sold. Gigabit production of DRAM products increased 2% for the third quarter of 2010 from the second quarter of 2010 primarily due to improved production efficiencies achieved primarily through transitions to higher density, advanced geometry devices. DRAM products acquired from the Company's Inotera Memories, Inc. ("Inotera") joint venture accounted for 11% and 13% of the Company total net sales in the third and second quarters of 2010, respectively. The Company has rights and obligations to purchase up to 50% of Inotera's wafer production capacity under a supply agreement with Inotera (the "Inotera Supply Agreement"). Sales of DDR2 and DDR3 DRAM, the Company's highest volume products, were 50% of the Company's total net sales for the third quarter of 2010, 52% of total net sales for the second quarter of 2010 and 30% of net sales for the third quarter of 2009. The increase in DDR2 and DDR3 DRAM sales in third quarter of 2010 as compared to the third quarter of 2009 was primarily attributable to higher increases in average selling prices relative to the Company's other products and the increased supply from Inotera.

The Company sells NAND Flash products in three principal channels: (1) to Intel Corporation ("Intel") through its IM Flash consolidated joint venture at long-term negotiated prices approximating cost, (2) to original equipment manufacturers ("OEMs") and other resellers and (3) to retail customers. Aggregate sales of NAND Flash products for the third quarter of 2010 increased 16% from the second quarter of 2010 due to a 21% increase in units sold partially offset by a 4% decrease in average selling prices. Sales of NAND Flash products represented 28% of the Company's total net sales for the third quarter of 2010, 29% of the Company's total net sales for the second quarter of 2010 and 39% of net sales for the third quarter of 2009.

Sales through IM Flash to Intel were \$204 million for the third quarter of 2010, \$172 million for the second quarter of 2010 and \$195 million for the third quarter of 2009. Gigabit sales to Intel were 22% higher in the third quarter of 2010 as compared to the second quarter of 2010 primarily due to a 30% increase in gigabit production of NAND Flash products over the same period primarily due to the completion of additional testing on products that were held in work in process inventories at the end of the second quarter of 2010 and improved production efficiencies achieved primarily through transitions to higher density, advanced geometry devices. For the third quarter of 2010, average selling prices for IM Flash sales to Intel decreased 2% as compared to the second quarter of 2010 due to reductions in costs per gigabit.

Aggregate sales of NAND Flash products to the Company's OEM, reseller and retail customers were 15% higher for the third quarter of 2010 as compared to the second quarter of 2010 primarily due to a 20% increase in gigabit sales. Average selling prices to the Company's OEM and reseller customers for the third quarter of 2010 decreased 5% as compared to the second quarter of 2010 and average selling prices of the Company's Lexar brand, which is directed primarily at the retail market, decreased slightly.

The Company has formed partnering arrangements under which it has sold and/or licensed technology to other parties. The Company's Memory segment recognized royalty and license revenue of \$21 million in the third quarter of 2010, \$34 million in the second quarter of 2010 and \$32 million in the third quarter of 2009. The Company has a partnering arrangement with Nanya pursuant to which the Company and Nanya jointly develop process technology and designs to manufacture stack DRAM products. In addition, the Company has deployed and licensed certain intellectual property related to the manufacture of stack DRAM products to Nanya and licensed certain intellectual property from Nanya. The Company recognized \$13 million, \$26 million and \$65 million, respectively, of license revenue in net sales from this arrangement during the third quarter, second quarter and first nine months of 2010, respectively, and recognized \$25 million and \$79 million during the third quarter and first nine months of 2009, respectively. The Company recognized \$207 million of cumulative license revenue from this arrangement from May 2008 through April 2010. Effective April, 2010, the Company and Nanya began sharing equally in DRAM development costs and the Company's research and development costs were reduced by \$24 million in the third quarter of 2010 due to this cost sharing arrangement. In addition, in the third quarter of 2010, the Company received \$2 million of royalties from Nanya for sales of stack DRAM products manufactured by or for Nanya on process nodes of 50nm or higher and will continue to receive royalties from Nanya associated with previously developed technology.

Memory sales for the third quarter of 2010 increased 114% from the third quarter of 2009 primarily due to a 162% increase in sales of DRAM products and a 53% increase in sales of NAND Flash products. Memory sales for the first nine months of 2010 increased 80% from the first nine months of 2009 primarily due to a 122% increase in sales of DRAM products and a 28% increase in sales of NAND Flash products.

Sales of DRAM products for the third quarter and first nine months of 2010 increased from the corresponding period of 2009 primarily due to increases of 78% and 85%, respectively, in gigabits sold and increases in average selling prices of 54% and 24%, respectively. Increases in average selling prices on sales of DRAM products as a result of improved market conditions were partially offset by a shift in product mix to a higher proportion of DDR2 and DDR3 DRAM products that realize significantly lower average selling prices per gigabit than sales of specialty DRAM products. Gigabit production of DRAM products increased approximately 80% and 82% for the third quarter and first nine months of 2010, respectively, primarily due to additional supply received from the Company's Inotera joint venture and production efficiencies from improvements in product and process technologies.

Sales of NAND Flash products for the third quarter and first nine months of 2010 increased 53% and 28%, respectively, from the corresponding periods of 2009 primarily due to increases in gigabits sold of 72% and 67%, respectively, as a result of production increases. The increases in NAND Flash gigabits sold were partially offset by declines of 11% and 23% in average selling prices per gigabit for the third quarter and first nine months of 2010, respectively. Gigabit production of NAND Flash products for the third quarter and first nine months of 2010 increased 64% and 73%, respectively, as compared to the corresponding periods of 2009, primarily due to transitions to higher density, advanced geometry devices. The production increases were achieved despite the shutdown of the Boise fabrication facility in the second half of 2009.

Numonyx segment sales for the third quarter of 2010 reflect sales subsequent to the May 7, 2010 acquisition date of Numonyx. Under business acquisition accounting, the Company is unable to recognize revenue on sales of Numonyx products that at the acquisition date were in the distribution channel and accounted for on a sell-through basis.

Gross Margin

The Company's gross margin percentage for Memory products for the third quarter of 2010 improved to 40% from 35% for the second quarter of 2010 primarily due to improvements in the gross margins for both DRAM and NAND Flash products.

The Company's gross margins are impacted by charges to write down inventories to their estimated market values as a result of the significant decreases in average selling prices for both DRAM and NAND Flash products. As charges to write down inventories are recorded in advance of when inventories are sold, gross margins in subsequent reporting periods are higher than they otherwise would be. The impact of inventory write-downs on gross margins for all periods reflects inventory write-downs less the estimated net effect of prior period write-downs. The effects of inventory write-downs on Memory gross margins by period were as follows:

	Third Quarter		Second Quarter	Nine Months	
	2010	2009	2010	2010	2009
	(amounts in millions)				
Inventory write-downs	\$ --	\$ --	\$ --	\$ --	\$ (603)
Estimated effect of previous inventory write-downs	4	242	9	35	676
Net effect of inventory write-downs	<u>\$ 4</u>	<u>\$ 242</u>	<u>\$ 9</u>	<u>\$ 35</u>	<u>\$ 73</u>

In future periods, the Company will be required to record additional inventory write-downs if estimated average selling prices of products held in finished goods and work in process inventories at a quarter-end date are below the manufacturing cost of those products.

Improvements in gross margins on sales of DRAM products for the third quarter of 2010 as compared to the second quarter of 2010 were primarily due to the 9% increase in average selling prices. DRAM costs per gigabit for the third quarter of 2010 were relatively unchanged from the second quarter of 2010 as cost reduction from improved production efficiencies was offset by higher costs of product purchased from the Company's Inotera joint venture. DRAM products acquired from the Company's Inotera joint venture accounted for 11% and 13% of the Company total net sales in the third and second quarters of 2010, respectively. The cost to the Company of wafers purchased under the Inotera Supply Agreement is based on a margin sharing formula among the Company, Nanya and Inotera. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as the Company's and Nanya's selling prices for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers from Inotera. For the third quarter and first nine months of 2010, gross margins realized by the Company on sales of Inotera DRAM products were significantly lower than margins realized by the Company on the sales of its other DRAM products.

The Company's gross margin on sales of NAND Flash products for the third quarter of 2010 improved from the second quarter of 2010 primarily due to a 9% reduction in costs per gigabit partially offset by the 4% decrease in average selling prices. The reduction in NAND Flash costs per gigabit was primarily due to a \$41 million recovery of price adjustments for NAND Flash products purchased from other suppliers in prior periods as well as lower manufacturing costs as a result of increased production of higher-density, advanced-geometry devices. Gross margins on sales of NAND Flash products reflect sales of approximately half of IM Flash's output to Intel at long-term negotiated prices approximating cost.

The Company's gross margin percentage for Memory products improved to 40% for the third quarter of 2010 from 11% for the third quarter of 2009 primarily due to significant improvements in the gross margins on sales of both DRAM and NAND Flash products. The Company's gross margin percentage for Memory products improved to 34% for the first nine months of 2010 from negative 21% for the first nine months of 2009 primarily due to significant improvements on sales of both DRAM and NAND Flash products.

The Company's gross margin on sales of DRAM products for the third quarter and first nine months of 2010 improved from the corresponding periods of 2009 primarily due to increases in average selling prices of 54% and 24%, respectively, and reductions in costs per gigabit of approximately 6% and 41%, respectively.

The Company's gross margin on sales of NAND Flash products for the third quarter and first nine months of 2010 improved from the corresponding periods of 2009 primarily due to reductions in costs per gigabit of 26% and 50%, respectively, as a result of lower manufacturing costs. The reductions in costs per gigabit on sales of NAND Flash products for the third quarter and first nine months of 2010 were partially offset by the declines in average selling prices per gigabit of 11% and 23%, respectively.

Numonyx segment gross margin for the third quarter of 2010 reflects operations subsequent to the May 7, 2010 acquisition date of Numonyx. In acquisition accounting, Numonyx's inventory was recorded at fair value reflecting estimated selling price, which was approximately \$185 million higher than the cost of inventory recorded by Numonyx at the acquisition date. Accordingly, Numonyx's margins in the third quarter of 2010 and future periods will be reduced by the amount of the adjustment to fair value until this inventory is sold. The Company expects that the majority of the acquired inventory will be sold in the fourth quarter of 2010.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for the third quarter of 2010 included charges of \$64 million relating to accruals for estimated settlements in the indirect purchasers antitrust case and other matters and \$10 million of SG&A costs incurred by Numonyx following the acquisition. SG&A expenses for the third quarter and first nine months of 2010 include \$12 million and \$19 million, respectively, of Numonyx acquisition-related costs and also include higher payroll expenses resulting from the accrual of incentive-based compensation costs as compared to the corresponding periods of 2009. The Company expects to incur increased SG&A expenses from Numonyx operations in the fourth quarter of 2010 as compared to the third quarter of 2010, which only reflected Numonyx's operations from the May 7, 2010 acquisition date. Future SG&A expense is expected to vary, potentially significantly, depending on, among other things, the number of legal matters that are resolved relatively early in their life-cycle and the number of legal matters that progress to trial.

Research and Development

Research and development (“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 its products, the Company typically begins to process wafers before completion of performance and reliability testing. The Company deems 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 as costs incurred in production prior to qualification are charged to R&D.

R&D expenses for the third quarter of 2010 decreased 4% from the second quarter of 2010 primarily due to a decrease in the number of development wafers processed. R&D expenses were reduced by \$24 million in the third quarter of 2010, \$29 million in the second quarter of 2010 and \$26 million in the third quarter of 2009 for amounts reimbursable from Intel under a NAND Flash R&D cost-sharing arrangement. R&D expenses were reduced by \$24 million in the third quarter of 2010 for amounts reimbursable from Nanya under a DRAM R&D cost-sharing arrangement that commenced in the third quarter of 2010. R&D expenses for the third quarter and first nine months of 2010 decreased 12% and 16%, respectively, from the corresponding periods of 2009 primarily due to a reduction in R&D costs for imaging products as a result of the sale of a 65% interest in Aptina Imaging Corporation (“Aptina”) in the fourth quarter of 2009, partially offset by higher payroll expenses resulting from the accrual of incentive-based compensation costs. The Company expects to incur increased R&D expenses from Numonyx’s operations in the fourth quarter of 2010 as compared to the third quarter of 2010, which only reflected Numonyx’s operations from the May 7, 2010 acquisition date.

The Company’s process technology R&D efforts are focused primarily on development of successively smaller line-width process technologies which are designed to facilitate the Company’s 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 the Company’s core semiconductor expertise and the development of new manufacturing materials. Product design and development efforts are concentrated on the Company’s high density DDR3 and mobile products as well as high density and mobile NAND Flash memory (including multi-level cell technology), NOR Flash memory, specialty memory, phase change memory and memory systems.

Other Operating (Income) Expense, Net

Other operating (income) expense consisted of the following:

	Quarter ended		Quarter ended	Nine months ended	
	June 3, 2010	June 4, 2009	March 4, 2010	June 3, 2010	June 4, 2009
(Gain) loss on disposition of property, plant and equipment	\$ (1)	\$ 12	\$ (7)	\$ (10)	\$ 55
(Gain) loss from changes in currency exchange rates	1	28	(2)	20	25
Other	(19)	52	(11)	(40)	42
	<u>\$ (19)</u>	<u>\$ 92</u>	<u>\$ (20)</u>	<u>\$ (30)</u>	<u>\$ 122</u>

Other operating income in the third quarter and first nine months of 2010 includes \$16 million and \$24 million, respectively, of grant income related to the Company’s operations in China. Other operating income in the second quarter of 2010 includes \$11 million of receipts from the U.S. government in connection with anti-dumping tariffs which is reflected in other in the table above. Other operating expense for the third quarter of 2009 includes a loss of \$53 million to write down the carrying value of certain long-lived assets in connection with the Company’s sale of a majority interest in its Aptina imaging solutions business.

Interest Income/Expense

Interest expense for the third quarter of 2010, second quarter of 2010 and third quarter of 2009, includes aggregate amounts of non-cash amortization of debt discount and issuance costs of \$19 million, \$20 million and \$20 million, respectively. As a result of the retrospective adoption of a new accounting standard for certain convertible debt, the Company modified its accounting for its \$1.3 billion 1.875% convertible notes. The Company retrospectively allocated the \$1.3 billion aggregate proceeds at inception between a liability component (issued at a discount) and an equity component. The debt discount is being amortized from issuance through June 2014, the maturity date of the 1.875% convertible notes, with the amortization recorded as additional non-cash interest expense. Included in the noncash interest expense above is \$13 million in the third quarter of 2010, \$13 million in the second quarter of 2010 and \$12 million in the third quarter of 2009 related to the amortization of the 1.875% convertible notes. (See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Adjustments for Retrospective Application of New Accounting Standards.”)

Other Non-Operating Income (Expense), net

On August 3, 2009, Inotera sold common shares in a public offering at a price equal to 16.02 New Taiwan dollars per common share (approximately \$0.49 U.S. dollars on August 3, 2009). As a result of the issuance, the Company’s interest in Inotera decreased from 35.5% to 29.8% and the Company recognized a gain of \$56 million in the first quarter of 2010. (See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments – DRAM joint ventures with Nanya – Inotera.”)

Income Taxes

Income taxes in the third quarter of 2010 include a benefit of \$51 million from reduction of a portion of the deferred tax asset valuation allowance in connection with the expected sale of the Company’s equity interest in the Hynix JV that was acquired as part of the Numonyx acquisition. Except for this benefit, taxes in 2010 and 2009 primarily reflect taxes on the Company’s non-U.S. operations and U.S. alternative minimum tax. The Company has a valuation allowance for a substantial portion of its net deferred tax asset associated with its U.S. operations. Taxes attributable to U.S. operations in 2010 and 2009 were substantially offset by changes in the valuation allowance.

In connection with the acquisition of Numonyx, the Company accrued a \$66 million liability related to uncertain tax positions on the tax years of Numonyx open to examination. The Company has recorded an indemnification asset for a significant portion of these accrued liabilities related to these tax positions.

Equity in Net Income (Losses) of Equity Method Investees

In connection with its DRAM partnering arrangements with Nanya, the Company has investments in two Taiwan DRAM memory companies accounted for as equity method investments: Inotera and MeiYa Technology Corporation (“MeiYa”). Inotera and MeiYa each have fiscal years that end on December 31. The Company recognizes its share of Inotera’s and MeiYa’s quarterly earnings or losses on a two-month lag. From its interest in these equity method investments, the Company recognized a loss of \$3 million for the third quarter of 2010, income of \$15 million for the second quarter of 2010 and a loss of \$45 million for the third quarter of 2009.

