==========

FORM 10-K

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

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 3, 1998

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-10658

MICRON TECHNOLOGY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	75-1618004
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
8000 S. FEDERAL WAY, P.O. BOX 6, BOISE, IDAHO	83707-0006
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (208) 368-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.10 PER SHARE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
NONE
(TITLE OF CLASS)

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 [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based upon the closing price of such stock on September 3, 1998, as reported by the New York Stock Exchange, was approximately $4.4 billion. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock on October 23, 1998 was 246,514,854.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for registrant's 1998 Annual Meeting of Shareholders to be held on January 14, 1999, are incorporated by reference into Part III of this Annual Report on Form 10-K.

==========

PART I

ITEM 1. BUSINESS

The following discussion may contain trend information and other forward-looking statements (including statements regarding future operating results, future capital expenditures and facility expansion, new product introductions, the effect of the Acquisition, technological developments and industry trends) that involve a number of risks and uncertainties. The Company's actual results could differ materially from the Company's historical results of operations and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Subsequent Events and Certain Factors." All period references are to the Company's fiscal periods ended September 3, 1998, August 28, 1997 or August 29, 1996, unless otherwise indicated.

GENERAL

Micron Technology, Inc. and its subsidiaries (hereinafter referred to collectively as the "Company" or "MTI") principally design, develop, manufacture and market semiconductor memory products and personal computer ("PC") systems. The Company's PC systems business and semiconductor component recovery business ("SpecTek") are operated through Micron Electronics, Inc. ("MEI"), a 64% owned, publicly-traded subsidiary of MTI.

The Company's semiconductor memory operations focus on the design, development, manufacture and marketing of semiconductor memory components primarily for use in PC systems. The Company's primary semiconductor products are dynamic random access memory ("DRAM") components which are sold and supported through sales offices in North America, Europe, Asia Pacific and Japan.

The Company's PC systems operations develop, market and manufacture PC systems sold and supported through the direct sales channel. The Company's PC systems include a wide range of memory-intensive, high performance desktop and notebook PC systems and multiprocessor network servers.

MTI was incorporated in Idaho in 1978 and reincorporated in Delaware in 1984. The Company's executive offices and principal manufacturing operations are located at 8000 South Federal Way, Boise, Idaho 83716-9632 and its telephone number is (208) 368-4000. MEI's executive offices and principal manufacturing operations are located at 900 East Karcher Road, Nampa, Idaho, 83687-3045 and its telephone number is (208) 898-3434.

RECENT EVENTS

The following transactions occurred after the Company's 1998 year end and to the extent appropriate are reflected in the following discussions.

On September 30, 1998, the Company completed its acquisition (the "Acquisition") of substantially all of the semiconductor memory manufacturing operations of Texas Instruments Incorporated ("TI"). The Acquisition was consummated through the issuance of debt and equity securities. TI received approximately 28.9 million shares of MTI common stock, $740 million principal amount of convertible subordinated notes (the "Convertible Notes") and $210 million principal amount of subordinated notes (the "Subordinated Notes"). In addition to TI's memory assets, the Company received $550 million in cash. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commences on January 1, 1999. The parties have also agreed to make cash adjustments to ensure that current assets minus the sum of current and noncurrent assumed liabilities of the acquired operations is $150 million as of September 30, 1998.

The Company granted certain registration rights to TI for the MTI common stock and Convertible Notes that commence on March 31, 1999. The Convertible Notes and the Subordinated Notes issued in the transaction bear interest at the rate of 6.5% and have a term of seven years. The Convertible Notes are convertible into approximately 12.3 million shares of MTI common stock at a conversion price of $60 per share. The Subordinated Notes are subordinated to the Convertible Notes, the Company's outstanding 7% Convertible Subordinated Notes due July 1, 2004, and substantially all of the Company's other indebtedness.

The assets acquired by the Company in the Acquisition include a wafer fabrication operation in Avezzano, Italy, an assembly/test operation in Singapore, and a wafer fabrication facility in Richardson, Texas. TI closed the Richardson memory manufacturing operation in June 1998. Also included in the Acquisition was TI's interest in two joint ventures and TI's rights to 100% of the output of the joint ventures: TECH Semiconductor Singapore ("TECH"), owned by TI, Canon, Inc., Hewlett-Packard Singapore (Private) Limited, a subsidiary of Hewlett-Packard Company, and EDB Investments Pte. Ltd., which is controlled by the Economic Development Board of the Singapore government; and KTI Semiconductor ("KTI") in Japan owned by TI and Kobe Steel, Ltd. MTI acquired TI's approximate 30% interest in TECH and 25% interest in KTI. The Company filed Form 8-K/A on October 16, 1998, which incorporates historical and pro forma financial information with respect to the Acquisition.

On October 19, 1998, the Company issued to Intel Corporation ("Intel") approximately 15.8 million stock rights (the "Rights") exchangeable into non-voting Class A Common Stock (upon MTI shareholder approval of such class of stock) or into common stock of the Company for a purchase price of $500 million. The Rights at the time of issuance represented approximately 6% of the Company's outstanding common stock. The Rights (or Class A Common Stock) will automatically be exchanged for (or converted into) the Company's common stock upon a transfer to a holder other than Intel or a 90% owned subsidiary of Intel. The Company has agreed to seek shareholder approval to amend its Certificate of Incorporation to create the non-voting Class A Common Stock at the Company's next Annual Meeting of Shareholders. In the event the Company's shareholders approve the amendment, the Rights will be automatically exchanged for Class A Common Stock upon the filing in Delaware of the amended Certificate of Incorporation. In the event the Company's shareholders do not approve the amendment, the Rights will remain exchangeable into the Company's common stock. In order to exchange the Rights for the Company's common stock, Intel would be required to provide the Company with written evidence of compliance with the Hart-Scott-Rodino Act ("HSR") filing requirements or that no HSR filings are required. In addition, the Company granted certain registration rights to Intel that commence on March 31, 1999. Intel also has the right to designate a nominee acceptable to the Company to the Company's Board of Directors.

In consideration for Intel's investment, the Company has agreed to commit to the development of direct Rambus DRAM ("RDRAM") products, to meet certain production and capital expenditure milestones and to make available to Intel a certain percentage of its semiconductor memory output over a five-year period, subject to certain limitations. The exchange ratio of the Rights and conversion ratio of the Class A Common Stock is subject to adjustment under certain formulae at the election of Intel in the event MTI fails to meet the production or capital expenditure milestones. No adjustment will occur to the exchange ratio or conversion ratio under such formulae (i) if the Company achieves the production and capital expenditure milestones, or (ii) unless the price of the Company's common stock for a twenty day period ending two days prior to such milestone dates is lower than $31.625 (the market price of the Company's common stock at the time of the investment). In addition, in no event will the Company be obligated to issue more than: (a) a number of additional shares of Class A Common Stock (or common stock) having a value exceeding $150 million; or (b) a number of additional shares exceeding the number of Rights originally issued.

On September 11, 1998, the Company completed a stock-for-stock merger with Rendition, Inc. ("Rendition"). Rendition designs, develops and markets high-performance, low-cost, multi-functional graphics accelerators to the personal computer market. The merger was accounted for as a business combination using the pooling-of-interests method. Shareholders of Rendition received approximately 3.7 million shares of the Company's common stock.

PRODUCTS

The Company's principal product categories are semiconductor memory products (primarily DRAM) and PC systems.

SEMICONDUCTOR MEMORY PRODUCTS

The Company's semiconductor manufacturing operations focus primarily on the design, development and manufacture of semiconductor memory products for standard memory applications, with various packaging and configuration options, architectures and performance characteristics. Manufacture of the Company's semiconductor memory products utilizes proprietary advanced complementary metal-oxide-semiconductor ("CMOS") silicon gate process technology.

DYNAMIC RANDOM ACCESS MEMORY. A DRAM is a high density, low cost per bit random access memory component which stores digital information in the form of bits and provides high-speed storage and retrieval of data. DRAMs are the most widely used semiconductor memory component in most PC systems. Synchronous DRAM ("SDRAM") is a memory component which operates faster than standard DRAM, due in part to the addition of a clock input that synchronizes all operations and allows PC systems to transfer data at faster rates, allowing subsystems to maintain pace with the fastest CPU's and graphics engines.

The Company's primary product during 1998 was the 16 Meg DRAM, available in multiple configurations, speeds and package types. The Company is in the process of ramping volume production of the 64 Meg DRAM. Bit crossover from the 16 Meg DRAM to the 64 Meg DRAM at the Boise, Idaho, operations occurred in August 1998, and unit crossover is expected in October 1998. DRAM sales represented approximately 43%, 48% and 57% of the Company's total net sales in 1998, 1997 and 1996, respectively. In 1998, SDRAM was the Company's primary DRAM technology and substantially all SDRAM components were designed for PC-100 compatibility. At year end 1998, over 70% of the Company's Boise, Idaho, production volume as measured by wafer starts was 64 Meg SDRAM.

OTHER SEMICONDUCTOR MEMORY PRODUCTS. Other semiconductor memory products produced by the Company include Static Random Access Memory ("SRAM") devices, Flash ("Flash") memory components and SpecTek component recovery memory products.

SRAM is a semiconductor device which performs memory functions much the same as DRAM, but does not require memory cells to be electronically refreshed and operates faster than DRAM. The Company focuses on the high-performance, or "Very Fast," sector of SRAMs which are used in applications that require a "buffer" or "cache" of high speed memory between the CPU and main DRAM memory. SRAM sales represented 2%, 1% and 2% of the Company's total net sales in 1998, 1997 and 1996, respectively.

Flash components are non-volatile semiconductor devices that retain memory content when the power is turned off and are electrically erasable and reprogrammable. Flash devices can be updated with new revisions of code, different user parameters or settings and data collected over time. Flash devices are used in digital cellular phones, networking applications, workstations, servers and PCs. The Company is currently running production of the 2 Meg, 4 Meg and 8 Meg 3.3 Volt and 5 Volt Boot Block Flash. Flash sales represented less than 1% of the Company's semiconductor memory sales in 1998 and 1997.

The Company's SpecTek memory products operation processes and markets various grades of nonstandard DRAM components under the SpecTek brand name in either component or module forms. Nonstandard memory components are tested and generally graded to their highest level of functionality. Higher grade components meeting industry specifications are available for use in memory modules. Certain reduced specification components may be used in nonstandard memory modules or sold to strategic OEM customers for use in specific applications.

PERSONAL COMPUTER SYSTEMS

The Company develops, markets, manufactures, sells and supports a wide range of memory intensive, high performance desktop and notebook PC systems and network servers and sells and supports a variety of additional peripherals, software and services. These systems use Pentium, Pentium Pro and Pentium II microprocessors manufactured by Intel and are assembled to order with differing memory and storage configurations as well as various operating and application software. The Company also offers a variety of other components and peripherals with its PC systems and network servers, including monitors, modems, graphics cards, accelerators, and CD-ROM and DVD drives.

The Company's current product lines include the Millennia(R) line of PC systems targeted for technology-savvy consumer, business and government users. The ClientPro(R) is a flexible and affordable line of managed PC's designed as a network solution for businesses demanding computing stability and performance. The GoBook(TM) is the Company's line of thin, lightweight notebook products featuring high speed microprocessors and large displays. The Transport Trek(TM) notebook is designed for affordable desktop-like performance for business applications. NetFRAME(R) series workgroup servers provide cost-effective server solutions specifically designed for small to medium sized businesses and for decentralized remote locations and departments. The Company's new mPower(TM) program is a comprehensive PC lifecycle management program to address personal computer obsolescence, upgrading and financing tailored specifically to provide businesses and consumers flexibility and value for their information technology expenditures. Net sales of PC systems, exclusive of sales of MTI semiconductor memory products incorporated in MEI PC systems, represented 48%, 42% and 31% of the Company's total net sales for 1998, 1997 and 1996, respectively.

MANUFACTURING

SEMICONDUCTOR MEMORY PRODUCTS

The manufacturing of the Company's semiconductor products is a complex process and involves a number of precise steps, including wafer fabrication, assembly, burn-in and final test. Efficient production of the Company's semiconductor memory products requires utilization of advanced semiconductor manufacturing techniques. Manufacturing cost per unit is primarily a function of die size (since the potential number of good die per wafer increases with reduced die size), number of mask layers, the yield of acceptable die produced on each wafer and labor productivity. Other contributing factors are wafer size, number of fabrication steps, cost and sophistication of the manufacturing equipment, equipment utilization, process complexity, package type and cleanliness. The Company is engaged in ongoing efforts to enhance its production processes, reduce the die size of existing products and increase capacity utilization.