As a result of its sale of a 65% interest in its Aptina subsidiary on July 10, 2009, the Company’s investment in Aptina is accounted for as an equity method investment. The Company’s shares in Aptina constitute 35% of Aptina’s total common and preferred stock and 64% of Aptina’s common stock. Under the equity method, the Company recognizes its share of Aptina’s results of operations based on its 64% share of Aptina’s common stock on a two-month lag. The Company recognized losses of \$11 million and \$16 million in the third quarter and first nine months of 2010, respectively, and \$2 million in the second quarter of 2010.

In December 18, 2009, the Company acquired a 50% interest in Transform, a subsidiary of Origin Energy Limited (“Origin”), in exchange for the Company’s contribution to Transform of nonmonetary manufacturing assets with a fair value of \$65 million. The Company recognizes its 50% share of Transform’s results of operations on a two-month lag. The Company’s results of operations for the third quarter of 2010 include losses of \$6 million for its share of Transform’s results of operations from the acquisition date through March 31, 2010.

(See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments.”)

Noncontrolling Interests in Net (Income) Loss

Noncontrolling interests for 2010 and 2009 primarily reflects the share of income or losses attributed to the noncontrolling interests in the Company's TECH joint venture. The Company purchased \$99 million of TECH shares on February 27, 2009, \$99 million of TECH shares on June 2, 2009, and \$60 million of TECH shares on August 27, 2009. As a result, noncontrolling interests in TECH were reduced from approximately 27% as of August 28, 2008 to approximately 15% as of September 3, 2009. The Company purchased an additional \$80 million of TECH shares on January 27, 2010 and further reduced noncontrolling interest in TECH to approximately 13%. (See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – TECH Semiconductor Singapore Pte. Ltd.")

Stock-based Compensation

Total compensation cost for the Company's equity plans for the third quarter of 2010, second quarter of 2010 and third quarter of 2009 was \$20 million, \$22 million and \$12 million, respectively. Stock-based compensation expenses of \$73 million for the first nine months of 2010 was higher than the \$34 million expense for the first nine months of 2009 primarily due to the accrual of performance-based stock compensation costs as a result of improved operating results. Stock compensation expenses fluctuate based on assessments of whether the achievement of performance conditions is probable for performance-based stock grants.

Liquidity and Capital Resources

As of June 3, 2010, the Company had cash and equivalents and short-term investments totaling \$2,313 million compared to \$1,485 million as of September 3, 2009. The balance as of June 3, 2010 included \$206 million held at the Company's IM Flash joint ventures and \$278 million held at the Company's TECH joint venture. The Company's ability to access funds held by the joint ventures to finance the Company's other operations is subject to agreement by the joint venture partners, debt covenants and contractual limitations. Amounts held by TECH are not anticipated to be available to finance the Company's other operations.

The Company's liquidity is highly dependent on average selling prices for its products and the timing of capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the semiconductor memory market, the Company's cash flows from operations and current holdings of cash and investments may not be adequate to meet its needs for capital expenditures and operations. Historically, the Company has used external sources of financing to fund these needs. Due to conditions in the credit markets, it may be difficult to obtain financing on terms acceptable to the Company.

Operating activities: Net cash provided by operating activities was \$2,019 million for the first nine months of 2010, which reflected approximately \$2,594 million generated from the production and sales of the Company's products partially offset by a \$556 million increase in accounts receivable due to a higher level of sales.

Investing activities: Net cash used for investing activities was \$219 million for the first nine months 2010, which included cash expenditures of \$269 million for property, plant and equipment and \$138 million for the acquisition of additional shares in Inotera. A significant portion of the capital expenditures related to IM Flash and TECH operations. The Company believes that to develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, it must continue to invest in manufacturing technologies, facilities and capital equipment and research and development. The Company expects that capital spending will be approximately \$850 million to \$950 million for 2010 and expects capital expenditures in 2011 to increase significantly compared to 2010. The actual amount in 2011 will vary depending on funding participation by joint venture partners and market conditions. As of June 3, 2010, the Company had commitments of approximately \$800 million for the acquisition of property, plant and equipment, most of which is expected to be paid within one year.

In connection with the Numonyx acquisition, the Company acquired a 20.7% noncontrolling interest in the Hynix JV. Subsequent to the acquisition, Hynix gave notice of its exercise of an option to purchase the Company's equity interest in the Hynix JV for approximately \$425 million, subject to regulatory approval. Additionally, the Company and STMicroelectronics N.V. entered into an agreement that provides that the Company is required to take certain actions in connection with an outstanding \$250 million loan, due in periodic installments from 2014 through 2016, made by DBS Bank Ltd. ("DBS") to the Hynix JV. In particular, the Company has agreed that, subject to certain conditions, within two business days after receipt of the proceeds from the sale of its equity interest in the Hynix JV to Hynix, the Company will deposit \$250 million of such proceeds into a pledged account at DBS. The funds deposited into such account will collateralize the Company's obligations under a guarantee of the loan, which guarantee is to be entered into by the Company concurrent with such deposit. The amount on deposit in the DBS account will be accounted for as restricted cash in other noncurrent assets. The amount on deposit and the Company's guarantee decrease as payments are made by the Hynix JV against the loan.

Financing activities: Net cash used for financing activities was \$972 million for the first nine months of 2010, which includes payments of debt, net of proceeds received, of \$548 million. Debt payments included \$213 million to repay the EDB note and \$70 million to repay the Lexar convertible notes. (See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Debt.") Cash used for financing activities also includes \$220 million of net distributions to joint venture partners and \$199 million in payments on equipment purchase contracts.

TECH's credit facility contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. In the first quarter of 2010, the covenants for TECH's credit facility were modified and as of June 3, 2010, TECH was in compliance with the covenants. The Company has guaranteed 100% of the outstanding amount borrowed under TECH's credit facility as of June 3, 2010. Under the terms of the credit facility, TECH had \$60 million in restricted cash as of June 3, 2010.

Joint ventures: In the first nine months of 2010, IM Flash distributed \$244 million to Intel and the Company expects that it will make additional distributions to Intel in the future. Timing of these distributions and any future contributions, however, is subject to market conditions and approval of the partners. In the second quarter of 2010, IM Flash began moving forward with start-up activities including placing purchase orders and preparing the facility for tool installations at its new 300mm wafer fabrication facility in Singapore that will commence in 2011. In the first nine months of 2010, the Company contributed \$51 million and Intel contributed \$24 million to IM Flash. The Company expects its contributions to IM Flash to increase significantly in future periods in connection with these start-up activities. The level of the Company's future capital contributions to IM Flash will depend on the extent to which Intel participates with the Company in future IM Flash capital calls.

The Company made capital contributions to TECH of \$80 million in 2010 and \$258 million in 2009. The shareholders' agreement for the TECH joint venture expires in April 2011. In September 2009, TECH received a notice from Hewlett-Packard Company ("HP") that it does not intend to extend the TECH joint venture beyond April 2011. The Company is in discussions with HP and Canon Inc. ("Canon") to reach a resolution of the matter. The parties' inability to reach a resolution of this matter prior to April 2011 could result in the dissolution of TECH.

On December 15, 2009, Inotera's Board of Directors approved the issuance of 640 million common shares. On February 6, 2010, the Company purchased approximately 196 million shares for \$138 million under this offering, slightly increasing the Company's equity interest in Inotera from 29.8% to 29.9%.

Contractual obligations: As of June 3, 2010, contractual obligations for notes payable, capital lease obligations and operating leases were as follows:

	Total	Remainder of 2010	2011	2012	2013	2014	2015 and thereafter
	(amounts in millions)						
Notes payable ¹	\$ 2,277	\$ 54	\$ 443	\$ 186	\$ 34	\$ 1,560	\$ --
Capital lease obligations ¹	574	49	324	56	23	22	100
Operating leases	122	6	23	18	17	12	46

¹ Includes interest

Recently Adopted Accounting Standards

In May 2008, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. This standard requires that issuers of these types of convertible debt instruments separately account for the liability and equity components of such instruments in a manner such that interest cost is recognized at the entity’s nonconvertible debt borrowing rate in subsequent periods. The Company adopted this standard as of the beginning of 2010 and retrospectively accounted for its \$1.3 billion 1.875% convertible senior notes under the provisions of this guidance from the May 2007 issuance date of the notes. As a result, prior financial statement amounts were recast. (See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In December 2007, the FASB issued a new accounting standard on noncontrolling interests in consolidated financial statements. This standard requires that (1) noncontrolling interests be reported as a separate component of equity, (2) net income attributable to the parent and to the noncontrolling interest be separately identified in the statement of operations, (3) changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and (4) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. The Company adopted this standard as of the beginning of 2010. As a result, prior financial statement amounts were recast. □ 60;(See “Adjustments for Retrospective Application of New Accounting Standards” note.)

In December 2007, the FASB issued a new accounting standard on business combinations, which establishes the principles and requirements for how an acquirer (1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose. The Company adopted this standard effective as of the beginning of 2010. The initial adoption did not have a significant impact on the Company’s financial statements. The acquisition of Numonyx was accounted for under the provisions of this new standard.

In September 2006, the FASB issued a new accounting standard on fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company adopted this standard effective as of the beginning of 2009 for financial assets and financial liabilities. The Company adopted this standard effective as of the beginning of 2010 for all other assets and liabilities. The adoptions did not have a significant impact on the Company’s financial statements.

Recently Issued Accounting Standards

In June 2009, the FASB issued a new accounting standard on variable interest entities which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise’s involvement in variable interest entities. The Company is required to adopt this standard as of the beginning of 2011. The Company is evaluating the impact the adoption of this standard will have on its financial statements.

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 future events and various other assumptions that the Company believes to be reasonable under the circumstances. Estimates and judgments may vary under different assumptions or conditions. The Company evaluates its estimates and judgments on an ongoing basis. Management believes the accounting policies below are critical in the portrayal of the Company’s financial condition and results of operations and requires management’s most difficult, subjective or complex judgments.

Acquisitions and consolidations: Accounting for acquisitions and consolidations requires the Company to estimate the fair value of consideration paid and the individual assets and liabilities acquired as well as various forms of consideration given, which involves a number of judgments, assumptions and estimates that could materially affect the amount and timing of costs recognized. The Company typically obtains 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. Determining whether or not to consolidate a variable interest entity may require judgment in assessing whether the Company is the entity's primary beneficiary.

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

Income taxes: The Company is required to estimate its provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. Estimates involve 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. The Company is also required to evaluate the realizability of its deferred tax assets on an ongoing basis in accordance with U.S. GAAP, which requires the assessment of the Company's performance and other relevant factors. Realization of deferred tax assets is dependent on the Company's ability to generate future taxable income.

Inventories: Inventories are stated at the lower of average cost or market value and the Company recorded charges of \$603 million in aggregate for 2009 and \$282 million in aggregate for 2008, to write down the carrying value of inventories of memory products to their estimated market values. Cost includes labor, material and overhead costs, including product and process technology costs. Determining market value of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. To project average selling prices and sales volumes, the Company reviews recent sales volumes, existing customer orders, current contract prices, industry analysis of supply and demand, seasonal factors, general economic trends and other information. When these analyses reflect estimated market values below the Company's manufacturing costs, the Company records a charge to cost of goods sold in advance of when the inventory is actually sold. Differences in forecasted average selling prices used in calculating lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated market value of the Company's semiconductor memory inventory by approximately \$105 million at June 3, 2010. Due to the volatile nature of the semiconductor memory industry, actual selling prices and volumes often vary significantly from projected prices and volumes and, as a result, the timing of when product costs are charged to operations can vary significantly.

U.S. GAAP provides for products to be grouped into categories in order to compare costs to market values. The amount of any inventory write-down can vary significantly depending on the determination of inventory categories. The Company's inventories have been categorized as Memory, Numonyx, Imaging and Microdisplay products. The major characteristics the Company considers in determining inventory categories are product type and markets.

Product and process technology: Costs incurred to acquire product and process technology or to patent technology developed by the Company are capitalized and amortized on a straight-line basis over periods currently ranging up to 10 years. The Company capitalizes a portion of costs incurred based on its analysis of historical and projected patents issued as a percent of patents filed. 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.

Property, plant and equipment: The Company reviews 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 the Company, including, but not limited to, future use of the assets for Company operations versus sale or disposal of the assets, future selling prices for the Company's products and future production and sales volumes. In addition, judgment is required by the Company in determining the groups of assets for which impairment tests are separately performed.

Research and development: Costs related to the conceptual formulation and design of products and processes are expensed as research and development as incurred. Determining when product development is complete requires judgment by the Company. The Company deems development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. Subsequent to product qualification, product costs are valued in inventory.

Stock-based compensation: Compensation cost for stock-based compensation is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award. For stock-based compensation awards with graded vesting that were granted after 2005, the Company recognizes compensation expense using the straight-line amortization method. For performance-based stock awards, the expense recognized is dependent on the probability of the performance measure being achieved. The Company utilizes 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. The Company develops its 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. The Company uses the Black-Scholes option valuation model to value employee stock awards. The Company estimates stock price volatility based on an average of its historical volatility and the implied volatility derived from traded options on the Company's stock.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As of June 3, 2010, \$1,773 million of the Company's \$2,369 million of debt was at fixed interest rates. As a result, the fair value of the debt instruments fluctuates based on changes in market interest rates. The estimated fair value of the Company's debt was \$2,711 million as of June 3, 2010 and \$2,868 million as of September 3, 2009. The Company estimates that, as of June 3, 2010, a 1% decrease in market interest rates would change the fair value of its fixed-rate debt instruments by approximately \$52 million. As of June 3, 2010, \$596 million of the Company's debt had variable interest rates and a 1% increase in the rates would increase annual interest expense by approximately \$5 million.

Foreign Currency Exchange Rate Risk

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

The functional currency for substantially all of the Company's operations is the U.S. dollar. The Company held cash and other assets in foreign currencies valued at an aggregate of U.S. \$469 million as of June 3, 2010 and U.S. \$229 million as of September 3, 2009. The Company also had foreign currency liabilities valued at an aggregate of U.S. \$630 million as of June 3, 2010, and U.S. \$742 million as of September 3, 2009. Significant components of assets and liabilities denominated in foreign currencies were as follows (in U.S. dollar equivalents):

	June 3, 2010			September 3, 2009		
	Singapore Dollars	Yen	Euro	Singapore Dollars	Yen	Euro
(amounts in millions)						
Deferred tax assets	\$ --	\$ 107	\$ 4	\$ --	\$ 115	\$ 4
Other assets	99	78	130	25	17	40
Accounts payable and accrued expenses	(100)	(158)	(142)	(68)	(141)	(99)
Debt	(76)	(9)	(3)	(289)	(25)	(4)
Other liabilities	(13)	(58)	(35)	(8)	(55)	(41)
Net assets (liabilities)	<u>\$ (90)</u>	<u>\$ (40)</u>	<u>\$ (46)</u>	<u>\$ (340)</u>	<u>\$ (89)</u>	<u>\$ (100)</u>

The Company estimates that, based on its assets and liabilities denominated in currencies other than the U.S. dollar as of June 3, 2010, a 1% change in the exchange rate versus the U.S. dollar would expose the Company to foreign currency gains or losses of approximately U.S. \$1 million for the Singapore dollar. During the first quarter of 2010, the Company began using derivative instruments to hedge its foreign currency exchange rate risk. (See Item 1. Financial Statements – "Derivative Financial Instruments" note.)

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's 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 the Company in the reports that it files or submits under the Exchange Act is 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 the Company's management, including the principal executive officer and principal financial officer, to allow timely decision regarding disclosure.

During the quarterly period covered by this report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Antitrust Matters

On May 5, 2004, Rambus, Inc. (“Rambus”) filed a complaint in the Superior Court of the State of California (San Francisco County) against the Company and other DRAM suppliers alleging that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM (“RDRAM”) by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus’ complaint alleges various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus alleges that it is entitled to actual damages of more than a billion dollars and seeks joint and several liability, treble damages, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys’ fees and costs. A trial date has not been scheduled.

A number of purported class action price-fixing lawsuits have been filed against the Company and other DRAM suppliers. Four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege price fixing in violation of federal antitrust laws and various state antitrust and unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys’ fees. In addition, at least sixty-four cases have been filed in various state courts asserting claims on behalf of a purported class of indirect purchasers of DRAM. Cases have been filed in the following states: Arkansas, Arizona, California, Florida, Hawaii, Iowa, Kansas, Massachusetts, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Virginia, Wisconsin, and West Virginia, and also in the District of Columbia and Puerto Rico. The complaints purport to be on behalf of a class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM in the respective jurisdictions during various time periods ranging from April 1999 through at least June 2002. The complaints allege violations of the various jurisdictions’ antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek joint and several damages, trebled, as well as restitution, costs, interest and attorneys’ fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated pre-trial proceedings. On January 29, 2008, the Northern District of California Court granted in part and denied in part the Company’s motion to dismiss plaintiff’s second amended consolidated complaint. Plaintiffs subsequently filed a motion seeking certification for interlocutory appeal of the decision. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs’ interlocutory appeal. In addition, various states, through their Attorneys General, have filed suit against the Company and other DRAM manufacturers. On July 14, 2006, and on September 8, 2006 in an amended complaint, the following Attorneys General filed suit in the U.S. District Court for the Northern District of California: Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and the Commonwealth of the Northern Mariana Islands. Thereafter, three states, Ohio, New Hampshire, and Texas, voluntarily dismissed their claims. The remaining states filed a third amended complaint on October 1, 2007. Alaska, Delaware, Kentucky, and Vermont subsequently voluntarily dismissed their claims. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states’ consumer protection and antitrust laws and seeks joint and several damages, trebled, as well as injunctive and other relief. Additionally, on July 13, 2006, the State of New York filed a similar suit in the U.S. District Court for the Southern District of New York. That case was subsequently transferred to the U.S. District Court for the Northern District of California for pre-trial purposes. The State of New York filed an amended complaint on October 1, 2007. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, the Company executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, the Company agreed to pay a total of approximately \$67 million in three equal installments over a two-year period.

Additionally, three cases have been filed against the Company in the following Canadian courts: Superior Court, District of Montreal, Province of Quebec; Ontario Superior Court of Justice, Ontario; and Supreme Court of British Columbia, Vancouver Registry, British Columbia. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs have filed an appeal of each of those decisions. On November 12, 2009, the British Columbia Court of Appeal reversed the denial of class certification and remanded the case for further proceedings. The appeal of the Quebec case is still pending.

On February 28, 2007, February 28, 2007 and March 8, 2007, cases were filed against the Company and other manufacturers of DRAM in the U.S. District Court for the Northern District of California by All American Semiconductor, Inc., Jaco Electronics, Inc. and DRAM Claims Liquidation Trust, respectively, that opted-out of a direct purchaser class action suit that was settled. The complaints allege, among other things, violations of federal and state antitrust and competition laws in the DRAM industry, and seek joint and several damages, trebled, as well as restitution, attorneys' fees, costs, and injunctive relief.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including the Company, and focuses on the period from July 1998 to June 2002. The Company has not yet been served with the investigation.

Three purported class action lawsuits alleging price-fixing of "Static Random Access Memory" or "SRAM" products have been filed in Canada, asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased SRAM products directly or indirectly from various SRAM suppliers.

In addition, three purported class action lawsuits alleging price-fixing of Flash products have been filed in Canada, asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased Flash memory directly and indirectly from various Flash memory suppliers.

The Company is unable to predict the outcome of these lawsuits. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on the Company's business, results of operations or financial condition.

Patent Matters

On August 28, 2000, the Company filed a complaint against Rambus in the U.S. District Court for the District of Delaware seeking monetary damages and declaratory and injunctive relief. Among other things, the Company's complaint (as amended) alleges violation of federal antitrust laws, breach of contract, fraud, deceptive trade practices, and negligent misrepresentation. The complaint also seeks a declaratory judgment (a) that certain Rambus patents are not infringed by the Company, are invalid, and/or are unenforceable, (b) that the Company has an implied license to those patents, and (c) that Rambus is estopped from enforcing those patents against the Company. On February 15, 2001, Rambus filed an answer and counterclaim in Delaware denying that the Company is entitled to relief, alleging infringement of the eight Rambus patents (later amended to add four additional patents) named in the Company's declaratory judgment claim, and seeking monetary damages and injunctive relief. In the Delaware action, the Company subsequently added claims and defenses based on Rambus' alleged spoliation of evidence and litigation misconduct. The spoliation and litigation misconduct claims and defenses were heard in a bench trial before Judge Robinson in October 2007. On January 9, 2009, Judge Robinson entered an opinion in favor of the Company holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against the Company. Rambus subsequently appealed the decision to the U.S. Court of Appeals for the Federal Circuit. That appeal is pending.

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

On January 13, 2006, Rambus filed a lawsuit against the Company in the U.S. District Court for the Northern District of California. Rambus alleges that certain of the Company's DDR2, DDR3, RDRAM, and RDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of the Company's net sales. On June 2, 2006, the Company filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving the Company and Rambus and involving allegations by Rambus of patent infringement against the Company in the U.S. District Court for the District of Delaware, Judge Robi nson entered an opinion in favor of the Company holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against the Company. Rambus subsequently appealed the Delaware Court's decision to the U.S. Court of Appeals for the Federal Circuit. Subsequently, the Northern District of California Court stayed a trial of the patent phase of the Northern District of California case pending the outcome of the appeal of the Delaware Court's spoliation decision or further order of the California Court.

On March 6, 2009, Panavision Imaging, LLC filed suit against the Company and Aptina Imaging Corporation, then a wholly-owned subsidiary of the Company ("Aptina"), in the U.S. District Court for the Central District of California. The complaint alleges that certain of the Company and Aptina's image sensor products infringe four Panavision Imaging U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On December 11, 2009, Ring Technology Enterprises of Texas LLC ("Ring") filed suit against the Company in the U.S. District Court for the Eastern District of Texas alleging that certain of the Company's memory products infringe one Ring Technology U.S. patent. The complaint sought injunctive relief, damages, attorneys' fees, and costs. On June 26, 2010, the Company executed a settlement agreement with Ring resolving the dispute.

The Company is unable to predict the outcome of these suits. A court determination that the Company's products or manufacturing processes infringe the product or process intellectual property rights of others could result in significant liability and/or require the Company to make material changes to its products and/or manufacturing processes. Any of the foregoing results could have a material adverse effect on the Company's business, results of operations or financial condition.

Securities Matters

On February 24, 2006, a putative class action complaint was filed against the Company and certain of its officers in the U.S. District Court for the District of Idaho alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. Four substantially similar complaints subsequently were filed in the same Court. The cases purport to be brought on behalf of a class of purchasers of the Company's stock during the period February 24, 2001 to February 13, 2003. The five lawsuits have been consolidated and a consolidated amended class action complaint was filed on July 24, 2006. The complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding alleged illegal price-fixing conduct or the Company's operations and financial results. The complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. On December 19, 2007, the Court issued an order certifying the class but reducing the class period to purchasers of the Company's stock during the period from February 24, 2001 to September 18, 2002.

The Company is unable to predict the outcome of these cases. A court determination in any of these actions against the Company could result in significant liability and could have a material adverse effect on the Company's business, results of operations or financial condition.

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

Item 1A. Risk Factors

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

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

For 2009, average selling prices of DRAM and NAND Flash products decreased 52% and 56%, respectively, as compared to 2008. For 2008, average selling prices of DRAM and NAND Flash products decreased 51% and 67%, respectively, as compared to 2007. For 2007, average selling prices of DRAM and NAND Flash products decreased 23% and 56%, respectively, as compared to 2006. In some prior periods, average selling prices for our memory products have been below our manufacturing costs. 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 may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. We currently estimate our capital spending to be between \$850 million and \$950 million for 2010. We expect capital expenditures in 2011 to increase significantly compared to 2010. The actual amount will vary depending on funding participation by joint venture partners. As of June 3, 2010, we had cash and equivalents of \$2,313 million, of which \$484 million consisted of cash and investments of IM Flash and TECH that would generally not be available to finance our other operations. In the past we have utilized external sources of financing when needed. As a result of the severe downturn in the semiconductor memory market, the downturn in general economic conditions, and the adverse conditions in the credit markets, it may be difficult to obtain financing on terms acceptable to us. There can be no assurance that we will be able to generate sufficient cash flows or find other sources of financing to fund our operations; make adequate capital investments to remain competitive in terms of technology development and cost efficiency; or access capital markets. Our inability to do the foregoing could have a material adverse effect on our business and results of operations.

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

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

The semiconductor memory industry is highly competitive.

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Hynix Semiconductor Inc.; Samsung Electronics Co., Ltd.; SanDisk Corporation; and Toshiba Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources or greater access to resources, including governmental resources, to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. The transitions to smaller line-width process technologies and 300mm wafers in the industry have resulted in significant increases in the worldwide supply of semiconductor memory. Increases in worldwide supply of semiconductor memory also result from semiconductor memory fab capacity expansions, either by way of new facilities, increased capacity utilization or reallocation of other semiconductor production to semiconductor memory production. As a result of improving conditions in the semiconductor memory market in recent periods, our competitors may increase capital expenditures resulting in future increases in worldwide supply. Increases in worldwide supply of semiconductor memory, if not accompanied with commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations or financial condition

We may not realize the anticipated benefits of the Numonyx acquisition because of significant challenges.

The failure to combine the operations of Micron and Numonyx successfully or otherwise to realize any of the anticipated benefits of the proposed acquisition could seriously harm the financial condition and results of operations of the combined company. Realizing the anticipated benefits of the acquisition will depend in part on the timely integration of technology, operations, and personnel. The combination of the companies will be a complex, time-consuming and expensive process that, even with proper planning and implementation, could significantly disrupt the businesses of Micron and Numonyx. The challenges involved in this integration include the following:

- combining product and service offerings;
- coordinating research and development activities to enhance the development and introduction of new products and services;
- preserving customer, supplier and other important relationships of both Micron and Numonyx and resolving potential conflicts that may arise;
- managing supply chains and product channels effectively during the period of combining operations;
- minimizing the diversion of management attention from ongoing business concerns;
- additional expenses associated with the acquisition and integration of Numonyx;
- retaining key employees; and
- coordinating and combining overseas operations, relationships and facilities, which may be subject to additional constraints imposed by geographic distance and local laws and regulations.

We may not be successful in our efforts to integrate the technology, operations and personnel of Numonyx in a timely manner, or at all, and the combined company may not realize the anticipated benefits or synergies of the acquisition to the extent, or in the timeframe, anticipated. The anticipated benefits of the acquisition assume a successful combination. In addition to the risks discussed above, our ability to realize the anticipated benefits of the acquisition could be adversely affected by practical or legal constraints on our ability to combine operations.

There are a number of risks and uncertainties related to Numonyx's joint venture with Hynix.

In connection with our purchase of Numonyx on May 7, 2010, we acquired a 20.7% noncontrolling equity interest in Hynix-Numonyx Semiconductor Ltd. (the "Hynix JV"), a joint venture with Hynix Semiconductor, Inc. ("Hynix") and Hynix Semiconductor (WUXI) Limited. The Hynix JV was formed pursuant to a joint venture agreement originally entered into between STMicroelectronics N.V. ("ST") and Hynix prior to the formation of Numonyx (as amended and restated, the "JV Agreement").

Under the terms of the JV Agreement, the change in control of Numonyx due to its acquisition by us gave rise to certain rights of the parties to the JV Agreement to buy or sell or cause the other party to buy or sell their equity interests in the Hynix JV, including the right of Hynix to purchase all of our equity interests in the Hynix JV (the "Hynix Call Option"). Pursuant to the JV Agreement, the exercise price of the Hynix Call Option is an amount equal to the positive difference between the book value of the Hynix JV's total assets and the book value of the Hynix JV's total liabilities, multiplied by our percentage ownership in the Hynix JV estimated to be approximately \$425 million. On May 28, 2010, Hynix gave notice to us of its exercise of the Hynix Call Option to acquire our 20.7% interest in the Hynix JV. The closing of the equity transfer is expected to take place prior to the end of the first quarter of fiscal 2011.

Pursuant to the terms of a supply agreement with the Hynix JV, we purchased \$29 million of memory products from the Hynix JV in the third quarter of 2010. The Hynix JV is permitted to terminate the supply agreement upon exercise of the Hynix Call Option and the consummation of the equity transfer. On May 28, 2010, the Hynix JV delivered notice to us of its intent to terminate the JV supply agreement concurrent with the consummation of the equity transfer. A significant portion of Numonyx's net sales is dependent upon sales of products supplied to us by the Hynix JV pursuant to the JV supply agreement. We and the Hynix JV are currently in discussions to enter into a new supply agreement. If the parties are unable to reach agreement and the existing JV supply agreement is terminated, the Hynix JV will have no further supply obligations to us. Even if the parties are able to reach agreement on a new supply agreement, it is anticipated that the existing JV supply agreement will be terminated, in which case the favorable pricing under the existing JV supply agreement will end at that time. There can be no assurance that we will reach agreement with the Hynix JV on a new supply agreement or that we will be able to do so on commercially acceptable terms. Accordingly, we may be required to purchase certain products at market rates or forgo sales of these products to end customers.

Concurrent with the acquisition of Numonyx, we and STMicroelectronics entered into an agreement that provides that we are required to take certain actions in connection with an outstanding \$250 million loan, due in periodic installments from 2014 through 2016, made by DBS Bank Ltd. ("DBS") to the Hynix JV. In particular, we have agreed that, subject to certain conditions, within two business days after receipt of the proceeds from the sale of our equity interest in the Hynix JV to Hynix, we will deposit \$250 million of such proceeds into a pledged account at DBS. The funds deposited into such account will collateralize our obligations under a guarantee of the loan, which guarantee is to be entered into by us concurrent with such deposit. The amount on deposit in the DBS account will be accounted for as restricted cash in other noncurrent assets. The amount on deposit and our guarantee decrease as payments are made by the Hynix JV against the loan.

The recent economic downturn in the worldwide economy and the semiconductor memory industry may harm our business.

The downturn in the worldwide economy had an adverse effect on our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers and other computing and networking products, mobile devices, Flash memory cards and USB devices. Reduced demand for our products could result in continued market oversupply and significant decreases in our average selling prices. A continuation of current negative conditions in worldwide credit markets would limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses 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 joint ventures and strategic partnerships involve numerous risks.

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

- our interests could diverge from our partners in the future 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;
- recognition of our share of potential Inotera, Aptina and Transform losses in our results of operation;
- due to financial constraints, our partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- due to differing business models or long-term business goals, our partners may decide not to join us in capital contributions to our joint ventures which may result in us increasing our capital contributions to such ventures resulting in additional cash expenditures by us;
- the terms of our arrangements may turn out to be unfavorable;
- cash flows may be inadequate to fund increased capital requirements;
- we may experience difficulties in transferring technology to joint ventures;
- we may experience difficulties and delays in ramping production at joint ventures;
- these operations may be less cost-efficient as a result of underutilized capacity;
- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our partners; and
- political or economic instability may occur in the countries where our joint ventures and/or partners are located.

If our joint ventures and strategic partnerships are unsuccessful, our business, results of operations or financial condition may be adversely affected.

Our ownership interest in Inotera involves numerous risks.

Our 29.9% ownership interest in Inotera involves numerous risks including the following:

- risks relating to actions that may be taken or initiated by Qimonda AG's ("Qimonda") bankruptcy administrator relating to Qimonda's transfer to us of its Inotera shares and to the possible rejection of or election of non-performance under certain patent and technology license agreements between us and Qimonda;
- Inotera's ability to meet its ongoing obligations;
- costs associated with manufacturing inefficiencies resulting from underutilized capacity;
- difficulties in converting Inotera production from Qimonda's trench technology to our stack technology;
- difficulties in obtaining financing for capital expenditures necessary to convert Inotera production to our stack technology;
- uncertainties around the timing and amount of wafer supply we will receive under the supply agreement;
- obligations during the technology transition period to procure product based on a competitor's technology which may be difficult to sell and to provide support for such product, with respect to which we have limited technological understanding; and
- the effect on our margins associated with our obligation to purchase product utilizing Qimonda's trench technology at a relatively higher cost than other products manufactured by us and selling them potentially at a lower price than other products produced by us.

In connection with our ownership equity interest in Inotera, we have rights and obligations to purchase up to 50% of the wafer production of Inotera. In the third quarter of 2010, we purchased \$188 million of DRAM products (substantially all of which were trench technology) from Inotera.

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

On May 5, 2004, Rambus, Inc. (“Rambus”) filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers alleging that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM (“RDRAM”) by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus’ complaint alleges various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus alleges that it is entitled to actual damages of more than a billion dollars and seeks joint and several liability, treble damages, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys’ fees and costs. A trial date has not been scheduled. (See “Item 1. Legal Proceedings” for additional details on this case and other Rambus matters pending in the U.S. and Europe.)

A number of purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers. Numerous cases have been filed in various state and federal courts asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege violations of the various jurisdictions’ antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek joint and several damages, trebled, restitution, costs, interest and attorneys’ fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated pre-trial proceedings. On January 29, 2008, the Northern District of California Court granted in part and denied in part our motion to dismiss the plaintiff’s second amended consolidated complaint. The District Court subsequently certified the decision for interlocutory appeal. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs’ interlocutory appeal. In addition, various states, through their Attorneys General, have filed suit against us and other DRAM manufacturers alleging violations of state and federal competition laws. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states’ consumer protection and antitrust laws and seeks damages, and injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, we executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, we agreed to pay a total of approximately \$67 million in three equal installments over a two-year period. (See “Item 1. Legal Proceedings” for additional details on these cases and related matters.)