Wafer fabrication occurs in a highly controlled, clean environment to minimize dust and other yield- and quality-limiting contaminants. Despite stringent manufacturing controls, equipment does not consistently perform flawlessly and minute impurities, defects in the photomasks or other difficulties in the process may cause a substantial percentage of the wafers to be scrapped or individual circuits to be nonfunctional. The success of the Company's manufacturing operations will be largely dependent on its ability to minimize such impurities and to maximize its yield of acceptable, high-quality circuits. In this regard, the Company employs rigorous quality controls throughout the manufacturing, screening and testing processes.

After fabrication, each silicon wafer is separated into individual die. Functional die are connected to external leads by extremely fine wire and are assembled into plastic packages. Each completed package is then inspected, sealed and tested. The assembly process uses high-speed automatic systems such as wire bonders, as well as semi-automatic plastic encapsulation and solder systems. The Company tests its products at various stages in the manufacturing process, performs high temperature burn-in on finished products and conducts numerous quality control inspections throughout the entire production flow. In addition, through the utilization of its proprietary

AMBYX line of intelligent test and burn-in systems, the Company simultaneously conducts circuit testing of all die during the burn-in process, capturing quality and reliability data, and reducing testing time and cost.

The Company's semiconductor manufacturing facility in Boise, Idaho, includes two 8 inch-wafer fabs equipped with diffusion tubes, photolithography systems, ion implant equipment, chemical vapor deposition reactors, sputtering systems, plasma and wet etchers, and automated mask inspection systems. The Boise, Idaho, production facility operates in 12-hour shifts, 24 hours per day and 7 days per week to reduce down time during shift changes, and to reduce total fabrication costs by maximizing utilization of fabrication facilities.

As of September 30, 1998, the Company acquired additional manufacturing operations including a wafer fabrication facility in Avezzano, Italy, an assembly/test facility in Singapore, and interests in the TECH and KTI wafer fabrication joint ventures. The Company expects to transfer its product and process technology into the acquired wafer fabrication facilities over the next 12 to 18 months. To the extent practicable, the Company expects to operate these acquired manufacturing facilities using manufacturing methods similar to those used in its Boise, Idaho, operations. There may be differences, however, attributable to governmental constraints, labor organizations or cultural differences that necessitate variances. There can be no assurance that the Company will successfully integrate these operations or that the product and process technology transfer to such facilities will be successful. The success of these acquired operations is dependent on the Company's ability to achieve high yields and generate high-quality circuits at a low cost. There can be no assurance that the Company will be successful in achieving the same level of manufacturing efficiencies in the acquired facilities as has been achieved in its Boise, Idaho, facilities.

The acquired wafer fabrication facility in Richardson, Texas, is currently being used by the Company as a design engineering center. Timing of the completion of MTI's semiconductor manufacturing facility in Lehi, Utah, which was suspended in February 1996 as a result of the decline in average selling prices for semiconductor memory products, is dependent upon market conditions.

PERSONAL COMPUTER SYSTEMS

The Company's PC system manufacturing process is designed to provide custom-configured PC products to its customers, and includes assembling components, loading software and testing each system prior to shipment. The Company's PC systems are generally assembled to order based on customer specifications. Parts and components required for each customer order are selected from inventory and are prepared for assembly into a customized PC system. The Company's desktop PC systems are generally assembled in the Company's facilities. The Company's notebook PC systems are designed to include feature sets defined by the Company, are assembled by third party suppliers and tested according to the Company's standards.

AVAILABILITY OF RAW MATERIALS

SEMICONDUCTOR MEMORY PRODUCTS

The raw materials utilized by the Company's semiconductor memory manufacturing operations generally must meet exacting product specifications. The Company generally uses multiple sources of supply, but the number of suppliers capable of delivering certain raw materials is very limited. The availability of raw materials, such as silicon wafers, molding compound and lead frames, may decline due to the increase in worldwide semiconductor manufacturing. Although shortages have occurred from time to time and lead times in the industry have been extended on occasion, to date the Company has not experienced any significant interruption in operations as a result of a difficulty in obtaining raw materials for its semiconductor memory manufacturing operations. Interruption of any one raw material source could adversely affect the Company's operations.

PERSONAL COMPUTER SYSTEMS

The Company relies on third-party suppliers for its PC system components and seeks to identify suppliers able to provide state-of-the-art technology, product quality and prompt delivery at competitive prices. The Company purchases substantially all of its PC components, subassemblies and software from suppliers on a purchase order basis and generally does not have long-term supply arrangements with its suppliers. Although the Company attempts to use standard components, subassemblies and software available from multiple suppliers, certain of its components, subassemblies and software are available only from sole suppliers or a limited number of suppliers. The microprocessors used in the Company's PC systems are manufactured exclusively by Intel. From time to time, the Company has been unable to obtain a sufficient supply of the latest generation Intel microprocessors. Any interruption in the supply of any of the components, subassemblies and software currently obtained from a single source or relatively few sources, or a decrease in the general availability of any other components, subassemblies or software used in the Company's PC systems, could result in production delays and adversely affect the Company's PC systems business and results of operations.

MARKETING AND CUSTOMERS

SEMICONDUCTOR MEMORY PRODUCTS

The semiconductor memory industry is characterized by rapid technological change, relatively short product life cycles, frequent product introductions and enhancements, difficult product transitions and volatile market conditions. Historically, the semiconductor industry, and the DRAM market in particular, have been highly cyclical.

The Company's primary semiconductor memory products are essentially interchangeable with, and have similar functionality to, products offered by the Company's competition. Customers for the Company's semiconductor memory products include major domestic computer manufacturers and others in the computer, telecommunications and office automation industries. The Company markets its semiconductor memory products worldwide through independent sales representatives, distributors and its own direct sales force. The Company maintains semiconductor sales offices in the United States, United Kingdom, Germany, Singapore, Japan and Taiwan. Sales representatives are compensated on a commission basis and obtain orders subject to final acceptance by the Company. The Company makes shipments against these orders directly to the customer. Distributors carry the Company's products in inventory and typically sell a variety of other semiconductor products, including competitors' products. Semiconductor memory products sold through distributors approximated 11%, 7% and 8% of semiconductor net sales in 1998, 1997 and 1996, respectively.

Many of the Company's customers require a thorough review or "qualification" of new semiconductor memory products and processes that may take several months. As the Company diversifies its product lines and reduces the die sizes of existing memory products, acceptance of these products and processes is subject to this qualification procedure. There can be no assurance that new products or processes will be qualified for purchase by existing or potential customers.

Sales to Dell Computer Corporation represented approximately 15% and 11% of the Company's net sales of semiconductor memory products in 1998 and 1997, respectively. Sales to Compaq Computer Corporation represented approximately 11% of the Company's net sales of semiconductor memory products in 1996. No other customer individually accounted for 10% or more of the Company's net sales of semiconductor memory products in 1998, 1997 or 1996.

PERSONAL COMPUTER SYSTEMS

The Company's direct marketing approach is aimed toward PC users who evaluate products based on performance, price, reliability, service and support. The Company's customers are comprised primarily of consumers and commercial and public entities. The Company markets its PC systems primarily by strategically placing advertisements in personal computer trade publications, submitting its products for review and evaluation by these publications and advertising its products in certain newspapers and other publications and on its home page on the Internet. The Company also markets its PC systems through direct-mail campaigns and sells a limited number of PC systems through its factory outlet stores located in Idaho and Utah. In addition, the Company sells its PC systems through strategic relationships with third parties having large government procurement contracts.

By focusing on the direct sales channel, the Company can avoid dealer markups typically experienced in the retail sales channel, limit inventory carrying costs and maintain closer contact with its target markets. Direct sales orders are received primarily via telephone, facsimile, the Company's home page on the Internet and through its direct sales force. The Company's sales representatives assist customers in determining system configuration, compatibility and current pricing. Customers generally order systems configured with varying feature sets differentiated by microprocessor speed, hard drive capacity, amount of memory, monitor size and resolution and bundled software, as well as other features. The Company offers its customers a variety of payment alternatives, including commercial trade terms, lease financing, cash on delivery, its own private label credit card and other credit cards. The Company's NetFRAME enterprise servers are sold primarily through the Company's direct sales force and through value added resellers worldwide.

EXPORT SALES

Export sales totaled approximately $613 million for 1998, including approximately $83 million in export sales of PC systems. Export sales included approximately $275 million in sales to Europe, $179 million in sales to Asia Pacific, $47 million in sales to Canada and $43 million in sales to Japan. Export sales approximated $735 million and $938 million for 1997 and 1996, respectively. The Company believes that export sales will increase as a result of the Acquisition.

BACKLOG

SEMICONDUCTOR MEMORY PRODUCTS

Cyclical industry conditions make it difficult for many customers to enter into long-term, fixed-price contracts and, accordingly, new order volumes for the Company's semiconductor memory products fluctuate significantly. Orders are typically accepted with acknowledgment that the terms may be adjusted to reflect market conditions at the delivery date. For the foregoing reasons, and because of the possibility of customer changes in delivery schedules or cancellation of orders without significant penalty, the Company does not believe that its backlog of semiconductor memory products as of any particular date is firm or a reliable indicator of actual sales for any succeeding period.

PERSONAL COMPUTER SYSTEMS

Levels of unfilled orders for PC systems fluctuate depending upon component availability, demand for certain products, the timing of large volume customer orders and the Company's production schedules. Customers frequently change delivery schedules and orders depending on market conditions and other reasons and the Company allows the cancellation of unfilled orders without penalty any time prior to shipment. As of September 3, 1998, the Company had unfilled orders for PC systems of approximately $22 million compared to $42 million as of August 28, 1997. The Company anticipates that substantially all of the unfilled orders as of September 3, 1998, other than those subsequently canceled, will be shipped within 30 days. The Company believes that backlog of unfilled orders of PC systems is not indicative of actual sales for any succeeding period.

PRODUCT WARRANTY

SEMICONDUCTOR MEMORY PRODUCTS

Consistent with semiconductor memory industry practice, the Company generally provides a limited warranty that its semiconductor memory products are in compliance with specifications existing at the time of delivery. Liability for a stated warranty period is usually limited to replacement of defective items or return of amounts paid.

PERSONAL COMPUTER SYSTEMS

Customers may generally return PC products within 30 days after shipment for a full refund of the purchase price. The Company generally sells desktop and notebook PC systems and servers with the Micron Power(SM) limited warranty, including a five-year limited warranty on the microprocessor and main memory, and a three-year limited warranty covering repair or replacement for defects in workmanship or materials on the remaining hardware,.

COMPETITION

SEMICONDUCTOR MEMORY PRODUCTS

The Company's semiconductor memory operations experience intense competition from a number of substantially larger foreign and domestic companies, including Hitachi, Ltd., Hyundai Electronics, Co., Ltd., LG Semicon, NEC Corp., Samsung Semiconductor, Inc., Siemens AG and Toshiba Corporation. Although the Company has captured an increasing percentage of the semiconductor memory market in recent periods and expects to gain additional market share as a result of the Acquisition, it may be at a disadvantage in competing against manufacturers having significantly greater capital resources, manufacturing capacity, engineer and employee bases and portfolios of intellectual property and more diverse product lines. As a result of greater product diversification and resources, the Company's larger competitors may have long-term advantages in research and new product development, and in their ability to withstand current or future downturns in the semiconductor memory market. The Company's competitors are also aggressively seeking improved yields, smaller die size and fewer mask levels in their product designs. These improvements could result in a dramatic increase in worldwide capacity leading to further downward pressure on product prices.

Certain of the Company's competitors have announced merger plans. Any such merger or consolidation could put the Company at a further disadvantage with respect to such competitors.

PERSONAL COMPUTER SYSTEMS

The PC industry is highly competitive and has been characterized by intense pricing pressure, generally low gross margin percentages, rapid technological advances in hardware and software, frequent introduction of new products, and rapidly declining component costs. Competition in the PC industry is based primarily upon brand name recognition, performance, price, reliability and service and support. The Company's sales of PC systems have historically benefited from increased name recognition and market acceptance of the Company's PC systems, primarily resulting from the receipt by the Company of awards from trade publications recognizing the price and performance characteristics of Micron brand PC systems and the Company's service and support functions. The Company competes with a number of PC manufacturers, which sell their products primarily through direct channels, including Dell Computer, Inc. and Gateway 2000, Inc. The Company also competes with PC manufacturers, such as Apple Computer, Inc., Compaq Computer Corporation, Hewlett-Packard Company, International Business Machines Corporation, NEC Corporation and Toshiba Corporation among others, which have traditionally sold their products

through national and regional distributors, dealers and value added resellers, retail stores and direct sales forces. (See "Certain Factors--Personal Computer Systems--Competition.")

RESEARCH AND DEVELOPMENT

Rapid technological change and intense price competition place a premium on both new product and new process development efforts. The Company's continued ability to compete in the semiconductor memory market will depend in part on its ability to continue to develop technologically advanced products and processes, of which there can be no assurance. Research and development is being performed in strategic areas related to the Company's semiconductor expertise. Total research and development expenditures for the Company were $272 million, $209 million and $192 million in 1998, 1997 and 1996, respectively.