Three purported class action lawsuits alleging price-fixing of Flash products have been filed against us in Canada asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased Flash memory directly and indirectly from various Flash memory suppliers. (See “Item 1. Legal Proceedings” for additional details on these cases and related matters.)

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

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

On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RDRAM, and RDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving us and Rambus and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, Judge Robinson entered an opinion in favor of us holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the Delaware Court's decision to the U.S. Court of Appeals for the Federal Circuit. That appeal is pending. Subsequently, the Northern District of California Court stayed a trial of the patent phase of the Northern District of California case pending the outcome of the appeal of the Delaware Court's spoliation decision or further order of the California Court. (See "Item 1. Legal Proceedings" for additional details on this lawsuit and other Rambus matters pending in the U.S. and Europe.)

On March 6, 2009, Panavision Imaging LLC filed suit against us and Aptina Imaging Corporation, then a wholly-owned subsidiary of ours, in the U.S. District Court for the Central District of California. The complaint alleges that certain of our and Aptina's image sensor products infringe four Panavision Imaging U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

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

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

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

On February 24, 2006, a number of purported class action complaints were filed against us and certain of our officers in the U.S. District Court for the District of Idaho alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The cases purport to be brought on behalf of a class of purchasers of our stock during the period February 24, 2001 to February 13, 2003. The five lawsuits have been consolidated and a consolidated amended class action complaint was filed on July 24, 2006. The complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding alleged illegal price-fixing conduct. The complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. On December 19, 2007, the Court issued an order certifying the class but reducing the class period to purchasers of our stock during the period from February 24, 2001 to September 18, 2002. (See "Item 1. Legal Proceedings" for additional details on these cases and related matters.)

We are unable to predict the outcome of these cases. An adverse court determination in any of the class action lawsuits against us could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Our debt level is higher than compared to historical periods.

We currently have a higher level of debt compared to historical periods. As of June 3, 2010 we had \$2.4 billion of debt, net of discounts of \$264 million. We may need to incur additional debt in the future. Our debt level could adversely impact us. For example it could:

- make it more difficult for us to make payments on our debt;
- require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service;

- limit our future ability to raise funds for capital expenditures, acquisitions, research and development and other general corporate requirements;
- increase our vulnerability to adverse economic and semiconductor memory industry conditions;
- expose us to fluctuations in interest rates with respect to that portion of our debt which is at a variable rate of interest; and
- require us to make additional investments in joint ventures to maintain compliance with financial covenants.

Several of our credit facilities, one of which was modified during 2009 and another which was modified in 2010, have covenants that require us to maintain minimum levels of tangible net worth and cash and investments. As of June 3, 2010, we were in compliance with our debt covenants. If we are unable to continue to be in compliance with our debt covenants, or obtain waivers, an event of default could be triggered, which, if not cured, could cause the maturity of other borrowings to be accelerated and become due and currently payable.

Covenants in our debt instruments may obligate us to repay debt, increase contributions to our TECH joint venture and limit our ability to obtain financing.

Our ability to comply with the financial and other covenants contained in our debt may be affected by economic or business conditions or other events. As of June 3, 2010, our 87% owned TECH Semiconductor Singapore Pte. Ltd., (“TECH”) subsidiary, had \$398 million outstanding under a credit facility with covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios for TECH and restrict TECH’s ability to incur indebtedness, create liens and acquire or dispose of assets. If TECH does not comply with these debt covenants and restrictions, this debt may be deemed to be in default and the debt declared payable. There can be no assurance that TECH will be able to comply with its covenants. Additionally, if TECH is unable to repay its borrowings when due, the lenders under TECH’s credit facility could proceed against substantially all of TECH’s assets. In the first quarter of 2010, TECH amended certain of its debt covenants under the credit facility. We have guaranteed 100% of the outstanding amount borrowed under TECH’s credit facility. If TECH’s debt is accelerated, we may not have sufficient assets to repay amounts due. Existing covenant restrictions may limit our ability to obtain additional debt financing. To avoid covenant defaults we may be required to repay debt obligations and/or make additional contributions to TECH, all of which could adversely affect our liquidity and financial condition.

The inability to reach an acceptable agreement with our TECH joint venture partners regarding the future of TECH after its shareholders’ agreement expires in April 2011 could have a significant adverse effect on our DRAM production and results of operation.

Since 1998, we have participated in TECH, a semiconductor memory manufacturing joint venture in Singapore among us, Canon Inc. (“Canon”) and Hewlett-Packard Company (“HP”). As of June 3, 2010, the ownership of TECH was held approximately 87% by us, approximately 10% by Canon and approximately 3% by HP. The financial results of TECH are included in our consolidated financial statements. In the third quarter of 2010, TECH accounted for 36% of our total DRAM wafer production. The shareholders’ agreement for TECH expires in April 2011. In the first quarter of 2010, TECH received a notice from HP that it does not intend to extend the TECH joint venture beyond April 2011. We are in discussions with HP and Canon to reach a resolution of the matter. The parties’ inability to reach a resolution of this matter prior to April 2011 could result in the dissolution of TECH and have a significant adverse impact on our DRAM production and results of operation.

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

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

- difficulties in integrating the operations, technologies and products of acquired or newly formed entities;
- increasing capital expenditures to upgrade and maintain facilities;
- increasing debt to finance any acquisition or formation of a new business;

- diverting management's attention from normal daily operations;
- managing larger or more complex operations and facilities and employees in separate geographic areas; and
- hiring and retaining key employees.

Acquisitions of, or alliances with, high-technology companies are inherently risky, and any future transactions may not be successful and may materially adversely affect our business, results of operations or financial condition.

New product development may be unsuccessful.

We are developing new products that complement our traditional memory products or leverage their underlying design or process technology. We have made significant investments in product and process technologies and anticipate expending significant resources for new semiconductor product development over the next several years. The process to develop DRAM, NAND Flash and certain specialty memory products requires us to demonstrate advanced functionality and performance, many times well in advance of a planned ramp of production, in order to secure design wins with our customers. There can be no assurance that our product development efforts will be successful, that we will be able to cost-effectively manufacture new products, that we will be able to successfully market these products or that margins generated from sales of these products will recover costs of development efforts.

The future success of our Imaging foundry business is dependent on Aptina's market success and customer demand.

In recent quarters, Aptina's net sales and gross margins decreased due to declining demand and increased competition. There can be no assurance that Aptina will be able to grow or maintain its market share or gross margins. Any reduction in Aptina's market share could adversely affect the operating results of our Imaging foundry business. Aptina's success depends on a number of factors, including:

- development of products that maintain a technological advantage over the products of our competitors;
- accurate prediction of market requirements and evolving standards, including pixel resolution, output interface standards, power requirements, optical lens size, input standards and other requirements;
- timely completion and introduction of new imaging products that satisfy customer requirements; and
- timely achievement of design wins with prospective customers, as manufacturers may be reluctant to change their source of components due to the significant costs, time, effort and risk associated with qualifying a new supplier.

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.

Because the design and production process for semiconductor memory 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. If, despite design review, quality control and product qualification procedures, problems with nonconforming, defective or incompatible products occur after we have shipped such products, we could be adversely affected in several ways, including the following:

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

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

Our financial statements are prepared in accordance with U.S. GAAP and are reported in U.S. dollars. Across our multi-national operations, there are transactions and balances denominated in other currencies, primarily the Singapore dollar, euro and yen. We recorded net losses from changes in currency exchange rates of \$20 million for the first nine months of 2010, \$30 million for 2009 and of \$25 million for 2008. We estimate that, based on our assets and liabilities denominated in currencies other than the U.S. dollar as of June 3, 2010, a 1% change in the exchange rate versus the U.S. dollar would expose us to foreign currency gains or losses of approximately U.S. \$1 million for the Singapore dollar. In the event that the U.S. dollar weakens significantly compared to the Singapore dollar, euro and yen, our results of operations or financial condition may be adversely affected.

We may incur additional material restructure charges in future periods.

In response to a severe downturn in the semiconductor memory industry and global economic conditions, we implemented restructure initiatives in 2009, 2008 and 2007 that resulted in net charges of \$70 million, \$33 million and \$19 million, respectively. The restructure initiatives included shutting down our 200mm wafer fabrication facility in Boise, suspending the production ramp of a new fabrication facility in Singapore and other personnel cost reductions. We may need to implement further restructure initiatives in future periods. As a result of these initiatives, we could incur restructure charges, lose production output, lose key personnel and experience disruptions in our operations and difficulties in delivering products timely.

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 the third quarter of 2010. In addition, a substantial portion of our manufacturing operations are located outside the United States. Our international sales and operations are subject to a variety of risks, including:

- currency exchange rate fluctuations;
- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- 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;
- 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.

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

We have a valuation allowance against substantially all of our U.S. net deferred tax assets. As of September 3, 2009, we had aggregate U.S. tax net operating loss carryforwards of \$4.2 billion and unused U.S. tax credit carryforwards of \$212 million. We also had unused state tax net operating loss carryforwards of \$2.6 billion and unused state tax credits of \$198 million. Substantially all of the net operating loss carryforwards expire in 2022 to 2029 and substantially all of the tax credit carryforwards expire in 2013 to 2029. Utilization of these net operating losses and credit carryforwards is dependent upon us achieving sustained profitability. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income. The determination of the limitations is complex and requires significant judgment and analysis of past transactions.

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

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

Disruptions in our supply of raw materials could materially adversely affect our business, results of operations or financial condition.

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

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

In recent years, manufacturing supply has significantly exceeded customer demand resulting in significant declines in average selling prices of DRAM and NAND Flash products and substantial operating losses by us and our competitors. The operating losses as well as limited access to sources of financing have led to the deterioration in the financial condition of a number of industry participants. Some of our competitors may try to enhance their capacity and lower their cost structure through consolidation. Consolidation of industry competitors could put us at a competitive disadvantage. In addition, some governments have provided, or are considering, significant financial assistance for some of our competitors.

Item 2. Issuer Purchases of Equity Securities, Unregistered Sales of Equity Securities and Use of Proceeds

During the third quarter of 2010, the Company acquired, as payment of withholding taxes in connection with the vesting of restricted stock and restricted stock unit awards, 38,192 shares of its common stock at an average price per share of \$9.76. The Company retired the 38,192 shares in the third quarter of 2010.

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
March 5, 2010	– April 8, 2010	10,942	\$ 10.30	N/A	N/A
April 9, 2010	– May 6, 2010	800	11.02	N/A	N/A
May 7, 2010	– June 3, 2010	26,450	9.50	N/A	N/A
		<u>38,192</u>	9.76		

On May 7, 2010 the Company issued 137.7 million unregistered shares of common stock to Intel Corporation, Intel Technology Asia Pte Ltd, STMicroelectronics N.V., Redwood Blocker S.a.r.l. and PK Flash, LLC as consideration with a fair value of \$1,091 million for all the outstanding shares of Numonyx Holdings, B.V. The shares issued by the Company were exempt from registration under Section 4(2) of the Securities Act of 1933.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of the Registrant (1)
3.2	Bylaws of the Registrant, as amended (2)
10.90	Stockholder Rights and Restrictions Agreement by and among Micron Technology, Inc., Intel Corporation, Intel Technology Asia Pte. Ltd., STMicroelectronics N.V., Redwood Blocker S.a.r.l. and PK Flash LLC, dated as of May 7, 2010, 2010
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

- (1) Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001
(2) Incorporated by reference to Current Report on Form 8-K dated December 10, 2009

SIGNATURES

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

Micron Technology, Inc.
(Registrant)

Date: July 13, 2010

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

STOCKHOLDER RIGHTS AND RESTRICTIONS AGREEMENT

by and among

MICRON TECHNOLOGY, INC.

INTEL CORPORATION

INTEL TECHNOLOGY ASIA PTE LTD.

STMICROELECTRONICS N.V.

REDWOOD BLOCKER S.A.R.L.

and

PK FLASH LLC

Dated as of May 7, 2010

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STOCKHOLDER RIGHTS AND RESTRICTIONS AGREEMENT

THIS STOCKHOLDER RIGHTS AND RESTRICTIONS AGREEMENT (this “**Agreement**”) is made as of May __, 2010, by and among MICRON TECHNOLOGY, INC., a Delaware corporation (“**Micron**”), INTEL CORPORATION, a Delaware corporation (“**Intel Corporation**”), INTEL TECHNOLOGY ASIA PTE LTD., a company organized under the laws of Singapore (“**ITA**”), STMICROELECTRONICS N.V., a limited liability company organized under the laws of The Netherlands, with corporate seat in Amsterdam, The Netherlands (“**ST**”), REDWOOD BLOCKER S.A.R.L., a limited liability company organized under the laws of the Grand-Duchy of Luxembourg (“**Redwood**”), and PK FLASH LLC, a Delaware limited liability company (“**PK**” and, together with Intel Corporation, ITA, ST and Redwood, the “**Stockholders**”) (each, a “**Party**” and together, the “**Parties**”).

RECITALS

A. On February 9, 2010, Micron, the Stockholders, Numonyx Holdings B.V., a private company with limited liability organized under the law of The Netherlands, with corporate seat in Amsterdam, The Netherlands (“**Numonyx**”) and certain other parties entered into a Share Purchase Agreement (the “**Share Purchase Agreement**”), pursuant to which a Subsidiary of Micron (“**Acquisition Sub**”) agreed to purchase from the Stockholders, and the Stockholders agreed to sell to the Acquisition Sub, all of the outstanding shares of capital stock of Numonyx (the “**Numonyx Shares**”) (such transaction, the “**Share Purchase**”).

B. As consideration for the Numonyx Shares, Micron has agreed to issue to the Stockholders up to an aggregate of 150,000,000 shares of Micron’s Common Stock, par value \$0.10 per share (the “**Common Stock**”).

C. As a material inducement to Micron and the Stockholders to enter into the Share Purchase Agreement, Micron and the Stockholders have agreed to enter into this Agreement as of the closing of the Share Purchase.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and agreements, representations and warranties set forth herein, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, the Parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 1.1. Certain Definitions. For all purposes of and under this Agreement, certain terms not otherwise defined herein have the meanings ascribed to those terms in Appendix A.

Section 1.2. Rules of Construction.

(a) All references herein to Articles or Sections shall be deemed to be references to Articles and Sections of this Agreement unless the context shall otherwise require.

(b) The words “include,” “includes” and “including” when used herein shall be deemed in each case to be followed by the words “without limitation.”

(c) The headings set forth in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(d) All references in this Agreement to the Subsidiaries of a Person shall be deemed to include all direct and indirect Subsidiaries of such Person.

(e) Unless otherwise specifically provided, all references in this Agreement to “dollars” or “\$” shall mean United States Dollars.

(f) The definitions set this Agreement shall apply equally to both the singular and plural forms of the terms defined.

(g) Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(h) Unless the context shall otherwise require, any reference to any contract, instrument, statute, rule or regulation is a reference to it as amended and supplemented from time to time (and, in the case of a statute, rule or regulation, to any successor provision).

(i) Any reference in this Agreement to a “day” or a number of “days” (without the explicit qualification of “Business”) shall be interpreted as a reference to a calendar day or number of calendar days. In the event that any date provided for in this Agreement falls on a date that is not a Business Day, such date shall be deemed extended to the next Business Day.

ARTICLE II

STANDSTILL AND VOTING

Section 2.1. Standstill Provisions.

(a) Each Stockholder agrees that it will not, and will cause its controlled Affiliates and the Representatives acting on its or any of its controlled Affiliates’ behalf not to, directly or indirectly, acting alone or in concert with others, unless specifically consented to in writing in advance by the Board:

(i) acquire or agree to acquire, or offer, propose or seek to acquire, directly or indirectly, by purchase or otherwise, ownership (including beneficial ownership) of any securities, assets or businesses of Micron or any of its Subsidiaries, or any direct or indirect rights or options to acquire such ownership (including from any other Person), provided, however, that the

foregoing shall not prohibit or prevent any Stockholder from (x) acquiring any such securities pursuant to a stock split, stock dividend or similar recapitalization of Micron or any of its Subsidiaries; (y) preserving its rights as a stockholder in Micron or any of its Subsidiaries, including, without limitation, by participating in rights or subscription offerings offered to all stockholders or (z) acquiring any securities or assets pursuant to Section 2.9 of the Share Purchase Agreement;

(ii) effect or seek, offer or propose to effect (with or without conditions) any merger, consolidation, business combination, recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with or involving Micron or any of its Subsidiaries or any of its or their respective securities or assets;

(iii) (A) make, or in any way participate in or encourage, any “solicitation” of “proxies” (as such terms are used in the rules of the SEC) or consents to vote Voting Securities, (B) seek to advise or influence any Person (other than any Affiliate of such Stockholder) with respect to the voting of any Voting Securities (other than in accordance with and consistent with the recommendation of the Board), or (C) call or seek to have called any meeting of the holders of Voting Securities (or securities convertible into, or exercisable or exchangeable for, Voting Securities);

(iv) deposit any Voting Securities in a voting trust or, except as otherwise provided in Section 2.2 hereof, subject any Voting Securities to any arrangement or agreement with any Person with respect to the voting of such Voting Securities;

(v) seek to place a representative on the Board, seek the removal of any member of the Board, or otherwise seek or propose to influence or control the Board, the management, or the policies of Micron, provided, however, that this clause (v) shall not limit the ability of any Stockholder to freely vote any Voting Securities in the election of directors to the Board, or the removal of directors therefrom, so long as such candidates for election were not nominated by, or such proposal for removal was not made by, such Stockholder or its controlled Affiliates or any Group or member of any Group of which any of them is a member;

(vi) form, join or in any way participate in a Group or other group, or otherwise act in concert with any third Person (other than any Affiliate of such Stockholder with respect to voting), for the purpose of acquiring, holding, voting or disposing of Equity Securities;

(vii) assist, participate in, provide or arrange financing to or for, solicit, encourage, induce or attempt to induce any effort or attempt by, or enter into any discussions, negotiations, arrangements or understandings with, any Person or Group to do or seek to do any of the foregoing;

(viii) disclose any intent, purpose, plan or proposal to do any of the foregoing; or

(ix) take any action that would reasonably be expected to compel Micron to make a public announcement regarding the possibility of any of the foregoing.

(b) Notwithstanding any other provision of this Section, nothing in Section 2.1(a) shall be deemed to prevent or otherwise limit the exercise of any rights or remedies available to a Stockholder or any Affiliate of a Stockholder under, in connection with, contemplated by or arising out of (i) the Share Purchase Agreement or any other Ancillary Agreement or (ii) any other agreement entered into on or prior to the date of hereof between Micron and/or one or more of its Affiliates, on the one hand, and such Stockholder and/or one or more of its Affiliates, on the other hand, including the following agreements as they may be amended by the parties: (A) the Securities Purchase Agreement between Micron and Intel Capital Corporation dated September 24, 2003, and any other agreement or instrument entered into thereunder, including the Securities Rights and Restrictions Agreement of even date therewith between Micron and Intel Capital Corporation and the Stock Rights Agreement of even date therewith between Micron and Intel Capital Corporation; (B) the Securities Purchase Agreement between Micron and Intel Corporation dated October 19, 1998, and any other agreement or instrument entered into thereunder, including the Securities Rights and Restrictions Agreement of even date therewith between Micron and Intel Corporation and the Stock Rights Agreement of even date therewith between Micron and Intel Corporation; (C) the Amended and Restated Limited Liability Operating Agreement of IM Flash Technologies, LLC between Micron and Intel Corporation dated as of February 27, 2007 and any other operating agreement or similar Governing Documents of any Applicable Joint Venture (as defined in such Amended and Restated Limited Liability Operating Agreement) entered into pursuant to such Amended and Restated Limited Liability Operating Agreement, including the Limited Liability Partnership Agreement of IM Flash Singapore, LLP between Micron Semiconductor Asia Pte Ltd. and ITA dated as of February 27, 2007, and (D) the M6 Option Agreement.

(c) The provisions of this Section 2.1 shall terminate as to any Stockholder upon the earliest to occur: (i) such time as such Stockholder, together with its controlled Affiliates, beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron, (ii) the third anniversary of the Closing Date, and (iii) consummation of a Change in Control of Micron.

Section 2.2. Voting.

(a) Unless the Board otherwise consents in writing in advance, and except as provided in Section 2.2(b) below, ST shall take such action (and shall cause each of its Permitted Transferees and Affiliates that beneficially own Voting Securities of Micron to take such action) as may be required so that all Voting Securities of Micron beneficially owned by ST (or any such Permitted Transferee or Affiliate of ST) from time to time are voted on all matters to be voted on by holders of Voting Securities of Micron in the same manner (“for”, “against”, “withheld”, “abstain” or otherwise, with lost, damaged or disfigured ballots counting as abstentions to the extent that they cannot be counted as “for”, “against”, “withheld” or otherwise under applicable law) as recommended by the Board to the other holders of Voting Securities of Micron with respect to such matters.

(b) If any matter is presented to the holders of Voting Securities of Micron (by any Person other than a Stockholder, any Affiliate of any Stockholder or an “associate” of any of them, as such term is defined in Rule 12b-2 under the Exchange Act), to approve (i) any Change in Control of Micron or (ii) any issuance of Equity Securities requiring stockholder approval pursuant

to applicable stock exchange rules, then all Voting Securities of Micron beneficially owned by ST (or any Permitted Transferee or Affiliate of ST) may be voted on such matter as ST (or any such Permitted Transferee or Affiliate of ST) determines in its sole discretion; provided, however, if the matter presented for stockholder approval pursuant to subclause (i) or (ii) of the preceding clause constitutes or involves, or is part of, a Stockholder Conflict of Interest Transaction, then ST (and each Permitted Transferee and Affiliate of ST) shall not be free to vote its Voting Securities pursuant to the preceding clause but instead shall be obligated to cause the Voting Securities that it beneficially owns, or that are beneficially owned by any of its Affiliates, to be voted in a manner consistent with Section 2.2(a).

(c) ST (or any Permitted Transferee or Affiliate of ST), as the holder of Voting Securities of Micron, shall use its commercially reasonable efforts to be present, in person or by proxy, at all meetings of the stockholders of Micron so that all Voting Securities of Micron beneficially owned by ST (or such Permitted Transferee or Affiliate of ST) from time to time may be counted for the purposes of determining the presence of a quorum at such meetings. The foregoing provision shall also apply to the execution by ST of any written consent in lieu of a meeting of holders of Voting Securities of Micron or any class thereof.

(d) The provisions of this Section 2.2 shall terminate upon the earlier to occur of (i) such time as ST (together with all of its controlled Affiliates) beneficially own in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron and (ii) the consummation of a Change in Control of Micron. In addition, with respect to any Voting Securities of Micron that are subject to the provisions of this Section 2.2, the provisions of this Section 2.2 shall also terminate upon any Transfer of such Voting Securities to any Person other than an Affiliate or Permitted Transferee of ST.

(e) Nothing in this Section 2.2 shall prohibit or prevent PK, Redwood, Intel Corporation or ITA or any of their respective Affiliates or Permitted Transferees from voting any Voting Securities as any such Stockholder (or any such Affiliate or Permitted Transferee of any such Stockholder) determines in its sole discretion.

ARTICLE III

RESTRICTIONS ON TRANSFER; COMPLIANCE WITH SECURITIES LAWS

Section 3.1. Transfer Restrictions.

(a) No Stockholder shall Transfer any Acquisition Shares, other than as expressly permitted by, and in compliance with, the provisions of this Article III. Notwithstanding anything herein to the contrary, the restrictions set forth in this Article III shall terminate upon the consummation of a Change of Control of Micron.

(b) Prior to the date that is six (6) months after the Closing Date (the “**Release Date**”), no Stockholder shall, without the prior written consent of Micron, Transfer any of the Acquisition Shares other than as expressly permitted by, and in compliance with, the following

provisions of this Section 3.1(b) (such restrictions on Transfer, together with the restrictions on Transfer set forth in Section 3.1(c), the “**Transfer Restrictions**”):

(i) a Stockholder may Transfer any or all of its Acquisition Shares to Micron or any of its Subsidiaries;

(ii) ST may Transfer a portion of its Acquisition Shares to Intel Corporation and ITA in accordance with the requirements of the M6 Option Agreement (and Intel Corporation and ITA acknowledge that any such shares so transferred shall be treated as Acquisition Shares received by it for purposes of this Agreement);

(iii) a Stockholder may Transfer all or any of its Acquisition Shares in a transaction exempt from the registration requirements under the Securities Act to any Permitted Transferee, so long as prior to or concurrent with any such Transfer the Permitted Transferee (1) agrees to be bound by the terms hereunder as a “Stockholder” and such other terms hereunder applicable to the transferring Stockholder, (2) agrees that the representations, covenants and other agreements made by the transferring Stockholder in this Agreement shall be deemed to have been made by such Permitted Transferee, (3) shall execute a joinder to this Agreement, the execution of which shall constitute such Permitted Transferee’s agreement to the terms of this Section 3.1(b)(iii), (4) agrees that all notices hereunder to it may be delivered to the transferring Stockholder on its behalf and that all consents and waivers given by the transferring Stockholder will be binding on the Permitted Transferee, and (5) agrees to transfer such Acquisition Shares to the transferring Stockholder or other Permitted Transferee of the transferring Stockholder (as designated by the transferring Stockholder) if it ceases to be a Permitted Transferee of such Person, subject to compliance with the applicable provisions of Section 3.2 and Section 3.3; or

(iv) a Stockholder may Transfer all or any of its Acquisition Shares pursuant to the terms of any tender offer, exchange offer, merger, reclassification, reorganization, recapitalization or other similar transaction in which stockholders of Micron are offered, permitted or required to participate as holders of Common Stock, provided that such tender offer, exchange offer, merger, reclassification, reorganization, recapitalization or other transaction has been approved or recommended by the Board (and which at the time of Transfer continues to be approved or recommended by the Board) (any such transaction, an “**Approved Transaction**”).

(c) On and after the Release Date, no Stockholder shall, without the prior written consent of Micron, Transfer any of the Acquisition Shares other than as expressly permitted by, and in compliance with, the following provisions of this Section 3.1(c):

(i) a Stockholder may Transfer any or all of its Acquisition Shares to Micron or any of its Subsidiaries;

(ii) a Stockholder may Transfer all or any of its Acquisition Shares in a transaction exempt from the registration requirements under the Securities Act to any Permitted Transferee, so long as prior to or concurrent with any such Transfer the Permitted Transferee (1) agrees to be bound by the terms hereunder as a “Stockholder” and such other terms hereunder applicable to the transferring Stockholder, (2) agrees that the representations, covenants and other

agreements made by the transferring Stockholder in this Agreement shall be deemed to have been made by such Permitted Transferee, (3) shall execute a joinder to this Agreement, the execution of which shall constitute such Permitted Transferee's agreement to the terms of this Section 3.1(c)(ii), (4) agrees that all notices hereunder to it may be delivered to the transferring Stockholder on its behalf and that all consents and waivers given by the transferring Stockholder will be binding on the Permitted Transferee, and (5) agrees to transfer such Acquisition Shares to the transferring Stockholder or other Permitted Transferee of the transferring Stockholder (as designated by the transferring Stockholder) if it ceases to be a Permitted Transferee of such, subject to compliance with the applicable provisions of Section 3.2 and Section 3.3; or

(iii) a Stockholder may Transfer all or any of its Acquisition Shares pursuant to the terms of an Approved Transaction;

(iv) a Stockholder may Transfer all or any of its Acquisition Shares pursuant to Rule 144, subject to compliance with the applicable provisions of Section 3.1 through Section 3.3;

(v) a Stockholder may Transfer all or any of its Acquisition Shares pursuant to an effective registration statement, subject to compliance with the applicable provisions of Section 3.1 through Section 3.3; or

(vi) a Stockholder may Transfer all or any of its Acquisition Shares in a transaction exempt from the registration requirements under the Securities Act (other than pursuant Rule 144), so long as prior to or concurrent with any such Transfer the transferee (1) agrees to be bound by the terms of this Article III as a "Stockholder" applicable to the transferring Stockholder, and (2) executes and delivers to the Company a joinder to this Agreement, the execution of which shall constitute such transferee's agreement to the applicable terms of this Article III, subject to compliance with the applicable provisions of Section 3.1 through Section 3.3.

Notwithstanding the foregoing, other than pursuant to the foregoing clauses (i) through (iii), no Stockholder may, together with its Affiliates, in any single transaction or series of related transactions, Transfer pursuant to this Section 3.1(c) to any Person or group of related Persons any Acquisition Shares (or, in the case of an intermediary such as a "broker," indirectly Transfer to such intermediary's transferee or group of related transferees, if the transferee or transferees are known to such Stockholder), if, to the actual knowledge of such Stockholder (without any duty of inquiry other than as and to the limited extent provided in the immediately following paragraph):

(x) such Person or group of related Persons has filed or is required to file (in connection with such Transfer or otherwise) a Schedule 13D disclosing an intent with respect to its beneficial ownership of Equity Securities other than a passive investment intent, or

(y) such Person is a Competitor or a Person that is a member of a Group that includes a Competitor, or

(z) to the extent such Person or group of related Persons would, upon completion of the Transfer of such Acquisition Shares beneficially own more than ten percent (10%) of any class of Equity Securities,

unless, in each case, such Transfer (A) has been approved by, or is in connection with a transaction approved or recommended by, the Board, or (B) is made pursuant to a tender offer, exchange offer, merger, consolidation or similar transaction that is an Approved Transaction.

For purposes of the foregoing paragraph, in circumstances where the identity of the proposed transferee (including a proposed transferee through an intermediary) is known to the Stockholder, the Stockholder shall: (X) review any Schedule 13D filings by such proposed transferee with respect to beneficial ownership of Equity Securities, and (Y) obtain written confirmation from such proposed transferee confirming that none of the facts or circumstances described in the foregoing clauses (x) through (z) apply. For the avoidance of doubt, with respect to any Transfer effected pursuant to Section 3.1(c)(iv) or (v) in an ordinary course market or book-building transaction using an intermediary such as a broker, market-maker, underwriter or placement agent where the identity of the ultimate transferee is not in fact known to such Stockholder, the Stockholder shall have no duty to inquire of the intermediary the identities of the ultimate transferees or to obtain from such ultimate transferees the confirmation required under clause (Y) above (except that to the extent there is a contract that is not on an undisclosed principal basis with respect to the Transfer between the Stockholder and the ultimate transferee, in which case the Stockholder shall review any Schedule 13D filings by such ultimate transferee with respect to beneficial ownership of Equity Securities and obtain from such ultimate transferee the confirmation required under clause (Y) above), it being understood that a Stockholder may not rely on this sentence to knowingly circumvent the intent of the transfer restrictions in this Section 3.1(c).

Nothing in this Section 3.1(c) shall prohibit Hedging Transactions from and after the Release Date, provided that each Stockholder agrees that, if it engages in any "short sale" of Voting Securities as a Hedging Transaction with respect to Acquisition Shares beneficially owned by such Stockholder, it will comply with the provisions of this Section 3.1(c) with respect to such short sale as if such Voting Securities were Acquisition Shares. The provisions of Sections 3.2 and 3.3 shall not apply to any such Hedging Transactions.

The restrictions on Transfer set forth in this Section 3.1(c) shall terminate with respect to a particular Stockholder at such time as such Stockholder, together with its Affiliates, beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron.

Section 3.2. Restrictive Legends; Securities Law Compliance.

(a) The certificate or certificates representing the Acquisition Shares shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR

ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS. IN ADDITION, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDER RIGHTS AND RESTRICTIONS AGREEMENT AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN ACCORDANCE WITH SUCH AGREEMENT.”

(b) Each Stockholder agrees and consents to the entry of stop transfer instructions with Micron’s transfer agent and registrar against the transfer of the Stockholder’s Acquisition Shares except in compliance with this Article III.

(c) Each certificate evidencing the Acquisition Shares transferred as herein provided shall bear the restrictive legend set forth (or described) in Section 3.2(a) above, except that (i) such certificate shall not be required to bear the first sentence of such restrictive legend if (A) in the opinion of counsel for Micron, such legend is not required in order to establish compliance with the registration requirements of the Securities Act or (B) the securities represented by such certificate are Transferred pursuant to clause (iv) or (v) of Section 3.1(c), and (ii) such certificate shall not be required to bear the second sentence of such restrictive legend from and after the time that the securities represented by such certificate are no longer subject to any contractual restrictions set forth in this Agreement, it being understood and agreed, for the avoidance of doubt and without prejudice to any other provision of this Agreement that would operate to terminate any such contractual restriction, that such securities will no longer be subject to any contractual restrictions following any Transfer thereof in accordance with Section 3.1(c)(iii), (iv) or (v) (other than any Transfer to an Affiliate).

Section 3.3. Procedures for Transfer.