Research and development expenses relating to the Company's semiconductor memory operations, which constitute substantially all of the Company's research and development expenses, vary primarily with the number of wafers processed, personnel costs, and the cost of advanced equipment dedicated to new product and process development. Research and development efforts are continually devoted to developing leading process technology, which is the primary determinant in the Company's ability to transition to next generation products. Application of current developments in advanced process technology is currently concentrated on shrink versions of the Company's 64 Meg SDRAM and development of the 128 Meg SDRAM and RDRAM, Double Data Rate (DDR) and SyncLink memory products. Other research and development efforts are devoted to the design and development of remote intelligent communications technology ("RIC"), flat panel displays, graphics accelerator products and PC systems.

In 1998, the Company transitioned a substantial portion of it's Boise, Idaho, semiconductor manufacturing capacity, as measured by wafer starts, to .25 and .21 micron (mu) line width processing from .30 (mu) line width processing. The Company anticipates that it will utilize .21 (mu) line width processing for approximately 85% of its Boise, Idaho, wafer starts by the end of calendar 1998. The Company's transition to .18 (mu) line width processing is currently anticipated in calendar 1999. The Company's process technology is expected to progress to tighter geometries as needed for cost effective development of future generation semiconductor products. The operations acquired in the Acquisition currently utilize .30 (mu) line width process technology. The Company anticipates transitioning the acquired operations to .21 (mu) line width processing as the Company transfers its product and process technology to such facilities. These facilities will be transitioned to .18 (mu) line width processing in the future.

PATENTS AND LICENSES

As of September 3, 1998, the Company owned approximately 2,100 United States patents and 170 foreign patents relating to the use of its products and processes. In addition, the Company has numerous United States and foreign patent applications pending.

The Company has entered into a number of cross-license agreements with third parties. The agreements typically require one-time and/or periodic royalty payments and expire at various times. One-time payments are typically capitalized and amortized over the shorter of the estimated useful life of the technology, the patent term or the term of the agreement. Royalty and other product and process technology expenses were $170 million, $201 million and $153 million in 1998, 1997 and 1996, respectively. As a result of the expiration of certain license agreements and the execution of the ten-year, royalty-free, life-of-patents, patent cross license with TI, the Company expects product and process technology expenses in 1999 to be significantly lower than in prior years. In the future, it may be necessary or advantageous for the Company to obtain additional patent licenses or to renew existing license agreements. The Company is unable to predict whether these license agreements can be obtained or renewed on terms acceptable to the Company. Adverse determinations that the Company's manufacturing processes or products have infringed on the product or process rights held by others could subject the Company to significant liabilities to third parties or require material changes in production processes or products, any of which could have a material

adverse effect on the Company's business, results of operations and financial condition. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Certain Factors.")

EMPLOYEES

As of September 3, 1998, the Company had approximately 11,400 full-time employees, including approximately 8,800 in the semiconductor memory manufacturing operations (including the component recovery operations) and 2,400 in the PC systems operations. Employment levels can vary depending on market conditions and the level of the Company's production, research and product and process development and administrative support activities. Many of the Company's employees are highly skilled and the Company's continued success depends in part upon its ability to attract and retain such employees.

As a result of the Acquisition, the Company's employee base grew by approximately 3,900 employees, including 1,400 in Avezzano, Italy, 2,300 in Singapore, and 200 in the United States. The Company's Italian employees are represented by labor organizations that have entered into national and local labor contracts with the Company. There can be no assurance the Company will be able to assimilate, retain and attract key personnel in these foreign locations. Because the Company has the right and obligation to purchase 100% of the output of the KTI and TECH joint ventures, the Company is also dependent on the performance of the approximate 770 employees at KTI and approximate 1,000 employees at TECH. There can be no assurance the joint ventures will be able to retain and attract key personnel. The loss of key personnel from these facilities could have an adverse effect on the Company's results of operations.

The Company gained approximately 100 employees located in California in its merger with Rendition. These employees will focus on the Company's graphics accelerator projects.

ENVIRONMENTAL COMPLIANCE

Government regulations impose various environmental controls on discharges, emissions and solid wastes from the Company's manufacturing processes. The Company believes that its activities conform to present environmental regulations. In June 1998, the Idaho Association of Commerce and Industry gave the Company's semiconductor memory operation its Environmental Excellence Award. The award was created to formally recognize companies that have taken an extra step in environmental protection in Idaho. In 1998, the Company continued to conform to the requirements of ISO 14001 certification including a successful independent surveillance audit. To continue certification, the Company met requirements in environmental policy, planning, management, structure and responsibility, training, communication, document control, operational control, emergency preparedness and response, record keeping and management review. While the Company has not experienced any materially adverse effects on its operations from environmental or other government regulations, there can be no assurance that changes in such regulations will not impose the need for additional capital equipment or other compliance requirements. Additionally, the extensive process required to obtain permits for expansion of the Company's facilities may impact how quickly the Company can respond to increases in market demand.

The Company is continuing to evaluate environmental compliance at the facilities acquired in the Acquisition. The Company believes the activities at the acquired facilities are in substantial compliance with present environmental laws and regulations. There can be no assurance that further evaluation of the facilities, or changes in applicable laws and regulations, will not require the Company to incur substantial expenditures for additional equipment, improved processes or other compliance requirements.

OFFICERS AND DIRECTORS OF THE REGISTRANT

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

As of October 23, 1998, the following executive officers and directors of the Company were subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended:

NAME	AGE	POSITION
Steven R. Appleton	38	Chief Executive Officer, President and Chairman of the Board of Directors
Donald D. Baldwin	38	Vice President of Sales and Marketing
Kipp A. Bedard	39	Vice President of Corporate Affairs
Robert M. Donnelly	59	Vice President of Memory Products
D. Mark Durcan	37	Chief Technical Officer and Vice President of Research & Development
Jay L. Hawkins	38	Vice President of Operations
Joel J. Kocher	42	Chairman, Chief Executive Officer, President and Chief Operating Officer of Micron Electronics, Inc.
Roderic W. Lewis	43	Vice President of Legal Affairs, General Counsel and Corporate Secretary
Wilbur G. Stover, Jr.	45	Chief Financial Officer and Vice President of Finance
James W. Bagley	59	Director
Robert A. Lothrop	72	Director
Thomas T. Nicholson	62	Director
Don J. Simplot	63	Director
John R. Simplot	89	Director
Gordon C. Smith	69	Director
William P. Weber	58	Director

Steven R. Appleton joined MTI in February 1983 and has served in various capacities with the Company and its subsidiaries. Mr. Appleton first became an officer of MTI in August 1989 and has served in various officer positions, including overseeing the Company's semiconductor operations as President, Chief Executive Officer and Director of Micron Semiconductor, Inc. ("MSI"), then a wholly-owned subsidiary of MTI, from July 1992 to November 1994. From April 1991 until July 1992 and since May 1994, Mr. Appleton has served on MTI's Board of Directors. Since September 1994, Mr. Appleton has served as the Chief Executive Officer, President and Chairman of the Board of Directors of MTI. Mr. Appleton also serves as a Director of MEI. Mr. Appleton holds a BA in Business Management from Boise State University.

Donald D. Baldwin joined MTI in April 1984 and has served in various capacities with the Company and its subsidiaries. Mr. Baldwin first became an officer of MTI in May 1991 and has served in various officer positions, including Vice President, Sales of MSI from July 1992 to November 1994. Mr. Baldwin served as Vice President, Sales for MTI from November 1994 through June 1997, at which time he became Vice President of Sales and Marketing. Mr. Baldwin holds a BA in Marketing from Boise State University.

Kipp A. Bedard joined MTI in November 1983 and has served in various capacities with the Company and its subsidiaries. Mr. Bedard first became an officer of MTI in April 1990 and has served in various officer positions, including Vice President, Corporate Affairs of MSI from July 1992 to January 1994. Since January 1994, Mr. Bedard has served as Vice President of Corporate Affairs for MTI. Mr. Bedard holds a BBA in Accounting from Boise State University.

Robert M. Donnelly joined MTI in September 1988 and has served in various technical positions with the Company and its subsidiaries. Mr. Donnelly first became an officer of MTI in August 1989 and has served in various officer positions, including Vice President, SRAM Products Group of MSI from July 1992 to November 1994. Mr. Donnelly was named Vice President, SRAM Products Group for MTI in November 1994. Mr. Donnelly served as Vice President, SRAM Design and Product Engineering for MTI from October 1995 through November 1996, at which time he became Vice President of Memory Products. Mr. Donnelly holds a BS in Electrical Engineering from the University of Louisville.

D. Mark Durcan joined MTI in 1984 and has served in various technical positions with the Company and its subsidiaries, including Process Integration Manager from December 1989 until May 1995 and Manager of Process Research and Development from May 1995 until June 1996. Mr. Durcan served as Vice President, Process Research and Development from June 1996 through June 1997, at which time he became Chief Technical Officer and Vice President of Research & Development. Mr. Durcan holds a BS and MS in Chemical Engineering from Rice University.

Jay L. Hawkins joined MTI in March 1984 and has served in various manufacturing positions for the Company and its subsidiaries, including Director of Manufacturing for MSI from July 1992 to November 1994 and Director of Manufacturing for MTI from November 1994 to February 1996. Mr. Hawkins served as Vice President, Manufacturing Administration from February 1996 through June 1997, at which time he became Vice President of Operations. Mr. Hawkins holds a BBA in Marketing from Boise State University.

Joel J. Kocher joined MEI in January 1998. Prior to joining MEI, Mr. Kocher was employed by Dell Computer Corporation from 1987 until September 1994, most recently serving as President of Worldwide Marketing, Sales and Service. In October 1994, Mr. Kocher joined Artistsoft, where he initially served as Executive Vice President and Chief Operating Officer and subsequently served from October 1995 until December 1996 as President, Chief Operating Officer, and Director of Artistsoft. From December 1996 until August 1997, Mr. Kocher served as President and Chief Operating Officer at Power Computing Corporation. Since January 1998, Mr. Kocher has served as the President and Chief Operating Officer of MEI and since June 1998 has also served as Chairman and Chief Executive Officer of MEI. Mr. Kocher holds a BBA in Marketing from the University of Florida.

Roderic W. Lewis joined MTI in 1991 and has served in various capacities with the Company and its subsidiaries, including Assistant General Counsel for MTI from August 1993 to April 1995. From April 1995 to July 1996, Mr. Lewis served as Vice President, General Counsel and Corporate Secretary for MEI. Mr. Lewis served as Vice President, General Counsel and Corporate Secretary for MTI from July 1996 until November 1996, at which time he became Vice President of Legal Affairs, General Counsel and Corporate Secretary. Mr. Lewis holds a BA in Economics and Asian Studies from Brigham Young University and a JD from Columbia University School of Law.

Wilbur G. Stover, Jr. joined MTI in June 1989 and has served in various financial positions with the Company and its subsidiaries, including Vice President, Finance and Chief Financial Officer of MSI from August 1992 to September 1994. Since September 1994, Mr. Stover has served as MTI's Chief Financial Officer and Vice President of Finance. From October 1994 through September 1996, Mr. Stover served on MTI's Board of Directors. Mr. Stover holds a BA in Business Administration from Washington State University.

James W. Bagley became the Chairman and Chief Executive Officer of Lam Research, Inc. ("Lam") in August 1997, upon consummation of a merger of OnTrak Systems, Inc. ("OnTrak") into Lam. From June 1996 to August 1997, Mr. Bagley served as the Chairman and Chief Executive Officer of OnTrak. Prior to joining OnTrak, Mr. Bagley was employed by Applied Materials, Inc. for 15 years in various senior management positions, including Chief Operating Officer and Vice Chairman of the Board. Mr. Bagley currently is a director of KLA-Tencor Corporation, Teradyne, Inc. and Kulicke & Soffe Industries, Inc. He has served on MTI's Board of Directors since June 1997. Mr. Bagley holds a BS in Electrical Engineering and MS in Electrical Engineering from Mississippi State University.

Robert A. Lothrop served as Senior Vice President of the J.R. Simplot Company from January 1986 until his retirement in January 1991. From August 1986 until July 1992 and since May 1994, Mr. Lothrop has served on the Board of Directors of MTI. From July 1992 until November 1994, he served as a Director of MSI. Mr. Lothrop also serves as a Director of MEI. Mr. Lothrop holds a BS in Engineering from the University of Idaho.

Thomas T. Nicholson has served as Vice President and a director of Honda of Seattle since 1988. Mr. Nicholson has also served since 1982 as President of Mountain View Equipment and since 1962 has been a partner of CCT Land & Cattle. He has served on MTI's Board of Directors since May 1980. Mr. Nicholson holds a BS in Agriculture from the University of Idaho.

Don J. Simplot served as the President of Simplot Financial Corporation, a wholly-owned subsidiary of the J.R. Simplot Company, from February 1985 until January 1992. Since 1955, Mr. Don J. Simplot has served in various capacities with the J.R. Simplot Company and presently serves as a Corporate Vice President. Since April 1994, he has also served as a member of the Office of the Chairman of the J.R. Simplot Company. He has served on MTI's Board of Directors since February 1982. Mr. Don Simplot is also a Director of AirSensors, Inc.

John R. Simplot founded and served as the Chairman of the Board of Directors of the J.R. Simplot Company prior to his retirement in April 1994, at which time he was named Chairman Emeritus. He has served on MTI's Board of Directors since May 1980. Mr. Simplot also serves as a Director of MEI.

Gordon C. Smith has served as President of Wesmar, Inc. since September 1996 and has served as Secretary and Treasurer of SSI Management Corp. since September 1994. Mr. Smith served in various management positions from July 1980 until January 1992 for Simplot Financial Corporation, a wholly-owned subsidiary of the J.R. Simplot Company. From May 1988 until his retirement in March 1994, Mr. Smith served as the President and Chief Executive Officer of the J.R. Simplot Company. From February 1982 until February 1984 and since September 1990, he has served on MTI's Board of Directors. Mr. Smith holds a bachelor's degree in Accounting from Idaho State University.

William P. Weber served in various capacities with Texas Instruments Incorporated and its subsidiaries from 1962 until April 1998. From December 1986 until December 1993 he served as the President of Texas Instrument's worldwide semiconductor operations and from December 1993 until his retirement in April 1998, he served as Vice Chairman of Texas Instruments Incorporated. He is a member of the board of directors of Kmart Corporation and Unigraphics Solutions, Inc. He has served on MTI's Board of Directors since July 1998. Mr. Weber holds a BS in Engineering from Lamar University and a MS in Engineering from Southern Methodist University.

There is no family relationship between any director or executive officer of the Company, except between John R. Simplot and Don J. Simplot, who are father and son, respectively.

ITEM 2. PROPERTIES

The Company's principal semiconductor manufacturing, engineering, administrative, and support facilities are located on an approximately 830 acre site in Boise, Idaho. All facilities have been constructed since 1981 and are owned by the Company. The Company has approximately 1.8 million square feet of building space at this primary site. Of the total, approximately 489,000 square feet is production space, 628,000 square feet is facility support space, and 678,000 square feet is office and other space.

With the acquisition of substantially all of TI's memory operations on September 30, 1998, the Company obtained a number of additional properties including a 587,000 square foot wafer fabrication facility located on 63 acres in Avezzano, Italy, a 519,000 square foot assembly and test facility located on 7 acres in Singapore and a 418,000 square foot wafer fabrication facility located on 36 acres in Richardson, Texas. The Avezzano facility includes 113,000 square feet for production space, 214,000 square feet for facility support space and 260,000 for office and other space. The Singapore assembly and test facility includes 181,000 square feet for production space, 98,000 square feet for facility support space and 241,000 square feet for office and other space. Approximately 50,000 square feet at the Richardson facility is being used for design engineering.

In 1995, the Company initiated construction of an approximate 2 million square foot semiconductor memory manufacturing facility in Lehi, Utah. Completion of this facility was suspended in February 1996 as a result of the decline in average selling prices for semiconductor memory products. As of September 3, 1998, the Company had incurred construction costs of approximately $700 million to build the existing structure. Market conditions for semiconductor memory products will dictate when the Lehi complex is completed.

MEI's corporate headquarters, PC manufacturing operation and SpecTek operation are based in a number of MEI-owned or leased facilities aggregating approximately 300,000 square feet located in Nampa, Idaho. Approximately 100,000 square feet of the Nampa facilities are dedicated to PC manufacturing and approximately 40,000 square feet are dedicated to the SpecTek operation. The balance of the Nampa facilities is dedicated to sales, technical support, customer service, administrative functions and warehouse space. In addition, MEI is nearing completion of a new 325,000 square foot facility expected to be in production in the fourth calendar quarter of 1998. The new facility is expected to have approximately 135,000 square feet dedicated to PC manufacturing. MEI leases a 77,000 square foot facility in Minneapolis, Minnesota, dedicated primarily to PC sales, technical support and administrative functions and a 75,000 square foot facility in Meridian, Idaho, dedicated to a PC call center.

Equipment with a net book value of approximately $284 million was pledged as collateral for outstanding debt and capital leases as of September 3, 1998. Substantially all of the Company's facilities and equipment at the Boise and Lehi sites not otherwise collateralized for outstanding debt and capital leases is pledged as collateral for MTI's $400 million credit agreement.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party in various legal actions arising out of the normal course of business, none of which is expected to have a material effect on the Company's business and results of operations. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Certain Factors.")

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET FOR COMMON STOCK

Micron Technology, Inc.'s common stock is listed on the New York Stock Exchange and is traded under the symbol "MU." The following table represents the high and low closing sales prices for the Company's common stock for each quarter of 1998 and 1997, as reported by The Wall Street Journal.

	HIGH	LOW
1998:		
4th quarter	$35.250	$20.125
3rd quarter	34.938	23.813
2nd quarter	38.000	22.000
1st quarter	45.312	23.125
1997:		
4th quarter	$60.063	$38.375
3rd quarter	45.250	33.250
2nd quarter	39.125	29.000
1st quarter	34.750	20.375

HOLDERS OF RECORD

As of October 23, 1998, there were 6,523 shareholders of record of the Company's common stock.

DIVIDENDS

The Company did not declare or pay any dividends during 1998 or 1997. The Company declared and paid cash dividends of $0.15 per share during 1996. Future dividends, if any, will vary depending on the Company's profitability and anticipated capital requirements.

ITEM 6. SELECTED FINANCIAL DATA

	1998	1997	1996	1995	1994
	(Amounts in millions, except for per share data)				
Net sales	$3,011.9	$3,515.5	$3,653.8	$2,952.7	$1,628.6
Gross margin	280.4	976.4	1,455.4	1,624.0	839.2
Operating income (loss)	(493.6)	402.4	940.5	1,307.8	625.7
Net income (loss)	(233.7)	332.2	593.5	844.1	400.5
Diluted earnings (loss) per share	(1.10)	1.55	2.78	4.00	1.94
Cash dividend declared per share	--	--	0.15	0.15	0.06
Current assets	1,499.2	1,972.4	964.0	1,274.1	793.2
Property, plant and equipment, net	3,030.8	2,761.2	2,708.1	1,385.6	663.5
Total assets	4,688.3	4,851.3	3,751.5	2,774.9	1,529.7
Current liabilities	740.3	749.9	664.5	604.8	274.2
Long-term debt	757.3	762.3	314.6	129.4	124.7
Shareholders' equity	2,693.0	2,883.1	2,502.0	1,896.2	1,049.3

Historical per share amounts have been restated in accordance with Statement of Financial Accounting Standards No. 128. (See "Notes to Consolidated Financial Statements.")

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of OperationsCertain Factors."

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

The following discussion may contain trend information and other forward looking statements (including statements regarding future operating results, future capital expenditures and facility expansion, new product introductions, the effect of the Acquisition, technological developments and industry trends) that involve a number of risks and uncertainties. The Company's actual results could differ materially from the Company's historical results of operations 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 "Subsequent Events" and "Certain Factors." All period references are to the Company's fiscal periods ended September 3, 1998, August 28, 1997 or August 29, 1996, unless otherwise indicated. All per share amounts are presented on a diluted basis unless otherwise stated.

Micron Technology, Inc. and its subsidiaries (hereinafter referred to collectively as the "Company" or "MTI") principally design, develop, manufacture and market semiconductor memory products and personal computer ("PC") systems. The Company's PC systems business and semiconductor component recovery business ("SpecTek") are operated through Micron Electronics, Inc. ("MEI"), a 64% owned, publicly-traded subsidiary of MTI.

RECENT EVENTS

The semiconductor industry in general, and the DRAM market in particular, is experiencing a severe downturn. Per megabit prices declined approximately 60% in 1998 following a 75% decline in 1997 and a 45% decline in 1996. These extreme market conditions, while having an adverse effect on the Company's results of operations, have also resulted in the Company being presented with various strategic opportunities. On September 30, 1998, the Company completed its acquisition (the "Acquisition") of substantially all of the semiconductor memory operations of Texas Instruments, Inc. ("TI"). The Acquisition was effected through the issuance of MTI debt and equity securities. Upon closing, TI received approximately 28.9 million shares of MTI common stock, $740 million principal amount, seven-year, 6.5% notes convertible into an additional approximate 12.3 million shares of MTI common stock (the "Convertible Notes"), and $210 million principal amount, seven year, 6.5% subordinated notes (the "Subordinated Notes"). In addition to TI's memory assets, the Company received approximately $550 million in cash. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commences on January 1, 1999. In addition, the parties have agreed to make cash adjustments to ensure that current assets minus the sum of current and noncurrent assumed liabilities of the acquired operations is $150 million as of September 30, 1998. In light of the current market conditions in the semiconductor industry, the Acquisition is expected to compound the effects of the downturn on the Company and have a near term adverse effect on the Company's results of operations and cash flows. (See "Subsequent Events - Acquisition" and "Certain Factors.")

On October 19, 1998, the Company issued to Intel Corporation ("Intel") approximately 15.8 million stock rights (the "Rights") exchangeable into non-voting Class A Common Stock (upon MTI shareholder approval of such class of stock) or into common stock of the Company, for a purchase price of $500 million. The Rights at the time of issuance represented approximately 6% of the Company's outstanding common stock. The Rights (or Class A Common Stock) will automatically be exchanged for (or converted into) the Company's common stock upon a transfer to a holder other than Intel or a 90% owned subsidiary of Intel. The Company has agreed to seek shareholder approval to amend its Certificate of Incorporation to create the non-voting Class A Common Stock at the Company's next Annual Meeting of Shareholders. In the event the Company's shareholders approve the amendment, the Rights will be automatically exchanged for Class A Common Stock upon the filing in Delaware of the amended Certificate of Incorporation. In the event the Company's shareholders do not approve the amendment, the Rights will remain exchangeable into the Company's common stock. In order to exchange the Rights for the Company's common stock, Intel would be required to provide the Company with written evidence of compliance with the Hart-Scott-Rodino Act ("HSR") filing requirements or that no HSR filings are required. Intel also has the right to designate a nominee acceptable to the Company to the Company's Board of Directors.

In consideration for Intel's investment, the Company has agreed to commit to the development of direct Rambus DRAM ("RDRAM") products, to meet certain production and capital expenditure milestones and to make available to Intel a certain percentage of its semiconductor memory output over a five-year period, subject to certain

limitations. The exchange ratio of the Rights and conversion ratio of the Class A Common Stock is subject to adjustment under certain formulae at the election of Intel in the event MTI fails to meet the production or capital expenditure milestones. No adjustment will occur to the exchange ratio or conversion ratio under such formulae (i) if the Company achieves the production and capital expenditure milestones, or (ii) unless the price of the Company's common stock for a twenty day period ending two days prior to such milestone dates is lower than $31.625 (the market price of the Company's common stock at the time of the investment). In addition, in no event will the Company be obligated to issue more than: (a) a number of additional shares of Class A Common Stock (or common stock) having a value exceeding $150 million; or (b) a number of additional shares exceeding the number of Rights originally issued.

RESULTS OF OPERATIONS

Net loss for 1998 was $234 million, or $1.10 per share, on net sales of $3,012 million. Net income for 1997 was $332 million, or $1.55 per share, on net sales of $3,516 million. Net income for 1996 was $594 million, or $2.78 per share, on net sales of $3,654 million.

For 1998, the Company's semiconductor memory operations incurred an operating loss in excess of $350 million on net sales of $1,386 million, primarily due to continued sharp declines in average sales prices for the Company's semiconductor memory products.

Results of operation for 1998 included an aggregate pretax gain of $157 million (approximately $38 million or $0.18 per share after taxes and minority interests) on MEI's sale of a 90% interest in its contract manufacturing subsidiary, Micron Custom Manufacturing Services, Inc. ("MCMS"), in February 1998 for cash proceeds of $249 million. Results of operations for 1997 included a pretax gain of $190 million (approximately $94 million or $0.44 per share after taxes) on the sale of a portion of the Company's holdings in MEI common stock, which decreased the Company's ownership in MEI from approximately 79% to approximately 64%.

NET SALES

	1998		1997		1996	
			(DOLLARS IN MILLIONS)			
Semiconductor memory products.....	$1,386.2	46%	$1,738.1	49%	$2,210.0	60%
PC Systems.....	1,459.8	48%	1,463.5	42%	1,128.3	31%
Other.....	165.9	6%	313.9	9%	315.5	9%
Total net sales	$3,011.9	100%	$3,515.5	100%	$3,653.8	100%

Net sales reported under "Semiconductor memory products" include sales of MTI semiconductor memory products incorporated in MEI PC systems and other products, which amounted to $37 million, $87 million and $184 million in 1998, 1997 and 1996, respectively. "Other" net sales for 1998 include revenue of approximately $124 million from MCMS, which was sold in February 1998. (See "Subsequent Events Acquisition" for a discussion of the Acquisition as it relates to net sales of the Company's semiconductor memory products.)