(a) In order to ensure compliance with the provisions of this Article III, prior to any proposed Transfer of Acquisition Shares (other than the transfer of Registrable Securities pursuant to a Shelf Take-Down, which shall be governed by Article IV hereof), the Stockholder seeking to effect such Transfer shall give written notice to Micron of such Stockholder’s intention to effect such Transfer. Each such notice shall describe the manner and circumstances of the proposed Transfer in sufficient detail and shall be accompanied by: (i) an opinion of nationally recognized securities law firm that such Transfer is exempt from the registration requirements of Section 5 of the Securities Act; (ii) a seller’s representation letter and, if such Transfer is proposed to be executed through a broker, a broker’s representation letter, in each case, in customary form, confirming that such sale will be or has been effected pursuant to Rule 144 under the Securities Act; or (iii) a “no action” letter from the staff of the SEC addressed to the Stockholders to the effect that the Transfer without registration would not result in a recommendation by the staff to the SEC that action be taken with respect thereto. The provisions of this Section 3.1(a) shall not apply to the release of shares from the escrow arrangement contemplated by the Share Purchase Agreement or the Transfer of shares in accordance with the M6 Option Agreement.

(b) Any attempted or purported Transfer of Acquisition Shares in violation of this Agreement shall be null and void, regardless of whether the purported transferee has any actual or

constructive knowledge of the provisions hereof. Micron shall not record on its stock transfer books or otherwise any attempted or purported Transfer in violation of this Agreement.

(c) Micron will use its commercially reasonable efforts to cooperate, as promptly as practicable, with, and will direct its transfer agent and registrar to cooperate with and process, as promptly as practicable, any proposed Transfer of Acquisition Shares by a Stockholder that does not violate the provisions of this Agreement. In addition, Micron covenants and agrees that it will not take the position that any Stockholder is, or was during the three months preceding any Transfer of Acquisition Securities, an “affiliate” of Micron (as defined in Rule 144), solely by virtue of one or more of the following: (A) such Stockholder entering into the Share Purchase Agreement, including as a result of such Stockholder’s communications with other Stockholders in connection therewith; (B) such Stockholder’s beneficial ownership of any Acquisition Shares, taken together with any Voting Securities beneficially owned by such Stockholder on the date of this Agreement and any such Voting Securities that such Stockholder may have the right to acquire pursuant to the M6 Option Agreement (in each case, subject to adjustment for any stock splits, stock dividends or combinations with respect to the Common Stock) or such Stockholder’s reporting of such beneficial ownership on a Schedule 13D; (C) such Stockholder’s exercise of any rights arising solely from or in connection with such beneficial ownership; or (D) such Stockholder’s or any of such Stockholder’s Affiliates being a party to, exercising rights or remedies under, in connection with, contemplated by or arising out of, or receiving any benefit from, this Agreement or any of the documentation or arrangements referred to in Section 2.1(b) above, unless there has been a change or changes in relevant facts or relevant law (including applicable statutes, rules, regulations, no-action letters or interpretations thereof by any court, agency or other governmental authority, including the SEC) and Micron has received an opinion of a nationally recognized securities law firm to the effect that, as a result of such change, such Stockholder is an “affiliate” (as defined in Rule 144) of Micron. Each Stockholder hereby represents and warrants, severally and not jointly, that the shares of Voting Securities beneficially owned as of the date hereof by it and its controlled Affiliates, together with any such shares that they may have the right to acquire pursuant to the M6 Option Agreement, in the aggregate do not exceed 9.9% of the total number of Voting Securities outstanding as of the date hereof.

Section 3.4. Covenant Regarding Exchange Act Filings. With a view to making available to the Stockholders the benefits of Rule 144, Micron agrees that it will use commercially reasonable efforts to make available current public information with respect to Micron as contemplated by Rule 144(c) until the first anniversary of the Closing Date.

Section 3.5. Applicability to Other Securities. If, following the date hereof, Micron issues any shares of Common Stock or any other securities of Micron in respect of or in substitution or exchange for the Acquisition Shares in connection with any stock split, dividend or combination, or any recapitalization, reclassification or similar transaction, such shares or securities shall be subject to the same restrictions set forth in this Article III as are then applicable to the Acquisition Shares with respect to which such shares or securities have been issued in respect of or in substitution or exchange for; *provided* that, if such securities of Micron are not voting equity securities of Micron, then such securities shall not be subject to the requirements set forth in the paragraph immediately following Section 3.1(c)(vi). In such an event, the Parties hereby agree to make such amendments or

modifications to this Agreement as may be appropriate to reflect such treatment of such shares or other securities.

ARTICLE IV

REGISTRATION RIGHTS

Section 4.1. Shelf Registration.

(a) Subject to the provisions of this Article IV, if at any time after the Release Date and prior to the third anniversary of the Closing Date a Stockholder that desires to sell any Registrable Securities is, at the time of the desired sale, deemed to be a Rule 144 Affiliate and as a result thereof reasonably believes it will be unable to sell all of the Registrable Securities held by such Stockholder that it desires to sell during a three month period due to the volume limitations applicable to Rule 144 Affiliates under Rule 144 (the “**Registration Conditions**”), then such Stockholder (the “**Requesting Party**”) may provide a written request to Micron to register such Stockholder’s Registrable Securities (a “**Registration Request**”), which Registration Request shall include a certification from an authorized officer of the Stockholder as to the existence of the Registration Conditions. If Micron receives a Registration Request, then Micron will use commercially reasonable efforts to file a shelf registration statement on Form S-3 (a “**Shelf Registration**”) to effect the registration under the Securities Act of such Requesting Party’s Registrable Securities. If there is more than one Stockholder that meets the Registration Conditions at any given time, Micron may include the Registrable Securities of each such Stockholder that submits a Registration Request on the same Shelf Registration.

(b) After the Shelf Registration becomes effective, any of the Stockholders that has Registrable Securities then registered on a Shelf Registration and which continues to meet the Registration Conditions (an “**Initiating Stockholder**”) may initiate an offering or sale of Registrable Securities pursuant to such Shelf Registration (each, a “**Shelf Take-Down**”) by written request to Micron (the “**Shelf Take-Down Request**”), which Shelf-Take Down Request shall include a certification from an authorized officer of the Stockholder as to the continued existence of the Registration Conditions. The Initiating Stockholder will send a copy of the Shelf Take-Down Request to the other Stockholders that have Registrable Securities registered pursuant to the Shelf Registration simultaneously with its delivery of the Shelf Take-Down Request to the Company. Each such Stockholder will be entitled to participate in each Shelf Take-Down to the extent such Stockholder continues to meet the Registration Conditions, provided such Stockholder provides written notice to Micron and the Initiating Stockholder within ten (10) Business Days of delivery of the Shelf Take-Down Request indicating its interest to participate in the Shelf Take-Down, which notice shall include a certification from an authorized officer of the Stockholder as to the continued existence of the Registration Conditions. Any Shelf Take - -Down may be in the form of an underwritten offering, and Micron shall, if so requested and to the extent necessary to comply with applicable securities laws, file and effect an amendment or supplement of the Shelf Registration for such purpose as soon as practicable following receipt of a Shelf Take-Down Notice.

(c) In connection with a request for an underwritten Shelf Take-Down, Micron, on the one hand, and the Stockholders who elect to participate in the Shelf-Take Down (the

“Participating Stockholders”), on the other hand, shall each select one investment banking firm to serve as co-manager of such offering. The co-manager selected by Micron shall be subject to the prior approval of the Participating Stockholders, which approval shall not be unreasonably withheld, and the co-manager selected by the Participating Stockholders shall be subject to the prior approval of Micron, which approval shall not be unreasonably withheld. Each of the co-managers so selected by Micron and the Participating Stockholders are herein collectively referred to as the “**Managing Underwriters**”. The Managing Underwriter selected by the Participating Stockholders shall be the lead underwriter, whose responsibilities shall include running the “books” for any offering. Micron and each of the Participating Stockholders shall enter into an underwriting agreement with the Managing Underwriters, which agreement shall contain representations, warranties, indemnities and agreements then customarily included by an issuer and a selling stockholder in underwriting agreements with respect to underwritten secondary distributions under shelf registration statements and shall stipulate that the Managing Underwriters will receive equal commissions and fees and other remuneration in connection with the distribution of any Registrable Securities thereunder.

(d) In connection with a request for an underwritten offering, if the Managing Underwriters advise Micron and the Participating Stockholders that the number of Registrable Securities to be included in a Shelf-Takedown would be likely to exceed the largest number of Registrable Securities that can be sold without having a significant and adverse effect on the success of such offering or a significant and adverse impact on the market price of the Common Stock (the “**Maximum Offering Size**”), then the number of Registrable Securities including in such Shelf Take-Down shall be reduced to the Maximum Offering Size, with the number of Registrable Securities allocated pro rata among the Participating Stockholders based on the number of Registrable Securities each sought to include in the Shelf Take-Down. Notwithstanding the foregoing, if the Managing Underwriters of any Shelf Take-Down shall advise the Participating Stockholders that the Registrable Securities covered thereby cannot be sold in such offering within a price range acceptable to Participating Stockholders holding a majority of the Registrable Securities sought to be sold pursuant to such Shelf Take-Down (the “**Majority Participants**”) or that all of the Registrable Securities requested to be sold by the Majority Participants pursuant to such Shelf Take-Down cannot be sold in the manner requested, then such Majority Participants shall have the right to notify Micron that they have determined that the Shelf Take-Down be abandoned or withdrawn, in which event Micron shall abandon or withdraw such Shelf Take-Down; it being understood that in the event the Majority Participants exercise their right set forth in this sentence, such abandoned or withdrawn Shelf Take-Down shall not constitute a Shelf Take-Down for purposes of Section 4.2(a)(i) or (ii) if the Majority Participants pay any related Registration Expenses in connection with such abandoned or withdrawn Shelf Take-Down.

Section 4.2. Exceptions to Micron’s Obligations.

(a) Notwithstanding anything in Section 4.1 to the contrary:

(i) in no event shall Micron be required to effect more than three (3) Shelf Take-Downs pursuant to Section 4.1(b);

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(ii) in no event shall Micron be obligated to effect more than one Shelf Take-Down in any 180-day period or more than one Marketed Shelf Take-Down in any 12-month period;

(iii) if Micron receives a Registration Request at a time when (A) Micron has commenced, or has a *bona fide* intention to commence, a public or Rule 144A securities offering transaction, (B) the registration, offering or sale of the Registrable Securities would, in Micron's judgment, impede, delay or otherwise interfere with any pending or contemplated material acquisition, disposition, corporate reorganization or similar material transaction, or (C) non-public material information not otherwise then required by applicable law to be publicly disclosed regarding Micron exists, the immediate disclosure of which would in Micron's judgment be significantly disadvantageous to Micron (clauses (A), (B) and (C), a "**Material Pending Event**"), then Micron may postpone the filing of the Shelf Registration for a period not to exceed 120 consecutive calendar days from the date of a Registration Request upon providing the Requesting Party with written notice of such postponement (which notice need not include a statement of the reason for such postponement). Each Stockholder shall keep confidential any communications received by it from Micron regarding the postponement pursuant to this Section 4.2(a)(iii) (including the fact of the postponement);

(iv) if Micron receives a Shelf-Take Down Request at a time when there is a Material Pending Event or if the prospectus relating to the Registrable Securities contains a material misstatement or omission, then Micron may postpone the Shelf Take-Down upon providing the Participating Stockholders with written notice of such postponement, provided, however, that unless expressly requested in writing by a Participating Stockholder, Micron shall not divulge to the Participating Stockholder the reason for any such postponement, and Micron shall be under no obligation to divulge such reason even if requested by the Participating Stockholder. Micron will use its commercially reasonable efforts to ensure that the use of the prospectus may be resumed (x) in the case of clause (A) of the definition of Material Pending Event, as promptly as is practicable after completion of such offering or its withdrawal, (y) in the case of clause (B) of the definition of Material Pending Event, as soon as, in the sole judgment of Micron, public disclosure of such Material Pending Event would not be prejudicial to or contrary to the interests of Micron or, if necessary to avoid unreasonable burden or expense, as soon as practicable thereafter, and (z) in the case of clause (C) of the definition of Material Pending Event, as soon as in the reasonable discretion of Micron, such suspension is no longer appropriate. Micron shall be entitled to exercise its right under this Section 4.2(a)(iv) to suspend the availability of a Shelf Take-Down no more than twice in any 12-month period; provided that the duration of any such suspension period shall not exceed 120 consecutive days or an aggregate of 135 days in any 180-day period. Each Stockholder shall keep confidential any communications received by it from Micron regarding the postponement pursuant to this Section 4.2(a)(iv) (including the fact of the postponement);

(v) any Shelf Take-Down must be for a number of Registrable Securities which, based on the good faith determination of the Participating Stockholders, will result in gross proceeds of at least \$100 million; and

(vi) each Participating Stockholder in a Shelf Take-Down must agree to sell their Registrable Securities on the basis provided in any underwriting arrangements entered into

in connection with the Shelf-Take Down, and complete and execute all reasonable questionnaires, powers of attorney, underwriting agreements, hold-back agreement letters and other documents customarily required under the terms of such underwriting arrangements.

Section 4.3. Registration Procedures. If Micron is required to effect the Shelf Registration, subject to the limitations set forth in Section 4.2, Micron will:

(a) use its commercially reasonable efforts to promptly prepare and file an automatically effective registration statement on Form S-3ASR with respect to the applicable Registrable Securities with the SEC or, if such form is not available, a registration statement on a Form S-3, in which case, it will use commercially reasonable efforts to cause the registration statement to be declared effective by the SEC as promptly as practicable following the filing thereof;

(b) use its commercially reasonable efforts to prepare and file with the SEC such amendments and supplements to such registration statement (including Exchange Act documents incorporated by reference into the registration statement) and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all securities covered by such registration statement in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement; provided that before filing a registration statement or prospectus or any amendments or supplements thereto in accordance with Section 4.3(a) or this Section 4.3(b) to the extent that doing so will not materially interfere with the timing of the offering: (i) Micron will furnish to counsel selected pursuant to Section 4.8 copies of all documents proposed to be filed, and (ii) such documents will be subject to the review of such counsel reasonably in advance of any filing to permit a reasonable opportunity to review and comment in light of the circumstances;

(c) use its commercially reasonable efforts to comply with all applicable securities laws in the United States and register or qualify such Registrable Securities covered by such registration in such jurisdictions in the United States as each seller shall reasonably request, and do any and all other acts and things which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller, except that Micron shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this Section 4.3(c), it would not be obligated to, subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(d) notify each seller of any such Registrable Securities covered by such registration statement promptly if Micron becomes aware that the prospectus included in such registration statement, as then in effect, or the registration statement includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and prepare an amended or supplemental prospectus as may be necessary so that, as thereafter made available to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(e) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act;

(f) (i) use commercially reasonable efforts to list such Registrable Securities on the exchange on which Micron Common Stock is then listed (if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange) to the extent required; and (ii) use commercially reasonable efforts to provide for a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(g) in connection with any Shelf Take-Down, obtain a “cold comfort” letter or letters from Micron’s independent public accounts in customary form and covering matters of the type customarily covered by “cold comfort” letters provided to sellers of securities as the Majority Participants shall reasonably request;

(h) make available for inspection by any seller of such Registrable Securities covered by such registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such seller or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of Micron, and cause all of Micron’s officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with the “due diligence” of such seller or such underwriter with respect to such registration statement, subject to the execution of a mutually acceptable confidentiality agreement;

(i) promptly notify counsel (selected pursuant to Section 4.8) for the Stockholders holding Registrable Securities included in such registration statement and the Managing Underwriters confirm such notice in writing (i) of the receipt of any comments from the SEC, (ii) of any request by the SEC to amend the registration statement or amend or supplement the prospectus or for additional information, and (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any prospectus, or of the suspension of the qualification of the registration statement for offering or sale in any jurisdiction, or of the institution or threatening of any proceedings for any of such purposes;

(j) use commercially reasonable efforts to prevent the issuance of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any prospectus and, if any such order is issued, to obtain the withdrawal of any such order as soon as practicable;

(k) (i) if requested by the Managing Underwriters or any Participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the Managing Underwriters or such Participating Stockholder reasonably requests to be included therein, including, with respect to the number of Registrable Securities being sold by

such Participating Stockholder to such underwriter, the purchase price being paid therefor by such underwriter; and (ii) make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment;

(l) cooperate with the Participating Stockholders and the Managing Underwriters to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the Managing Underwriters or such Participating Stockholders may reasonably request;

(m) in connection with any Shelf Take-Down, obtain for delivery to the Participating Stockholders and to the underwriter or agent an opinion or opinions from counsel for Micron in customary form and scope for sellers of securities;

(n) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA; and

(o) use commercially reasonable efforts to make available by teleconference certain of the executive officers of Micron for a one (1) Business Day period, to participate and to cooperate with the Participating Stockholders offering Registrable Securities and any underwriters in any selling efforts that may be reasonably be requested upon reasonable notice thereof by the Participating Stockholders in connection with a firm commitment Shelf Take-Down with a minimum sales price of \$100 million (an underwritten offering contemplated by this Section 4.3(o), a “**Marketed Underwritten Offering**”).

Section 4.4. Information Supplied. It shall be a condition precedent to the obligations of Micron to take any action to register the Registrable Securities held by any Stockholder as to which any registration is being effected that such Stockholder shall furnish Micron with such information regarding such Stockholder that is pertinent to the disclosure requirements relating to the registration and the distribution of such securities as Micron may from time to time reasonably request. Each Stockholder agrees to furnish to Micron as promptly as reasonably practicable all information required to be disclosed in order to make the information previously furnished to Micron by such Stockholder not misleading.

Section 4.5. Expenses. All of the out-of-pocket costs and expenses incurred by Micron in connection with any Shelf Registration and any Shelf Take-Down pursuant to Section 4.1 shall be borne by the Stockholders; provided that the Stockholders shall not be required to reimburse Micron for compensation of Micron’s officers and employees, regular audit expenses, and normal corporate costs incurred in connection with such registration. The costs and expenses of any such registration shall include, without limitation, the reasonable fees and expenses of Micron’s counsel and its accountants and all other out-of-pocket costs and expenses of Micron incident to the preparation, printing and filing of the registration statement and all amendments and supplements thereto and the cost of furnishing copies of each preliminary prospectus, each final prospectus and each amendment or supplement thereto to underwriters, dealers and other purchasers of the securities so registered,

the costs and expenses incurred in connection with the qualification of such securities so registered under the securities or “blue sky” laws of various jurisdictions, the fees and expenses of Micron’s transfer agent and all other costs and expenses of complying with the provisions of this Article IV with respect to such registration (collectively, the “**Registration Expenses**”). In addition, each seller of Registrable Securities shall pay the reasonable fees and expenses of counsel to the sellers and any brokers’ commissions, agency fees or underwriters’ discounts or commissions in connection with the sale of the Registrable Securities under a Shelf Registration.

Section 4.6. Restrictions on Disposition. Each Stockholder agrees that, upon receipt of any notice from Micron of the happening of any event of the kind described in Section 4.3(d) or Section 4.3(i)(iii), such Stockholder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Stockholder’s receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.3(d) or written notice from Micron that the registration statement is again effective and no amendment or supplement is needed.

Section 4.7. Indemnification.

(a) Indemnification by Micron. In the event of a Shelf Registration, to the fullest extent permitted by law, Micron hereby agrees to indemnify and hold harmless each Stockholder that includes Registrable Securities in such Shelf Registration, each Affiliate of such Stockholder and their respective directors and officers, members or general and limited partners (and the directors, officers, employees, affiliates and each Person who controls such Stockholder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) (hereinafter referred to as a “**Controlling Person**”) of any of the foregoing), and each underwriter, if any, and each person who controls within the meaning of Section 15 of the Securities Act any underwriter (collectively, the “**Seller Indemnified Parties**”), against all claims, losses, damages and liabilities, joint or several, actions or proceedings (whether commenced or threatened in writing) in respect thereof (“**Claims**”) and expenses arising out of or based on: (i) any untrue statement or alleged untrue statement of a material fact contained in a registration statement (or any amendment or supplement thereto), including all documents incorporated therein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, (ii) any untrue statement or alleged untrue statement of a material fact contained in a prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, or (iii) any untrue statement or alleged untrue statement of a material fact contained in any Issuer Free Writing Prospectus prepared by it or authorized by it in writing for use by such Stockholder (or any amendment or supplement thereto), including all documents incorporated therein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, and Micron will reimburse each such Seller Indemnified Party for any reasonable fees and disbursements of counsel and any other reasonable out-of-pocket expenses incurred in connection with investigating and defending or settling any such Claim; provided that Micron will not be liable in any such case to the extent that any such Claim arises out of or is based on any untrue statement

or alleged untrue statement or omission or alleged omission by such Stockholder or underwriter but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission is made in such registration statement, prospectus, or Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to Micron by or on behalf of such Stockholder and stated to be specifically for use therein; and provided, further that, the indemnity agreement contained in this Section 4.7(a) shall not apply to amounts paid in settlement of any such Claim if such settlement is effected without the consent of Micron (which consent shall not be unreasonably withheld or delayed).

(b) Indemnification by the Stockholders. To the fullest extent permitted by law, each Stockholder will, if Registrable Securities held by such Stockholder are included in the registration statement or prospectus, indemnify and hold harmless, severally and not jointly, Micron, all other Stockholders and any underwriter and any of their respective Affiliates, directors, officers and Controlling Persons (collectively, the “**Micron Indemnified Parties**”), against all Claims and expenses arising out of or based on: (i) any untrue statement or alleged untrue statement of a material fact contained in a registration statement (or any amendment or supplement thereto), including all documents incorporated therein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, (ii) any untrue statement or alleged untrue statement of a material fact contained in a prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, or (iii) any untrue statement or alleged untrue statement of a material fact contained in any Issuer Free Writing Prospectus (or any amendment or supplement thereto), including all documents incorporated t herein by reference, or any omission or alleged omission therefrom of a material fact, in each case, necessary in order to make the statements therein not misleading, in light of the circumstances under which they were made, and the Stockholder will reimburse each such Micron Indemnified Party for any reasonable fees and disbursements of counsel and any other reasonable expenses incurred in connection with investigating and defending or settling any such Claim, in each case to the extent, but only to the extent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, or Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to Micron by or on behalf of such Stockholder and stated to be specifically for use therein; provided that in the absence of fraud by such Stockholder, the liability of each s elling Stockholder of Registrable Securities hereunder shall be limited to the net proceeds received by such selling Stockholder from the sale of Registrable Securities covered by such registration statement.

(c) Notification of Claims. Promptly after receipt by a Person entitled to indemnification pursuant to Section 4.7 (an “**Indemnified Party**”) hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 4.7, such Indemnified Party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action or proceeding; provided that the failure of the Indemnified Party to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section 4.7, except to the extent that the indemnifying party is prejudiced in any material respect by such failure

to give notice. In case any such action or proceeding is brought against an Indemnified Party, unless in such Indemnified Party's reasonable judgment, based upon advice of counsel, a conflict of interest between such indemnified and indemnifying parties may exist in respect of such action or proceeding (in which case the Indemnified Party shall have the right to assume or continue its own defense and the indemnifying party shall be liable for any reasonable expenses therefor (but in no event will bear the expenses for more than one firm of counsel for all Indemnified Parties in each jurisdiction who shall, with respect to Seller Indemnified Parties, be approved by the Majority Participants in the Shelf Take-Down in respect of which such indemnification is sought), the indemnifying party will be entitled to participate in and to assume the defense thereof (at its expense), jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation and shall have no liability for any settlement made by the Indemnified Party without the consent of the indemnifying party, such consent not to be unreasonably withheld. No indemnifying party will settle any action or proceeding or consent to the entry of any judgment without the prior written consent of the Indemnified Party, unless such settlement or judgment (i) includes as an unconditional term thereof the giving by the claimant or plaintiff of a release to such Indemnified Party from all liability in respect of such action or proceeding and (ii) does not involve the imposition of equitable remedies or the imposition of any obligations on such Indemnified Party and does not otherwise adversely affect such Indemnified Party, other than as a result of the imposition of financial obligations for which such Indemnified Party will be indemnified hereunder. An Indemnified Party may not settle any action or proceeding or the entry of any judgment without the prior written consent of the indemnifying party.

(d) Contribution. (i) If the indemnification provided for in this Section 4.7 from the indemnifying party is unavailable to an Indemnified Party hereunder in respect of any Claim or expenses referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Claim or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and Indemnified Party in connection with the actions which resulted in such Claim or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party under this Section 4.7(d) as a result of the Claim and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any action or proceeding; and (ii) the parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.7(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in Section 4.7(d)(i). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The liability of each selling

Stockholder of Registrable Securities hereunder shall, in the absence of fraud by such Stockholder, be limited to the net proceeds received by such selling Stockholder from the sale of Registrable Securities covered by such registration statement. The selling Stockholders' respective obligations to contribute pursuant to this Section 4.7(d) are several in proportion to the respective number of Registrable Securities they have sold pursuant to a Shelf Registration, and not joint.

(e) Non-Exclusive Remedy. The obligations of the Parties under this Section 4.7 shall be in addition to any liability which any Party may otherwise have to any other Party.

(f) Survival. The indemnity and contribution provisions contained in this Section 4.7 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Stockholder, any person controlling any Stockholder or any Affiliate of any Stockholder or by or on behalf of Micron, its officers or directors or any person controlling Micron or (iii) the sale of any Registrable Securities by any Stockholder pursuant to a Shelf Registration.

Section 4.8. Selection of Counsel. In connection with the Shelf Registration, the holders of a majority of the Registrable Securities covered by the Shelf Registration may select one counsel to represent all holders of Registrable Securities covered thereby, which counsel shall be reasonably acceptable to Micron.

Section 4.9. Market Standoff Agreement.

(a) In connection with the public offering by Micron of any of its securities, each Stockholder agrees that, upon the request of Micron or the underwriters managing any underwritten offering of Micron's securities, such Stockholder (other than the FP Parties) shall agree in writing (the "**Stockholder Public Offering Lock-Up**") that neither it (nor any of its controlled Affiliates) will, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any securities of Micron (other than those included in such registration statement, if any) now held or hereafter acquired by such Stockholder (or any of its controlled Affiliates) or with respect to which such Stockholder (or any of its controlled Affiliates) has or hereafter acquires the power of disposition without the prior written consent of Micron and such underwriters for such period of time (not to exceed fourteen (14) days prior to the date such offering is expected to commence and ninety (90) days after the date of the final prospectus in such offering) as may be requested by Micron and the underwriters; provided, however, that neither such Stockholder (nor any of its controlled Affiliates) shall be bound by such Stockholder Public Offering Lock-Up more than once during any 12 month period.

(b) In connection with any proposed Shelf Take-Down, Micron agrees that, upon the request of the Managing Underwriters, Micron shall agree in writing (the "**Micron Public Offering Lock-Up**") that neither Micron (nor any controlled Affiliate of Micron) will, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any securities of Micron (other than those included in such registration statement, if any, or grants of stock options or issuances of Common Stock upon the exercise of outstanding stock options under Micron's existing employee benefit plans) now or hereafter acquired by Micron (or any Affiliate of Micron) or with respect to which

Micron (or any Affiliate of Micron) has or hereafter acquires the power of disposition without the prior written consent of the Demand Party and such underwriters for such period of time (not to exceed fourteen (14) days prior to the date such offering is expected to commence and ninety (90) days after the date of the final prospectus in such offering) as may be requested by the Managing Underwriters; provided, however, that neither Micron (nor any Affiliate of Micron) shall be bound by such Micron Public Offering Lock-Up more than once during any 180-day period.

Section 4.10. No Inconsistent Agreements; No Free Writing Prospectuses. Micron represents and warrants that it is not a party to a contract which conflicts with or limits or prohibits the exercise of the rights granted to the Stockholders holding Registrable Securities in this Article IV. Each Stockholder agrees that, unless it obtains the prior consent of Micron and any such underwriter, it will not make any offer relating to the Registrable Securities that would constitute a “;free writing prospectus,” as defined in Rule 405, required to be filed with the SEC.

Section 4.11. Termination of Registration Rights. The rights of any Stockholder under this Article IV shall terminate (other than Section 4.5, Section 4.7 and Section 4.11) upon the earliest to occur of (a) three (3) years after the Closing Date, (b) the date on which such Stockholder ceases to hold any Registrable Securities, (c) the date on which Micron is no longer required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, or (d) the date on which a Form 15 (or any successor form) has been filed under the Exchange Act with respect to the Common Stock. Micron shall have no obligation to maintain the effectiveness of any Shelf Registration with respect to any Registrable Securities held by a particular Stockholder following the earlier of (x) the termination of such Stockholder’s rights under this Article IV (other than Section 4.5, Section 4.7 and Section 4.11) or (y) the date such Stockholder ceases to be a Rule 144 Affiliate.

ARTICLE V

MISCELLANEOUS

Section 5.1. Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

Section 5.2. Consent to Jurisdiction. Any suit, action or proceeding brought by any Party seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement will be brought in a state or federal court located in Wilmington, Delaware and each of the Parties to this Agreement hereby consents and submits to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court.

Section 5.3. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. This

Agreement may not be assigned by a Stockholder without the prior written consent of Micron; provided that, without the consent of Micron, a Stockholder may assign this Agreement (and the rights and obligations hereunder) to any of its Permitted Transferees, in connection with a transfer of Acquisition Shares to such Permitted Transferee pursuant to Section 3.1(b)(iii); provided that, notwithstanding such assignment, the assigning Stockholder shall continue to be bound by all of its obligations hereunder. This Agreement is not intended and shall not be construed to create any rights or remedies in any parties other than the Stockholders and Micron, and no Person shall assert any rights as third party beneficiary hereunder.

Section 5.4. Entire Agreement. This Agreement (including Appendix A, which is incorporated herein and forms an integral part hereof) contains the entire understanding and agreement between the Parties with regard to the subject matter hereof and thereof and supersedes all prior agreements and understandings among the Parties relating to the subject matter hereof.

Section 5.5. Amendment; Waiver.

(a) This Agreement may be amended if, and only if, such amendment is in writing and signed by Micron, Intel Corporation, ITA, ST, Redwood and PK. Any provision of this Agreement may be waived by the Party against whom the waiver is to be effective.

(b) No waiver by a Party of any misrepresentation of any representation or warranty, or any breach or failure to perform or comply with any agreement, covenant or other obligation, of any other Party hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of a warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as otherwise provided herein, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided under Applicable Law.

Section 5.6. Notices. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by nationally-recognized overnight courier or mailed by U.S. registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of telecopier delivery, on the date sent if confirmation of receipt is received and such notice is also promptly mailed by registered or certified mail (return receipt requested), (c) in the case of a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after the date when sent and (d) in the case of mailing, on the fifth Business Day following that on which the piece of mail containing such communication is posted to the address provided herein or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Any Party hereto may give any notice, request, demand, claim or other communication hereunder using any other means (including

ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the individual for whom it is intended. Notices to Parties pursuant to this Agreement shall be given:

If to Micron:

Micron Technology, Inc.
8000 South Federal Way
Boise, Idaho 83716-9632
Facsimile: (208) 363-1309
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
Facsimile: (650) 493-6811
Attention: John A. Fore

If to the Intel Corporation or ITA:

Intel Corporation
2200 Mission College Boulevard
Santa Clara, CA 95054
Attention: Treasurer
Telephone: (408) 765-8080
Fax: (408) 765-6038

with a copy to:

Intel Corporation
2200 Mission College Boulevard
Santa Clara, CA 95054
Attention: General Counsel
Telephone: (408) 765-8080
Fax: (408) 653-8050

and a copy to:

Intel Corporation
2200 Mission College Boulevard
Santa Clara, CA 95054
Attention: Portfolio Manager
M/S: RN6-59
Facsimile: (408) 653-8050
portfolio.manager@intel.com

and a copy to (which shall not constitute notice to Intel Corporation):

Gibson, Dunn & Crutcher LLP
1881 Page Mill Rd.
Palo Alto, CA 94304
Attention: Russell C. Hansen
Telephone: (650) 849-5300
Fax: (650) 849-5333

If to ST:

STMicroelectronics N.V.
Chemin du Champ-des-Filles, 39
1228 Plan-les-Ouates
Geneva, Switzerland
Attention: Pierre Ollivier, Corporate Vice President and General Counsel
Telephone: 41 22 929 58 76
Fax: 41 22 929 59 06

with a copy (which shall not constitute notice) to:

Shearman & Sterling LLP
525 Market Street, Suite 1500
San Francisco, CA 94105
Facsimile: (650) 616-1199
Attention: John D. Wilson

If to PK or Redwood:

Francisco Partners
One Letterman Drive
Building C — Suite 410
San Francisco, CA 94129
Facsimile: (415) 418-2999
Attention: Dipanjan Deb
Keith Toh

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
950 Page Mill Road
Palo Alto, CA 94304-105
Facsimile: (650) 859-7500
Attention: Adam Phillips

Section 5.7. Counterparts. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures were upon the same instrument and delivered in person. This Agreement shall become effective when each Party hereto shall have received a counterpart hereof signed by the other Parties.

Section 5.8. Severability. If any provision of the Agreement is held to be invalid or unenforceable at law, all other provisions of the Agreement shall remain in full force and effect. Upon any such determination, the Parties agree to negotiate in good faith to modify this Agreement so as to give effect to the original intent of the Parties to the fullest extent permitted by applicable law.