Total net sales in 1998 decreased by 14% compared to 1997, principally due to an approximate 60% decline in average selling prices of semiconductor memory products for the year, offset by increased volumes of semiconductor memory products sold and increased unit sales of PC systems. Total megabits of semiconductor memory shipped in 1998 increased by approximately 110% over 1997 levels. This increase was principally a result of shifts in the Company's mix of semiconductor memory products to a higher average density, transitions to successive reduced die size ("shrink") versions of existing products and improved manufacturing yields on existing products.

The Company's 16 Meg DRAM comprised approximately 74% and 80%, respectively, of net sales of semiconductor memory in 1998 and 1997. The Company's principal semiconductor memory product in 1996 was the 4 Meg DRAM, which comprised approximately 87% of net sales of semiconductor memory. The Company transitioned from the 16 Meg to the 64 Meg DRAM as its primary memory product in the fourth quarter of 1998.

The Company also transitioned from EDO to Synchronous DRAM ("SDRAM") in the third quarter of 1998. Approximately 46% of the Company's DRAM revenue was attributable to SDRAM products for 1998.

Net sales of PC systems in 1998 were flat compared to 1997 primarily due to a 11% decrease in average selling prices for the Company's PC systems offset by an increase in unit sales and a higher level of non-system revenue. The decline in average selling prices was primarily attributable to a 12% decrease in the selling prices for the Company's desktop PC systems and a 24% decline in selling prices for notebook systems. Lower prices were largely the result of industry price competitiveness, particularly for notebook products, and to the Company's efforts to price its products more in line with its competition. Unit sales were 5% higher in 1998 compared to 1997 due primarily to a 49% increase in unit sales of the Company's notebook products.

Net sales in 1997 decreased by 4% compared to 1996, principally due to an approximate 75% decline in average selling prices of semiconductor memory products for the year, offset by increased volumes of semiconductor memory products sold and increased unit sales of PC systems. Total megabits shipped in 1997 increased by more than 200% over 1996 levels. This increase was principally a result of the transition to the 16 Meg DRAM as the Company's principal memory product, ongoing transitions to shrink versions of existing memory products, enhanced yields on existing memory products, the conversion of all of the Company's fabs to 8-inch wafer processing at the end of 1996 and an increase in total wafer outs. Unit sales of PC systems increased by 37% in 1997 compared to 1996, while average selling prices for PC systems declined. Higher unit sales were largely attributed to significantly higher government and corporate sales.

GROSS MARGIN

	1998	% Change	1997	% Change	1996
			(DOLLARS IN MILLIONS)		
Gross margin	$280.4	(71.3)%	$976.3	(32.9)%	$1,455.4
as a % of net sales	9.3%		27.8%		39.8%

(See "Subsequent Events Acquisition" for a discussion of the Acquisition as it relates to gross margin on the Company's semiconductor memory products.)

The Company's gross margin percentage was significantly lower for 1998 compared to 1997. This decline in gross margin percentage was principally the result of lower gross margin percentages on sales of the Company's semiconductor memory products resulting principally from a continued severe decline in average sales prices.

The Company's gross margin percentage on sales of semiconductor memory products for 1998 was 5% compared to 39% and 56% in 1997 and 1996, respectively. The decrease in gross margin percentage on sales of semiconductor memory products for the periods presented was primarily the result of the continuing sharp decline in average selling prices of 60% in 1998 and 75% in 1997, partially offset by a decline in per megabit manufacturing costs in each period. Decreases in the Company's manufacturing costs per megabit in each period were achieved principally through increases in production. These increases in production resulted principally from shifts in the Company's mix of semiconductor memory products to a higher average density, transitions to successive shrink versions of existing products and improved manufacturing yields on existing products.

The gross margin percentage for the Company's PC operations for 1998 was 12%, compared to 17% and 15% in 1997 and 1996, respectively. The gross margin percentage for sales of the Company's PC systems decreased in 1998 compared to 1997 primarily as a result of significantly lower margins realized on sales of the Company's notebook systems as a result of intense price pressure on these products during the year and due to losses realized from disposition of PC component inventories. The Company's gross margin in 1998 was favorably affected, however, by an adjustment made in the fourth quarter of $12 million related to revisions of estimates for certain contingencies for product and process technology costs.

The decrease in gross margin percentage for 1997 compared to 1996 was principally a result of lower average selling prices for semiconductor memory products and higher net sales of PC systems as a percentage of total net sales. The lower gross margin percentage on sales of semiconductor memory products in 1997 was principally due to sharp declines in average selling prices for such products as compared to more gradual decreases in per megabit manufacturing costs. Decreases in the Company's manufacturing costs per megabit were achieved through the transition to the 16 Meg DRAM as the Company's principal memory product, ongoing transitions to successive shrink versions of existing memory products, enhanced yields on existing memory products, the conversion of all of the Company's fabs to 8-inch wafer processing at the end of 1996 and an increase in total wafer outs. The effect on the Company's gross margin from the decrease in semiconductor gross margin was compounded by higher net sales of PC systems as a percentage of net sales, as sales of PC systems generally had a lower gross margin percentage than sales of the Company's semiconductor memory products in 1997 and 1996.

Cost of goods sold includes estimated costs of settlement or adjudication of asserted and unasserted claims for patent infringement prior to the balance sheet date and costs of product and process technology licensing arrangements. The 1996 gross margin was increased by a net reduction of approximately $55 million in prior year accruals for product and process rights contingencies for both semiconductor and personal computer operations.

SELLING, GENERAL AND ADMINISTRATIVE

	1998	% Change	1997	% Change	1996
			(DOLLARS IN MILLIONS)		
Selling, general and administrative.....	$467.9	26.2%	$370.9	21.5%	$305.3
as a % of net sales.....	15.5%		10.6%		8.4%

(See "Subsequent Events Acquisition" for a discussion of the Acquisition as it relates to selling, general and administrative expense.)

Selling, general and administrative expenses were higher in 1998 as compared to 1997 and in 1997 as compared to 1996 primarily due to increased expenses associated with the Company's PC operations. The higher level of selling, general and administrative expenses for the Company's PC operations is principally due to higher levels of personnel, advertising and technical and professional fees associated with information technology consulting services. The higher selling, general and administrative expenses for 1998 were partially offset by a lower level of performance based compensation than in 1997. During the fourth quarter of 1996, the Company charged operations with a $9 million accrual relating to revisions of estimates for selling costs associated with sales of PC systems.

RESEARCH AND DEVELOPMENT

	1998	% Change	1997	% Change	1996
			(DOLLARS IN MILLIONS)		
Research and development.....	$271.8	30.1%	$208.9	8.9%	$191.9
as a % of net sales.....	9.0%		5.9%		5.3%

(See "Subsequent Events Acquisition" for a discussion of the Acquisition as it relates to research and development.)

Research and development expenses relating to the Company's semiconductor memory operations, which constitute substantially all of the Company's research and development expenses, vary primarily with the number of wafers processed, personnel costs, and the cost of advanced equipment dedicated to new product and process development. Research and development efforts are focused on advanced process technology, which is the primary determinant in transitioning to next generation products. Application of advanced process technology currently is concentrated on shrink versions of the Company's 64 Meg SDRAM and development of the Company's 128 Meg SDRAM and RDRAM, Double Data Rate ("DDR"), SyncLink, Flash and SRAM memory products. The Company transitioned from the 16 Meg to the 64 Meg DRAM as its primary memory product in the fourth quarter of 1998 and transitioned from EDO to SDRAM in the third quarter of 1998. Other research and development efforts are devoted to the design and development of RIC, flat panel displays, graphics accelerator products and PC systems.

The Company substantially completed its transition from .30 (mu) to .25 (mu) in the fourth quarter of 1998 and expects to transition from .25 (mu) to .21 (mu) in calendar 1998 and transition to .18 (mu) in calendar 1999. The Company's process technology is expected to progress to tighter geometries in the next few years as needed for the development of future generation semiconductor products.

OTHER OPERATING EXPENSE (INCOME)

Other operating expense for 1998 includes charges associated with PC operations of $11 million resulting from employee termination benefits and consolidation of domestic and international operations and $5 million from the write-off of software development costs. Other operating expense reflects a net pre-tax loss of $14 million and $3 million, and a net pre-tax gain of $15 million from the write-down and disposal of semiconductor manufacturing operations equipment in 1998, 1997 and 1996, respectively.

GAIN ON SALE OF INVESTMENTS AND SUBSIDIARY STOCK

In a public offering in February 1997, MTI sold 12.4 million shares of MEI common stock for net proceeds of $200 million and MEI sold 3 million newly issued shares for net proceeds of $48 million, resulting in a consolidated pre-tax gain of $190 million. The sales reduced the Company's ownership of the outstanding MEI common stock from approximately 79% to approximately 64%. The Company also recorded pre-tax gains totaling $22 million for 1997 relating to sales of investments. Diluted earnings per share for 1997 benefited by $0.50 from these gain transactions.

RESTRUCTURING CHARGE

Results of operations for 1996 were adversely affected by a $30 million pre-tax restructuring charge resulting from the decisions by its then approximately 79% owned subsidiary, MEI, to discontinue sales of ZEOS brand PC systems and to close the related PC manufacturing operations in Minneapolis, Minnesota. The restructuring charge reduced 1996 earnings per share by $0.09.

INCOME TAX PROVISION (BENEFIT)

	1998	% CHANGE	1997	% Change	1996
			(DOLLARS IN MILLIONS)		
Income tax provision.....	$(118.8)	(144.4)%	$267.3	(25.1)%	$357.0

The effective tax rate for 1998, 1997 and 1996 was 35%, 43% and 37%, respectively. The effective tax rate primarily reflects (i) the statutory corporate income tax rate and the net effect of state taxation; (ii) the effect of taxes on the parent of the earnings or loss by domestic subsidiaries not consolidated with the Company for federal income tax purposes; and (iii) in 1998, the impact of a $4 million valuation allowance recorded for a deferred tax asset relating to MEI's consolidation of its NetFRAME enterprise server operations. The relatively higher effective tax rate in 1997 was principally due to the provision for income taxes by the Company on earnings of its domestic subsidiaries, and the gain on the sale of MEI common stock by the Company and the issuance of common stock by MEI in 1997. Taxes on earnings of domestic subsidiaries not consolidated for tax purposes may cause the effective tax rate to vary significantly from period to period.

RECENTLY ISSUED ACCOUNTING STANDARDS

Recently issued accounting standards include Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings Per Share", issued by the Financial Accounting Standards Board ("FASB") in February 1997, SFAS No. 130 "Reporting Comprehensive Income," SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information", issued by the FASB in June 1997, Statement of Position ("SOP") 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," issued by the AICPA in March 1998 and SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," issued by the FASB in June 1998.

SFAS No. 128 was first effective for the Company for its interim period ended February 26, 1998. Basic and diluted earnings per share pursuant to the requirements of SFAS No. 128 are presented on the face of the income statement and in the notes to the financial statements. Descriptions of SFAS No. 130, SFAS No. 131, SOP 98-1, and SFAS No. 133 are included in the notes to the financial statements. SFAS No. 130 will require the Company to provide additional disclosures in the first quarter of 1999 and SFAS No. 131 will require the Company to provide additional disclosures for its year end 1999. The Company is currently evaluating the impact of SOP 98-1, required by year end 2000 and SFAS No. 133, which is required for the first quarter of 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of September 3, 1998, the Company had cash and liquid investments totaling $649 million, representing a decrease of $338 million during 1998. As of September 3, 1998, approximately $358 million of the Company's consolidated cash and liquid investments were held by MEI. Cash generated by MEI is not readily available or anticipated to be available to finance operations or other expenditures of MTI's semiconductor memory operations.

Upon closing of the Acquisition on September 30, 1998, the Company received $550 million. In addition, the Company and TI have agreed to make cash adjustments to ensure that current assets minus the sum of current and noncurrent assumed liabilities of the acquired operations is $150 million. As part of the transaction, the Company also issued notes in an aggregate principal amount of $950 million. The Company currently estimates it will spend approximately $850 million over the next three years, primarily for equipment, to upgrade the acquired facilities. In addition, it is expected that in the near-term, per unit costs associated with products manufactured at the acquired facilities will significantly exceed the per unit costs of products manufactured at the Company's Boise, Idaho, facility. As a result, it is expected that the Acquisition will have an adverse impact upon the Company's results of operations and cash flows in the near term. (See "Subsequent Events Acquisition" and "Certain Factors.")

On October 19, 1998, the Company issued to Intel approximately 15.8 million stock rights ("the Rights") exchangeable into non-voting Class A Common Stock (upon MTI shareholder approval of such class of stock) or common stock of the Company for a purchase price of $500 million. The proceeds from this investment are expected to be used for the development of next generation products, including RDRAM, and certain capital expenditures related to this effort. (See "Subsequent Events Equity Investment.")

The Company's principal sources of liquidity during 1998 were net cash proceeds totaling $236 million from the sale of a 90% interest in MEI's contract manufacturing subsidiary, MCMS, net cash flow from operations of $189 million and proceeds of $103 million from the issuance of long-term debt. The principal uses of funds in 1998 were $707 million for property, plant and equipment and $189 million for repayments of equipment contracts and long-term debt.

The Company believes that in order to develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, it must continue to invest in manufacturing technology, facilities and capital equipment, research and development and product and process technology. As of September 3, 1998, the Company had entered into contracts extending into the year 2000 for approximately $335 million for equipment purchases and approximately $12 million for the construction of facilities. The Company estimates it will spend approximately $900 million in the next fiscal year for purchases of equipment and construction and improvement of buildings at the Company's facilities, including the facilities obtained in the Acquisition.

Cash flows from operations for 1998 were significantly lower than cash flows from operations for 1997. Cash flows from operations are significantly affected by average selling prices and variable cost per unit for the Company's semiconductor memory products. For 1998, average selling prices for semiconductor memory products declined at a rate faster than that which the Company was able to decrease costs per megabit, and as a result, the Company's cash flows have been significantly and adversely affected. The Company has a $1 billion shelf registration statement under which $500 million in convertible subordinated notes were issued in July 1997 and under which the Company may issue from time to time up to an additional $500 million in debt or equity securities.

The Company has an aggregate of $511 million in revolving credit agreements, including a $400 million agreement expiring in May 2000 which contains certain restrictive covenants pertaining to the Company's semiconductor memory operations, including a maximum total debt to equity ratio. As of September 3, 1998, the Company was in compliance with all covenants under the facilities and had borrowings totaling approximately $8 million outstanding under the agreements. There can be no assurance that the Company will continue to be able to meet the terms of the covenants and conditions in the agreements, borrow under the agreements, renegotiate satisfactory new agreements or replace the existing agreements with satisfactory replacements.

SUBSEQUENT EVENTS

ACQUISITION

On September 30, 1998, the Company completed its acquisition of substantially all of TI's memory operations. The Acquisition was consummated through the issuance of debt and equity securities. TI received approximately 28.9 million shares of MTI common stock, $740 million principal amount of Convertible Notes and $210 million principal amount of Subordinated Notes. In addition to TI's memory assets, the Company received $550 million in cash. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commences on January 1, 1999. The parties have also agreed to make cash adjustments to ensure that current assets minus the sum of current and noncurrent assumed liabilities of the acquired operations is $150 million as of September 30, 1998.

The MTI common stock and Convertible Notes issued in the transaction have not been registered under the Securities Act of 1933, as amended, and are therefore subject to certain restrictions on resale. The Company and TI entered into a securities rights and restrictions agreement as part of the transaction which provides TI with certain registration rights and places certain restrictions on TI's voting rights and other activities with respect to shares of MTI common stock. TI's registration rights begin on March 31, 1999. The Convertible Notes and the Subordinated Notes issued in the transaction bear interest at the rate of 6.5% and have a term of seven years. The Convertible Notes are convertible into approximately 12.3 million shares of MTI common stock at a conversion price of approximately $60 per share. The Subordinated Notes are subordinated to the Convertible Notes, the Company's outstanding 7% Convertible Subordinated Notes due July 1, 2004, and substantially all of the Company's other indebtedness.

The assets acquired by the Company in the Acquisition include a wafer fabrication operation in Avezzano, Italy, an assembly/test operation in Singapore, and a wafer fabrication facility in Richardson, Texas. TI closed the Richardson memory manufacturing operation in June 1998. Also included in the Acquisition was TI's interest in two joint ventures and TI's rights to 100% of the output of the joint ventures: TECH Semiconductor Singapore ("TECH"), owned by TI, Canon, Inc., Hewlett-Packard Singapore (Private) Limited, a subsidiary of Hewlett Packard Company, and EDB Investments Pte. Ltd., which is controlled by the Economic Development Board of the Singapore government; and KTI Semiconductor ("KTI") in Japan owned by TI and Kobe Steel, Ltd. MTI acquired an approximate 30% interest in TECH and a 25% interest in KTI. The Company filed Form 8-K/A on October 16, 1998, which incorporates historical and pro forma financial information with respect to the Acquisition.

Although the Company believes the Acquisition further leverages its technology, the Company anticipates that the Acquisition will have a near term adverse impact upon the Company's results of operations and cash flows. The

Company expects to transfer its product and process technology into the acquired facilities (primarily the wholly-owned fabrication facilities in Avezzano, Italy and the joint-venture facilities, KTI and TECH) over the next 12 to 18 months. Output of the Company's semiconductor memory products will increase directly as a result of the manufacturing capacity obtained in the Acquisition and should increase further as a result of the transfer of the Company's product and process technology in the acquired facilities. Until the Company is able to complete the transfer of its product and process technology into the acquired facilities, the Company expects that the per unit costs associated with products manufactured at the acquired facilities will significantly exceed the per unit costs of products manufactured at the Company's Boise, Idaho facility, resulting in a near-term adverse impact on the Company's gross margin percentage. The ten-year, royalty-free, life-of-patents, patent cross license entered into with TI will result in a significant reduction in the Company's royalty expenses beginning January 1, 1999.

Annual selling, general and administrative expense is expected to increase by approximately $30 million in future periods as a result of the Acquisition. The increased selling, general and administrative expense associated with the acquired operation is primarily for information technology services and systems. Research and development efforts will continue to be coordinated from Boise, Idaho. Annual research and development expense is expected to increase by approximately $50 million as a result of the Acquisition. The increase in research and development expense will be related primarily to the Company's efforts to broaden its range of DRAM product offerings necessitated by the expected increase in the Company's market share. Net interest expense is expected to increase as a result of the Convertible Notes and Subordinated Notes issued in the Acquisition. The Company currently estimates it will spend approximately $850 million over the next three years, primarily for equipment, to upgrade the wholly-owned facilities acquired in the Acquisition.

Pursuant to the Acquisition, the Company acquired the right and obligation to purchase 100% of the production output of TECH and KTI. Under the terms of the joint venture agreements, assembled and tested components are purchased at a discount from the Company's worldwide average sales prices. These discounts are currently higher than gross margins realized by the Company in recent periods on similar products manufactured in the Company's wholly-owned facilities, but are lower than gross margins historically realized in periods of relatively constrained supply. At any future reporting period, gross margins for semiconductor memory products resulting from the Company's right to purchase joint venture products may positively or negatively impact gross margins depending on the then existing relationship of average selling prices to the Company's cost per unit sold for product manufactured in its wholly-owned facilities.

EQUITY INVESTMENT

On October 19, 1998, the Company issued to Intel approximately 15.8 million stock rights exchangeable into non-voting Class A Common Stock (upon MTI shareholder approval of such class of stock) or into common stock of the Company for a purchase price of $500 million. The Rights at the time of issuance represented approximately 6% of the Company's outstanding common stock. The Rights (or Class A Common Stock) will automatically be exchanged for (or converted into) the Company's common stock upon a transfer to a holder other than Intel or a 90% owned subsidiary of Intel. The Company has agreed to seek shareholder approval to amend its Certificate of Incorporation to create the non-voting Class A Common Stock at the Company's next Annual Meeting of Shareholders. In the event the Company's shareholders approve the amendment, the Rights will be automatically exchanged for Class A Common Stock upon the filing in Delaware of the amended Certificate of Incorporation. In the event the Company's shareholders do not approve the amendment, the Rights will remain exchangeable into the Company's common stock. In order to exchange the Rights for the Company's common stock, Intel would be required to provide the Company with written evidence of compliance with the Hart-Scott-Rodino Act ("HSR") filing requirements or that no HSR filings are required. The MTI common stock issued to Intel has not been registered under the Securities Act of 1933, as amended, and is therefore subject to certain restrictions on resale. The Company and Intel entered into a securities rights and restrictions agreement which provides Intel with certain registration rights and places certain restrictions on Intel's voting rights and other activities with respect to the shares of MTI Class A Common Stock or common stock. Intel's registration rights begin on March 31, 1999. Intel also has the right to designate a nominee acceptable to the Company to the Company's Board of Directors.

In consideration for Intel's investment, the Company has agreed to commit to the development of RDRAM and to certain production and capital expenditure milestones and to make available to Intel a certain percentage of its semiconductor memory output over a five-year period, subject to certain limitations. The exchange ratio of the Rights and conversion ratio of the Class A Common Stock is subject to adjustment under certain formulae at the election of Intel in the event MTI fails to meet the production or capital expenditure milestones. No adjustment will occur to the exchange ratio or conversion ratio under such formulae (i) if the Company achieves the production and capital expenditure milestones, or (ii) unless the price of the Company's common stock for a twenty day period ending two days prior to such milestone dates is lower than $31.625 (the market price of the Company's common stock at the time of investment). In addition, in no event will the Company be obligated to issue more than: (a) a number of additional shares of Class A Common Stock or common stock having a value exceeding $150 million, or (b) a number of additional Rights exceeding the number of shares originally issued.

MERGER

On September 11, 1998, the Company completed a stock-for-stock merger with Rendition, Inc. ("Rendition"). Rendition designs, develops and markets high-performance, low-cost, multi-functional graphics accelerators to the personal computer market. The merger was accounted for as a business combination using the pooling-of-interests method. Shareholders of Rendition received approximately 3.7 million shares of the Company's common stock.

YEAR 2000

Like many other companies, the Year 2000 computer issue creates risks for the Company. If internal systems do not correctly recognize and process date information beyond the year 1999, the Company's operations could be adversely impacted as the result of system failures and business process interruption. The following Year 2000 discussion does not incorporate Year 2000 issues as they relate to the Acquisition. (See "Subsequent Events - Acquisition" and "Certain Factors.")

The Company has been addressing the Year 2000 computer issue with a plan that began in early 1996. To manage its Year 2000 program, the Company has divided its efforts into the primary program areas of: (i) information technology ("IT"), which includes computer and network hardware, operating systems, purchased development tools, third-party and internally developed software, files and databases, end-user extracts and electronic interfaces; (ii) manufacturing equipment; and (iii) external dependencies, which include relationships with suppliers and customers.

The Company is following four general steps for each of these program areas: "Ownership," wherein each department manager is responsible for assigning ownership for the various Year 2000 issues to be tested; "Identification" of systems and equipment and the collection of Year 2000 data in a centralized place to track results of compliance testing and subsequent remediation; "Compliance Testing," which includes the determination of the specific test routine to be performed on the software or equipment and determination of year 2000 compliance for the item being tested; and "Remediation," which involves implementation of corrective action, verification of successful implementation, finalization of, and, if need be, execution of, contingency plans.

As of September 3, 1998, the Ownership and Identification steps were essentially complete for all three program areas: IT, manufacturing equipment and external dependencies. The Compliance Testing and Remediation steps are substantially complete for the IT area. At present, a large portion of the Company's manufacturing equipment has yet to be subjected to Compliance Testing. The majority of the equipment so tested has either tested Year 2000 compliant or had minor failures, the nature of which was inconsequential to the continued operation of the equipment. Compliance Testing on the balance of the Company's equipment set in Boise, Idaho, will be completed by mid-1999. The Company is currently in the process of assessing embedded technology associated with its PC systems manufacturing equipment and expects the evaluation to be complete in the fourth quarter of calendar 1998. The Company is currently working with suppliers of products and services to determine and monitor their level of compliance and Compliance Testing. Year 2000 readiness of significant customers is also being assessed but is in

very early stages. The Company's evaluation of Year 2000 compliance as it relates to the Company's external dependencies is expected to be complete by mid-1999.

The cost of addressing the Company's Year 2000 issues is expected to be immaterial. The Company is executing its Year 2000 readiness plan solely through its employees. Year 2000 Compliance Testing and reprogramming is being done in conjunction with other ongoing maintenance and reprogramming efforts.

With respect to Remediation, the Company has commenced work on various types of contingency plans to address potential problem areas with internal systems and with suppliers and other third parties. Internally, each software and hardware system has been assigned to on-call personnel who are responsible for bringing the system back on line in the event of a failure. Externally, the Company's Year 2000 plan includes identification of alternate sources for providers of goods and services. The Company expects its contingency plans to be complete by mid-1999.

CERTAIN FACTORS

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

The semiconductor memory industry is characterized by rapid technological change, frequent product introductions and enhancements, difficult product transitions, relatively short product life cycles, and volatile market conditions. These characteristics historically have made the semiconductor industry highly cyclical, particularly in the market for DRAMs, which are the Company's primary products. The semiconductor industry has a history of declining average sales prices as products mature. Long-term average decreases in sales prices for semiconductor memory products approximate 30% on an annualized basis; however, significant fluctuations from this rate have occurred from time to time, including in recent periods.