Section 5.9. Injunctive Relief. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Stockholder Rights and Restrictions Agreement to be executed by their respective authorized officers as of the date aforesaid.

MICRON TECHNOLOGY, INC. By: <u>/s/ D. Mark Durcan</u> Name: D. Mark Durcan Title: President and Chief Operating Officer	INTEL CORPORATION By: <u>/s/ Cary I. Klafter</u> Name: Cary I. Klafter Title: Vice President, Legal and Corporate Affairs and Corporate Secretary
INTEL TECHNOLOGY ASIA PTE LTD By: <u>/s/ Cary I. Klafter</u> Name: Cary I. Klafter Title: Corporate Secretary, Intel Corporation	STMICROELECTRONICS N.V. By: <u>/s/ Carlo Bozotti</u> Name: Carlo Bozotti Title: President and Chief Executive Officer
REDWOOD BLOCKER S.A.R.L. By: <u>/s/ Keith Toh</u> Name: Keith Toh Title: Manager A	PK FLASH, LLC By: <u>/s/ Keith Toh</u> Name: Keith Toh Title: Authorized Signatory

STOCKHOLDER RIGHTS AND RESTRICTIONS AGREEMENT

APPENDIX A

DEFINITIONS AND INDEX OF DEFINED TERMS

1. Definitions. For all purposes of and under this Agreement, the following terms have the following meanings:

“Acquisition Shares” means the shares of Common Stock issued to the Stockholders by Micron pursuant to the terms of the Share Purchase Agreement, including, for the avoidance of doubt, any True-Up Shares, as such term is defined in the Share Purchase Agreement.

“Affiliate” means with respect to any Person, any other Person, whether or not existing on the date hereof, controlling, controlled by or under common control with such first Person. The term **“control”** (including, with correlative meaning, the terms **“controlled by”** and **“under common control with”**), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For purposes hereof, (i) when used with respect to PK or Redwood, **“Affiliate”** and **“controlled Affiliate”** shall include each of the FP Parties (but shall not include any of the FP Parties’ portfolio companies), (ii) when used with respect to Intel Corporation or ITA, **“Affiliate”** shall exclude (x) Micron and its Subsidiaries and (y) any Entity that meets each of the following criteria: (A) such Entity is not primarily engaged in investment activities, (B) Intel Corporation (1) does not beneficially own, directly or indirectly, securities representing more than fifty percent (50%) of the securities entitled to vote for the election of directors or equivalent governing body or having the right to make decisions for such Entity, (2) does not have the power, directly or indirectly, to choose more than fifty percent (50%) of the members of the board of directors or equivalent governing body of that Entity and (C) Intel Corporation does not, directly or indirectly, including through any Affiliate of Intel Corporation (which, for purposes of this clause (C) shall be determined without giving effect to this clause (ii)) or any Representative of Intel Corporation or any such Affiliate acting in such capacity, cause, approve or consent to any action or inaction by such Entity, that would be required or prohibited by any provision of this Agreement or, in the case where such term is used in the Share Purchase Agreement or any other Ancillary Agreement, the Share Purchase Agreement or such other Ancillary Agreement (assuming, in each case, such Entity were an Affiliate for purposes of such use), (iii) when used with respect to any Seller, **“Affiliate”** shall exclude the Company and its Subsidiaries, and (iv) when used with respect to Micron, following the Closing, **“Affiliate”** shall include the Company and its Subsidiaries, but shall exclude each Seller and its Affiliates (which, for the avoidance of doubt, shall exclude Micron and its Subsidiaries).

“beneficial owner” (including, with correlative meaning, the terms **“beneficially own”** and **“beneficial ownership”**) has the meaning given such term in Rule 13d-3 under the Exchange Act, and a Person’s beneficial ownership of securities will be calculated in accordance with the provisions of such Rule; provided, however, that (i) a Person will be deemed to be the beneficial owner of any security which may be acquired by such Person whether within 60 days or thereafter,

upon the conversion, exchange or exercise of any rights, options, warrants or similar securities to subscribe for, purchase or otherwise acquire (x) capital stock of any person or (y) debt or other evidences of indebtedness, capital stock or other securities directly or indirectly convertible into or exercisable or exchangeable for such capital stock of such person and (ii) a Person shall be deemed to be the beneficial owner of any securities with which a Person has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of such securities.

“**Board**” means the Board of Directors of Micron.

“**Business Day**” means each day that is not a Saturday, Sunday or other day on which banking institutions located in New York City, New York or Amsterdam, The Netherlands are authorized or obligated by Applicable Law or executive order to close.

“**Business Entity**” means any Person other than a natural person or a Governmental Entity.

“**Change in Control of Micron**” means any of the following: (i) a merger, consolidation or other business combination or transaction to which Micron is a party if the Voting Securities outstanding immediately prior to the effective date of such merger, consolidation or other business combination or transaction (or the securities such Voting Securities are converted or exchanged into), represents less than 50% of the Total Voting Power of (A) the surviving or consolidated entity (or its parent) following any such merger, consolidation or other business combination or transaction; (ii) an acquisition by any Person or Group of direct or indirect beneficial ownership of Voting Securities representing 50% or more of the Total Voting Power of Micron; (iii) a sale of all or substantially all of the assets of Micron to any Person or Persons (other than a wholly owned Subsidiary of Micron); (iv) a liquidation or dissolution of Micron; or (v) if individuals who, as of the Closing Date constitute the Board (the “**Incumbent Board**”), cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a member of the Board subsequent to the Closing Date, whose election, or nomination for election by Micron’s stockholders, was approved by a vote of at least a majority of the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

“**Closing**” means the closing of the Share Purchase pursuant to the terms of the Share Purchase Agreement.

“**Closing Date**” means the date and time the Closing occurs.

“**Competitor**” means (i) Samsung, Hynix, Qimonda, Toshiba, Elpida, Winbond, ProMOS, NanYa, Powerchip, Rexchip, Saifun, SanDisk, Spansion, Ovonyx, and any controlled Affiliates of the companies set forth above; (ii) any successor-in-interest of any of the companies referenced in (i) above and any successors to all or substantially all of their respective Memory Products businesses; (iii) any other company with respect to which one or more of the companies set forth in (i) above has control; or (iv) a company whose financial statements are publicly available via the

SEC’s EDGAR system that manufactures Memory Products in wafer form and that derives (either on a consolidated or standalone basis) at least twenty-five percent (25%) of its revenue from the manufacture or sale of Memory Products (based on the last fiscal year for which such financial statements are publicly available).

“**Economic Rights**” means, with respect to a security, the right to all or any portion of the pecuniary interest in the security, including, without limitation, the right to receive dividends and distributions, proceeds upon liquidation and receive the proceeds of disposition or conversion (if applicable) of the security.

“**Entity**” means any Person that is not a natural person.

“**Equity Securities**” means the “equity securities” (as such term is defined in Rule 3a11-1 under the Exchange Act) of Micron.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**FP Parties**” means (i) Francisco Partners II (Cayman) L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“**FP II Cayman**”), (ii) Francisco Partners GP II (Cayman), L.P., an exempted limited partnership organized under the laws of the Cayman Islands and the general partner of FP II Cayman (“**FP GP II Cayman**”), (iii) Francisco Partners GP II Management (Cayman) Limited, a limited liability company organized under the laws of the Cayman Islands and the general partner of FP GP II Cayman, (iv) Francisco Partners Parallel Fund II, L.P., a Delaware limited partnership (“**FP II Parallel**”), (v) Francisco Partners GP II, L.P., a Delaware limited partnership and the general partner of FP II Parallel (“**FP GP II**”), (vi) Francisco Partners GP II Management, LLC, a Delaware limited liability company and the general partner of FP GP II, and (vi) any other investment fund, partnership, management company or similar entity controlled by or under common control with any of the foregoing.

“**Governmental Entity**” means any supranational, national, state, municipal, local or foreign government, any court, arbitrator, administrative agency, commission or other governmental official, authority or instrumentality, in each case whether domestic or foreign, any stock exchange or similar self-regulatory organization or any quasi-governmental or private body exercising any regulatory, taxing or other governmental or quasi-governmental authority.

“**Group**” means any group of Persons formed for the purpose of acquiring, holding, voting or disposing of Equity Securities which would be required under Section 13(d) of the Exchange Act, and the rules and regulations promulgated thereunder, to file a statement on Schedule 13D pursuant to Rule 13d-1(a) of the rules and regulations promulgated under the Exchange Act or a statement on Schedule 13G pursuant to Rule 13d-1(c) of the rules and regulations promulgated under the Exchange Act with the SEC as a “person” within the meaning of Section 13(d)(3) of the Exchange Act if such group directly or indirectly beneficially owned Equity Securities representing more than 5% of any class of Equity Securities then outstanding.

“Hedging Transaction” means engaging in short sales, the purchase and sale of puts and calls, swaps, forward sales and other hedging or derivative securities transactions, so long as neither beneficial ownership of nor Voting Rights with respect to any Acquisition Shares are transferred.

“Issuer Free Writing Prospectus” shall have the meaning set forth in Rule 433 of the Securities Act.

“M6 Option Agreement” shall have the meaning given to such term in the Share Purchase Agreement.

“MALA” means the Amended and Restated Member Activities Letter Agreement, dated February 27, 2007, Micron and Intel Corporation.

“Memory Product” means one or more integrated circuits, printed circuit boards, multi-chip packages or other assemblies with which such integrated circuits are attached or otherwise associated that are designed, developed, marketed or used primarily for storing data and/or programs including, for example and without limitation, any dynamic, static, low volatility or non-volatile memory, whether as discrete integrated circuits, or as part of a SIMM, DIMM, multi-chip package, memory card (e.g., compact flash card, SD card, etc.) or other memory module or package.

“Permitted Transferee” means, with respect to any Stockholder, any controlled Affiliate of such Stockholder, and, with respect to PK or Redwood, any FP Party, and, with respect to each of Intel Corporation and ITA, any controlled Affiliate of Intel Corporation.

“Person” means any natural person, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity.

“register,” “registered” and “registration” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

“Registrable Securities” means the Acquisition Shares held by any Stockholder and any shares of Common Stock or other securities which may be issued in connection with any stock split, dividend or combination, or any recapitalization, reclassification or similar transaction, with respect to the Acquisition Shares. As to any particular Registrable Securities, such Registrable Securities shall cease to be Registrable Securities when: (i) a registration statement with respect to the sale by the Stockholder of such securities has become effective under the Securities Act and such securities have been disposed of in accordance with such registration statement, (ii) such securities have been transferred pursuant to Rule 144 or (iii) such securities shall have ceased to be outstanding.

“Representative” means, as to any Person, the directors, managers, managing members, general partners, officers, employees, attorneys, investment banking and financial advisors, independent accountants and any other agents and representatives of the Person.

“**Rule 144**” means Rule 144 promulgated under the Securities Act, and any successor provision thereto.

“**Rule 144 Affiliate**” means an “affiliate”, as such term is defined under Rule 144; provided, however, that for purposes of determining whether a Stockholder is a Rule 144 Affiliate hereunder by virtue of its beneficial ownership of securities of Micron, only those securities of Micron beneficially owned by the Stockholder as of the date of the Share Purchase Agreement, the Acquisition Shares held by the Stockholder, and any other shares of Common Stock issued by Micron to the Stockholder after the date of the Share Purchase Agreement, shall be taken into account.

“**Rule 144A**” means Rule 144A promulgated under the Securities Act, and any successor provision thereto.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**SEC**” means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

“**Stockholder Conflict of Interest Transaction**” means, with respect to a particular Stockholder subject to Section 2.2 (such Stockholder, a “**Conflicted Stockholder**”) (i) any transaction (including the issuance of Micron securities or a transaction of which the issuance of such securities is a part) between Micron and a competitor of such Conflicted Stockholder or any of its Affiliates in any of the businesses in which such Conflicted Stockholder or any of its Affiliates is engaged, or has announced an intention to become engaged or (ii) any other transaction with respect to which such Conflicted Stockholder or any of its Affiliates has a substantial interest that conflicts with the interests of Micron. For purposes of clause (i) of the preceding sentence, the “announced intentions” of such Conflicted Stockholder at any time may be established by reference to press releases and any materials filed with the SEC (or similar Governmental Entity with regulatory authority over issuances and sales of securities of the Conflicted Stockholder) or otherwise disclosed to the public. For purposes of clause (ii) of such sentence, such Conflicted Stockholder or any of its Affiliates shall be deemed to have a substantial interest that conflicts with the interests of Micron in any situation in which such Conflicted Stockholder or any of its Affiliates has a substantial economic interest (direct or indirect) in the transaction that is greater than and contrary to the Conflicted Stockholders economic interest as a stockholder of Micron.

“**Subsidiary**” of a Person means, at the time of determination, any Business Entity of which the securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are owned, directly or indirectly through subsidiaries or otherwise, by such Person.

“**Total Voting Power**” means, with respect to any Business Entity, at the time of determination of Total Voting Power, the total number of votes which may be cast on a general matter of the Business Entity at which all classes of equity voting securities or other ownership interests of the Business Entity are entitled to vote.

“**Transfer**” means, directly or indirectly, to offer, sell (including any short sale), transfer, assign, pledge, encumber, hypothecate or similarly dispose of (by merger, testamentary disposition, operation of law or otherwise), either voluntarily or involuntarily, or enter into any contract, option or other arrangement or understanding with respect to the offer, sale (including any short sale), transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of (by merger, testamentary disposition, operation of law or otherwise), any Acquisition Shares beneficially owned by a Person or any interest (including any Economic Rights or Voting Rights) in any Acquisition Shares beneficially owned by a Person. Whether or not treated as an offer or sale of the Acquisition Shares under the Securities Act, “Transfer” shall also include any hedging or other transaction entered into after the date hereof, such as any purchase, sale (including any short sale) or grant of any right (including without limitation any put or call option) with respect to any of the Acquisition Shares or with respect to any security that includes or derives any significant part of its value from such Acquisition Shares.

“**Voting Rights**” means, with respect to a security, the right to direct the voting of the security with respect to any matter for which the security is entitled to vote.

“**Voting Securities**” means shares of Common Stock and any other securities of Micron entitled, in the ordinary course, to vote in the election of directors of Micron.

2. **Other Defined Terms**. The following terms are defined in the Section of this Agreement set forth opposite each such respective term below:

Term	Section
Acquisition Sub	Recital A
Agreement	Preamble
Approved Transaction	Section 3.1(b)(iv)
Claims	Section 4.7(a)
Common Stock	Recital B
Controlling Person	Section 4.7(a)
Indemnified Party	Section 4.7(c)
Initiating Stockholder	Section 4.1(b)
Intel Corporation	Preamble
ITA	Preamble
Majority Participants	Section 4.1(d)
Managing Underwriters	Section 4.1(c)
Marketed Underwritten Offering	Section 4.3(o)
Material Pending Event	Section 4.2(a)(iii)
Maximum Offering Size	Section 4.1(d)
Micron	Preamble
Micron Indemnified Parties	Section 4.7(b)
Micron Public Offering Lock-Up	Section 4.9(b)

Term	Section
Numonyx	Recital A
Numonyx Shares	Recital A
Participating Stockholders	Section 4.1(c)
Parties	Preamble
Party	Preamble
PK	Preamble
Redwood	Preamble
Registration Conditions	Section 4.1(a)
Registration Expenses	Section 4.5
Registration Request	Section 4.1(a)
Release Date	Section 3.1(b)
Requesting Party	Section 4.1(a)
Seller Indemnified Parties	Section 4.7(a)
Share Purchase	Recital A
Share Purchase Agreement	Recital A
Shelf Registration	Section 4.1(a)
Shelf Take-Down	Section 4.1(b)
Shelf Take-Down Request	Section 4.1(b)
ST	Preamble
Stockholder Public Offering Lock-Up	Section 4.9(a)
Stockholders	Preamble
Transfer Restrictions	Section 3.1(b)

**RULE 13a-14(a) CERTIFICATION OF
CHIEF EXECUTIVE OFFICER**

I, Steven R. Appleton, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: July 13, 2010

/s/ Steven R. Appleton

Steven R. Appleton

Chairman and Chief Executive Officer

**RULE 13a-14(a) CERTIFICATION OF
CHIEF FINANCIAL OFFICER**

I, Ronald C. Foster, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: July 13, 2010

/s/ Ronald C. Foster

Ronald C. Foster

Vice President of Finance and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350**

I, Steven R. Appleton, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended June 3, 2010 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: July 13, 2010

/s/ Steven R. Appleton

Steven R. Appleton

Chairman and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350**

I, Ronald C. Foster, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended June 3, 2010, 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: July 13, 2010

/s/ Ronald C. Foster

Ronald C. Foster

Vice President of Finance and Chief Financial Officer