The selling prices for the Company's semiconductor memory products fluctuate significantly with real and perceived changes in the balance of supply and demand for these commodity products. Growth in worldwide supply has outpaced growth in worldwide demand in recent periods, resulting in a significant decrease in average selling prices for the Company's semiconductor memory products. The semiconductor industry in general, and the DRAM market in particular, is experiencing a severe downturn. Per megabit prices declined approximately 60% in 1998 following a 75% decline in 1997 and a 45% decline in 1996. In the event that average selling prices continue to decline at a faster rate than that at which the Company is able to decrease per unit manufacturing costs, the Company could be materially adversely affected in its operations, cash flows and financial condition. Future consolidation by competitors in the semiconductor memory industry may place the Company at a disadvantage in competing with competitors that have greater capital resources. Competitors are also aggressively seeking improved yields, smaller die size and fewer mask levels in their product designs. These improvements could result in a dramatic increase in worldwide capacity leading to further downward pressure on prices.

Approximately 70% of the Company's sales of semiconductor memory products during 1998 were directly into the PC or peripheral markets. DRAMs are the most widely used semiconductor memory component in most PC systems. Should the rate of growth of sales of PC systems or the rate of growth in the amount of memory per PC system decrease, the growth rate for sales of semiconductor memory could also decrease, placing further downward pressure on selling prices for the Company's semiconductor memory products. The Company is unable to predict changes in industry supply, major customer inventory management strategies, or end user demand, which are significant factors influencing pricing for the Company's semiconductor memory products.

On September 30, 1998, the Company acquired substantially all of TI's memory operations. The integration and successful operation of the acquired operations is dependent upon a number of factors, including, but not limited to, the Company's ability to transfer its product and process technology in a timely and cost-effective manner into the wholly-owned acquired fabrication facilities in Avezzano, Italy and joint venture facilities in Japan (KTI) and

Singapore (TECH). The Company expects the transfer of its product and process technology into these fabrication facilities to take approximately 12 to 18 months; however, there can be no assurance that the Company will be able to meet this timeline. Until such time as the Company is able to complete the transfer of its product and process technology into the acquired fabrication facilities, it is expected that the per unit costs associated with the products manufactured at the acquired fabrication facilities will exceed significantly the per unit costs of products manufactured at the Company's Boise, Idaho, facility. As a result, it is expected that the transaction with TI will have a near term adverse effect on the Company's results of operations and cash flows.

The Acquisition is expected to have a significant effect on the Company's future results of operations and cash flows, including, but not limited to: a considerable negative impact on gross margin in the near term due in part to significantly higher per unit manufacturing costs at the acquired facilities; costs related to the assimilation of the acquired operations; increased research and development expense associated with the Company's efforts to broaden its range of DRAM product offerings; increased interest expense associated with the Convertible Notes and Subordinated Notes to be issued in the transaction; increased capital spending relating to the wholly-owned acquired facilities in Avezzano, Italy and Singapore; and the potential for further downward pressure on the average selling prices the Company receives on its semiconductor memory products.

The Company has limited experience in integrating or operating geographically dispersed manufacturing facilities. It is expected that the integration and operation of the acquired facilities will place significant strains on the Company's management and information systems resources. Failure by the Company to effectively manage the integration of the acquired facilities could have a material adverse effect on the Company's results of operations.

As a result of the Acquisition, the Company has substantially increased its share of the worldwide DRAM market and its production capacity, and as a result, the Company's results of operations are further subject to fluctuations in pricing for semiconductor memory products. In addition, if the Company is successful in the transfer of its product and process technology into the acquired facilities, the amount of worldwide semiconductor memory capacity could increase, resulting in further downward pricing pressure on the Company's semiconductor memory products.

In connection with the Acquisition, the Company and TI entered into a transition services agreement requiring TI to provide certain services and support to the Company for specified periods following the Acquisition. TI is to provide information technology, finance and accounting, human resources, equipment maintenance, facilities and purchasing services under the services agreement. The successful integration and operation of the acquired facilities is partially dependent upon the successful provision of services by TI under the services agreement. There can be no assurance that the services and support called for under the services agreement will be provided in a manner sufficient to meet anticipated requirements. The failure to obtain sufficient services and support could impair the Company's ability to successfully integrate the acquired facilities and could have a material adverse affect on the Company's results of operations.

For a period of approximately 18 months, the Company will rely in part on TI computer networks and information technology services with respect to certain of its acquired facilities. During this period and beyond, the Company will also be utilizing software obtained or licensed from TI to conduct specific portions of business operations. Dependency upon TI systems will span calendar years 1999 and 2000, during which period Year 2000 issues may arise. The Company is evaluating Year 2000 preparations associated with information technology services provided by TI and with the operations acquired in the Acquisition. The Company is in the process of developing Year 2000 contingency plans for the acquired operations. If unforeseen difficulties are encountered in ending the Company's reliance upon TI's software, hardware or services or in segregating the companies' information technology operations or with Year 2000 issues, the Company's results of operations could be materially adversely affected.

International sales comprised 20% of the Company's net sales in 1998, and the Company expects international sales to increase in 1999 as a result of the Acquisition. In addition, the Company will significantly expand its international operations as a result of the Acquisition. International sales and operations are subject to a variety of risks, including those arising from currency fluctuations, export duties, changes to import and export regulations,

possible restrictions on the transfer of funds, employee turnover, labor unrest, longer payment cycles, greater difficulty in collecting accounts receivable, the burdens and costs of compliance with a variety of foreign laws and, in certain parts of the world, political instability. While to date these factors have not had an adverse impact on the Company's results of operations, there can be no assurance that there will not be such an impact in the future, particularly arising from the Acquisition.

Pursuant to the Acquisition, the Company acquired the right and obligation to purchase 100% of the production output of the TECH joint venture in Singapore and the KTI joint venture in Japan. Under the terms of the joint venture agreements, assembled and tested components are purchased at a discount from the Company's worldwide average sales prices. These discounts are currently higher than gross margins realized by the Company in recent periods on similar products manufactured in the Company's wholly-owned facilities, but are lower than gross margins historically realized in periods of relatively constrained supply. At any future reporting period, gross margins for semiconductor memory products resulting from the Company's right to purchase joint venture products may positively or negatively impact gross margins depending on the then existing relationship of average selling prices to the Company's cost per unit sold for product manufactured in its wholly-owned facilities.

The Company's operating results are significantly impacted by the operating results of its consolidated subsidiaries, particularly MEI. MEI's past operating results have been, and its future operating results may be, subject to seasonality and other fluctuations, on a quarterly and an annual basis, as a result of a wide variety of factors, including, but not limited to, industry competition, the Company's ability to accurately forecast demand and selling prices for its PC products, fluctuating market pricing for PCs and semiconductor memory products, seasonal government purchasing cycles, inventory obsolescence, the Company's ability to effectively manage inventory levels, changes in product mix, manufacturing and production constraints, fluctuating component costs, the effects of product reviews and industry awards, critical component availability, seasonal cycles common in the PC industry, the timing of new product introductions by the Company and its competitors and global market and economic conditions. Changing circumstances, including but not limited to, changes in the Company's core operations, uses of capital, strategic objectives and market conditions, could result in the Company changing its ownership interest in its subsidiaries.

The Company is engaged in ongoing efforts to enhance its production processes to reduce per unit costs by reducing the die size of existing products. The result of such efforts has led to a significant increase in megabit production over recent periods. There can be no assurance that the Company will be able to maintain or approximate increases in megabit production at a level approaching that experienced in 1998 at the Company's Boise, Idaho, facilities or that the Company will not experience decreases in manufacturing yield or production as it attempts to implement future technologies at its Boise, Idaho, facility and the facilities acquired in the Acquisition. Further, from time to time, the Company experiences volatility in its manufacturing yields, as it is not unusual to encounter difficulties in ramping latest shrink versions of existing devices or new generation devices to commercial volumes. The semiconductor memory industry is characterized by frequent product introductions and enhancements. The Company's ability to reduce per unit manufacturing costs of its semiconductor memory products is largely dependent on its ability to design and develop new generation products and shrink versions of existing products and its ability to ramp such products at acceptable rates to acceptable yields, of which there can be no assurance.

Historically, the Company has reinvested substantially all cash flow from semiconductor memory operations in capacity expansion and enhancement programs. The Company's cash flow from operations depends primarily on average selling prices and per unit manufacturing costs of the Company's semiconductor memory products. If for any extended period of time average selling prices decline faster than the rate at which the Company is able to decrease per unit manufacturing costs, the Company may not be able to generate sufficient cash flows from operations to sustain operations. Cash generated by MEI is not readily available or anticipated to be available to finance the Company's semiconductor operations. The Company has an aggregate of $511 million in revolving credit agreements, including a $400 million agreement expiring in May 2000, which contains certain restrictive covenants pertaining to the Company's semiconductor memory operations, including a maximum total debt to equity ratio. There can be no assurance that the Company will continue to be able to meet the terms of the covenants or be able to borrow the full amount of the credit facilities. There can be no assurance that, if needed, external sources of liquidity will be available to fund the Company's operations or its capacity and product and process technology

enhancement programs. Failure to obtain financing would hinder the Company's ability to make continued investments in such programs, which could materially adversely affect the Company's business, results of operations and financial condition.

Completion of the Company's semiconductor manufacturing facility in Lehi, Utah was suspended in February 1996, as a result of the decline in average selling prices for semiconductor memory products. As of September 3, 1998, the Company had invested approximately $700 million in the Lehi facility. Timing of completion of the remainder of the Lehi production facilities is dependent upon market conditions. Market conditions which the Company expects to evaluate include, but are not limited to, worldwide market supply and demand of semiconductor products and the Company's operations, cash flows and alternative uses of capital. There can be no assurance that the Company will be able to fund the completion of the Lehi manufacturing facility. The failure by the Company to complete the facility would likely result in the Company being required to write off all or a portion of the facility's cost, which, if required, could have a material adverse effect on the Company's business and results of operations. In addition, in the event that market conditions improve, there can be no assurance that the Company can commence manufacturing at the Lehi facility in a timely, cost effective manner that enables it to take advantage of the improved market conditions.

The semiconductor and PC industries have experienced a substantial amount of litigation regarding patent and other intellectual property rights. In the future, litigation may be necessary to enforce patents issued to the Company, to protect trade secrets or know-how owned by the Company, or to defend the Company against claimed infringement of the rights of others. The Company has from time to time received, and may in the future receive, communications alleging that its products or its processes may infringe product or process technology rights held by others. The Company has entered into a number of patent and intellectual property license agreements with third parties, some of which require one-time or periodic royalty payments. It may be necessary or advantageous in the future for the Company to obtain additional patent licenses or to renew existing license agreements. The Company is unable to predict whether these license agreements can be obtained or renewed on terms acceptable to the Company. Adverse determinations that the Company's manufacturing processes or products have infringed on the product or process rights held by others could subject the Company to significant liabilities to third parties or require material changes in production processes or products, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is dependent upon a limited number of key management and technical personnel. In addition, the Company's future success will depend in part upon its ability to attract and retain highly qualified personnel, particularly as the Company engages in worldwide operations and adds different product types to its product line, which will require parallel design efforts and significantly increase the need for highly skilled technical personnel. The Company competes for such personnel with other companies, academic institutions, government entities and other organizations. The Company has experienced, and expects to continue to experience, increased recruitment of its existing personnel by other employers. The Company's ability to retain key personnel in the facilities acquired will be a critical factor in the Company's ability to successfully integrate the acquired operations. There can be no assurance that the Company will be successful in hiring or retaining qualified personnel. Any loss of key personnel or the inability to hire or retain qualified personnel could have a material adverse effect on the Company's business and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of the Company's liquid investments and long-term debt are at fixed interest rates, and therefore the fair value of these instruments is affected by changes in market interest rates. Substantially all of the Company's liquid investments mature within one year. As a result, the Company believes that the market risk arising from its holdings of financial instruments is minimal.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN MILLIONS, EXCEPT FOR EARNINGS PER SHARE DATA)

	FISCAL YEAR ENDED		
	SEPTEMBER 3, 1998	AUGUST 28, 1997	AUGUST 29, 1996
Net sales	$3,011.9	$3,515.5	$3,653.8
Costs and expenses:			
Cost of goods sold	2,731.5	2,539.2	2,198.4
Selling, general and administrative	467.9	370.9	305.3
Research and development	271.8	208.9	191.9
Restructuring charge	--	--	29.6
Other operating expense (income), net	34.3	(5.9)	(11.9)
Total costs and expenses	3,505.5	3,113.1	2,713.3
Operating income (loss)	(493.6)	402.4	940.5
Gain on sale of investments and subsidiary stock, net	157.0	186.7	4.7
Gain (loss) on issuance of subsidiary stock, net	1.3	29.1	(0.6)
Interest income, net	0.1	0.9	14.3
Income (loss) before income taxes and minority interests	(335.2)	619.1	958.9
Income tax benefit (provision)	118.8	(267.3)	(357.0)
Minority interests in net income	(17.3)	(19.6)	(8.4)
Net income (loss)	$ (233.7)	$ 332.2	$ 593.5
Earnings (loss) per share:			
Basic	$ (1.10)	$ 1.58	$ 2.86
Diluted	(1.10)	1.55	2.78
Number of shares used in per share calculation:			
Basic	212.2	210.0	207.7
Diluted	212.2	214.3	213.1

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT FOR PAR VALUE DATA)

	AS OF	
	SEPTEMBER 3, 1998	AUGUST 28, 1997
ASSETS		
Cash and equivalents	$ 558.6	$ 619.5
Liquid investments	90.8	368.2
Receivables	489.5	458.9
Inventories	291.1	454.2
Prepaid expenses	7.5	9.4
Deferred income taxes	61.7	62.2
Total current assets	1,499.2	1,972.4
Product and process technology, net	84.9	51.1
Property, plant and equipment, net	3,030.8	2,761.2
Other assets	73.4	66.6
Total assets	$4,688.3	$4,851.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 456.6	$ 546.1
Short-term debt	10.1	10.6
Deferred income	7.5	14.5
Equipment purchase contracts	168.8	62.7
Current portion of long-term debt	97.3	116.0
Total current liabilities	740.3	749.9
Long-term debt	757.3	762.3
Deferred income taxes	284.2	239.8
Non-current product and process technology	11.3	44.1
Other liabilities	50.1	35.6
Total liabilities	1,843.2	1,831.7
Minority interests	152.1	136.5
Commitments and contingencies		
Common stock, $0.10 par value, authorized 1.0 billion shares, issued and outstanding 213.5 million and 211.3 million shares, respectively	21.4	21.1
Additional capital	526.8	483.8
Retained earnings	2,144.8	2,378.2
Total shareholders' equity	2,693.0	2,883.1
Total liabilities and shareholders' equity	$4,688.3	$4,851.3

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

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(DOLLARS AND SHARES IN MILLIONS)

	FISCAL YEAR ENDED					
	SEPTEMBER 3, 1998		AUGUST 28, 1997		AUGUST 29, 1996	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
COMMON STOCK						
Balance at beginning of year	211.3	$ 21.1	208.8	$ 20.9	206.4	$ 20.6
Stock sold	0.4	0.1	0.3	--	0.4	0.1
Stock option plan	1.2	0.1	2.2	0.2	2.0	0.2
Conversion of minority interest	0.6	0.1	--	--	--	--
Balance at end of year	213.5	$ 21.4	211.3	$ 21.1	208.8	$ 20.9
ADDITIONAL CAPITAL						
Balance at beginning of year		483.8		$ 434.7		$ 391.5
Stock sold		8.1		7.7		11.1
Stock option plan		12.4		26.9		11.5
Tax effect of stock purchase plans		5.2		14.5		20.6
Conversion of minority interest		17.3		--		--
Balance at end of year		$ 526.8		$ 483.8		$ 434.7
RETAINED EARNINGS						
Balance at beginning of year		$2,378.2		$2,046.4		$1,484.1
Net income		(233.7)		332.2		593.5
Cumulative translation adjustment		0.3		(0.4)		--
Dividends paid		--		--		(31.2)
Balance at end of year		$2,144.8		$2,378.2		$2,046.4
Dividends declared per share		$ --		$ --		$ 0.15

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)

	FISCAL YEAR ENDED		
	SEPTEMBER 3, 1998	AUGUST 28, 1997	AUGUST 29, 1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(233.7)	$ 332.2	$ 593.5
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	606.6	476.3	383.0
Gain on sale and issuance of investments and subsidiary stock, net	(157.0)	(186.7)	(4.7)
Change in assets and liabilities, net of effects of sale of MCMS			
Decrease (increase) in receivables	(73.8)	(97.7)	107.5
Decrease (increase) in inventories	140.0	(194.2)	(61.1)
Increase (decrease) in accounts payable and accrued expenses, net of plant and equipment purchases	(86.1)	143.7	(57.8)
Increase (decrease) in non-current product and process liability	(32.8)	0.6	40.0
Restructuring charge	--	--	29.6
Gain from equipment sales	(0.9)	(2.9)	(20.7)
Increase in deferred income taxes	30.1	93.9	48.1
Other	(3.2)	38.4	3.1
Net cash provided by operating activities	189.2	603.6	1,060.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(707.1)	(516.9)	(1,524.9)
Purchase of held-to-maturity securities	(52.5)	(10.1)	--
Purchase of available-for-sale securities	(601.1)	(436.7)	(194.6)
Proceeds from sale of subsidiary stock, net of MCMS cash	235.9	199.9	--
Proceeds from sales and maturities of available-for-sale securities	916.1	113.8	617.7
Proceeds from maturities of held-to-maturity securities	34.0	--	--
Proceeds from sale of equipment	33.4	15.5	33.8
Other	(44.7)	(44.4)	(11.5)
Net cash used for investing activities	(186.0)	(678.9)	(1,079.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt	102.9	587.8	264.7
Net proceeds from (repayments of) borrowings on lines of credit	--	(90.0)	90.0
Payments on equipment purchase contracts	(63.5)	(53.9)	(127.0)
Repayments of debt	(125.7)	(101.1)	(54.9)
Proceeds from issuance of common stock	20.6	34.8	25.1
Proceeds from issuance of stock by subsidiaries	3.4	55.4	2.3
Debt issuance costs	(1.8)	(14.3)	(2.0)
Payment of dividends	--	--	(31.2)
Net cash provided by (used for) financing activities	(64.1)	418.7	167.0
Net increase (decrease) in cash and equivalents	(60.9)	343.4	148.0
Cash and equivalents at beginning of year	619.5	276.1	128.1
Cash and equivalents at end of year	$ 558.6	$ 619.5	$ 276.1
Supplemental disclosures			
Income taxes paid, net	$ (21.7)	$(122.9)	$ (403.4)
Interest paid, net of amounts capitalized	(59.9)	(27.9)	(12.3)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	212.6	41.5	180.3

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

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The consolidated financial statements include the accounts of Micron Technology, Inc. and its domestic and foreign subsidiaries (the "Company" or "MTI"). The Company designs, develops, manufactures, and markets semiconductor memory products, primarily DRAM, principally for use in personal computers ("PCs"). Through its majority-owned subsidiary, Micron Electronics, Inc. ("MEI"), the Company also designs, develops, manufactures, markets, and supports PC systems and network servers. All significant intercompany accounts and transactions have been eliminated. The Company's fiscal year is the 52 or 53 week period ending on the Thursday closest to August 31. The fiscal year ended September 3, 1998 contained 53 weeks compared to 52 weeks in fiscal years 1997 and 1996.

CERTAIN CONCENTRATIONS AND ESTIMATES: Approximately 70% of the Company's sales of semiconductor memory products are to the PC or peripheral markets. Certain components used by the Company in manufacturing of PC systems are purchased from a limited number of suppliers.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION: Revenue from product sales to direct customers is recognized when title transfers to the customer, primarily upon shipment. The Company defers recognition of sales to distributors, which allow certain rights of return and price protection, until distributors have sold the products. Net sales include revenues under cross-license agreements with third parties and under government research contracts.

EARNINGS PER SHARE: The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" in 1998. Basic earnings per share is calculated using the average number of shares of common stock outstanding during the year. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method" and convertible debentures using the "if-converted" method. Common stock equivalents consist of stock options. Diluted earnings per share further assumes the conversion of the Company's convertible subordinated notes for the period they were outstanding, unless such assumed conversion would result in anti-dilution.

FINANCIAL INSTRUMENTS: Cash equivalents include highly liquid short-term investments with original maturities of three months or less, readily convertible to known amounts of cash. The amounts reported as cash and equivalents, liquid investments, receivables, other assets, accounts payable and accrued expenses and equipment purchase contracts are considered to be reasonable approximations of their fair values. The fair value of the Company's long-term debt as of September 3, 1998 and August 28, 1997 approximated $787.5 million and $850.6 million, respectively. The fair value estimates presented herein were based on market interest rates and other market information available to management as of each balance sheet date presented. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The reported fair values do not take into consideration potential expenses that would be incurred in an actual settlement.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, liquid investments and trade accounts receivable. The Company invests cash through high-credit-quality financial institutions and performs periodic evaluations of the relative credit standing of these financial institutions. The Company, by policy, limits the concentration of credit exposure by restricting investments with any single obligor. A concentration of credit risk may exist with respect to trade receivables, as a substantial portion of the

Company's customers are affiliated with the computer, telecommunications and office automation industries. The Company performs ongoing credit evaluations of customers worldwide and generally does not require collateral from its customers. Historically, the Company has not experienced significant losses on receivables.

INVENTORIES: Inventories are stated at the lower of average cost or market. Cost includes labor, material and overhead costs, including product and process technology costs.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 30 years for buildings and 2 to 20 years for equipment. When property or equipment is retired or otherwise disposed of, the net book value of the asset is removed from the Company's books and the net gain or loss is included in the determination of income.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For 1998, 1997 and 1996, the Company capitalized $15.5 million, $6.0 million and $7.8 million of interest, respectively, in connection with various capital expansion projects.

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

PRODUCT AND PROCESS TECHNOLOGY: Costs related to the conceptual formulation and design of products and processes are expensed as research and development. Costs incurred to establish patents and acquire product and process technology are capitalized. Capitalized costs are amortized on the straight-line method over the shorter of the estimated useful life of the technology, the patent term or the agreement, ranging up to 10 years. The Company has royalty-bearing license agreements that allow it to manufacture and sell semiconductor memory devices, PC hardware and software.

SUBSIDIARY STOCK SALES: Gains and losses on issuance of stock by a subsidiary are recognized in income.

ADVERTISING: Advertising costs are charged to operations as incurred. Advertising costs expensed in 1998, 1997 and 1996 were $70.8 million, $35.7 million and $25.4 million, respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS: In June 1997, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The adoption of SFAS No. 130 is effective for the Company in 1999.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires publicly-held companies to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operation decision maker. Specific information to be reported for individual segments includes profit or loss, certain revenue and expense items and total assets. A reconciliation of segment financial information to amounts reported in the financial statements is also to be provided. SFAS No. 131 is effective for the Company in 1999.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair

value. SFAS No. 133 is effective for the Company in 1999. The Company is currently evaluating the effect SFAS No. 133 will have on future results of operations and financial position as the acquired TI memory operations are integrated into the Company. Implementation of SFAS No. 133 is required for the Company by the first quarter of 2000.

In March 1998, the AICPA issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires companies to capitalize certain costs of computer software developed or obtained for internal use. The Company is currently evaluating the effect on the Company's results of operations and financial position. Implementation of SOP 98-1 is required for the Company by the end of 2000.

FOREIGN CURRENCY: The U.S. dollar is the Company's functional currency for substantially all of its operations. For international operations where the local currency is the functional currency, assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at the average exchange rates prevailing during the period.

RESTATEMENTS AND RECLASSIFICATIONS: Certain reclassifications have been made, none of which affected the results of operations, to present the financial statement on a consistent basis.

SUPPLEMENTAL BALANCE SHEET INFORMATION	9/3/98	8/28/97
LIQUID INVESTMENTS		
Available-for-sale securities:		
Commercial paper	$ 228.4	$ 377.4
U.S. Government agency	25.9	248.7
Bankers' acceptances	--	96.1
State and local governments	--	5.8
	254.3	728.0
Held-to-maturity securities:		
Commercial paper	70.4	72.7
State and local governments	37.4	45.2
U.S. Government agency	205.0	39.3
Bankers' acceptances	--	3.8
	312.8	161.0
Total investments	567.1	889.0
Less cash equivalents	(476.3)	(520.8)
	$ 90.8	$ 368.2

Securities classified as available-for-sale are stated at amortized cost which approximates fair value. Securities classified as held-to-maturity are stated at amortized cost. As of September 3, 1998, the total amount of securities classified as available-for-sale mature within 90 days and the total amount of securities classified as held-to-maturity mature within one year.

SUPPLEMENTAL BALANCE SHEET INFORMATION (CONTINUED)	9/3/98	8/28/97
RECEIVABLES		
Trade receivables	$293.0	$ 447.2
Income taxes receivable	191.9	17.9
Allowance for returns and discounts	(11.4)	(29.3)
Allowance for doubtful accounts	(5.4)	(9.0)
Other receivables	21.4	32.1
	$489.5	$ 458.9
INVENTORIES		
Finished goods	$ 92.8	$ 128.6
Work in progress	139.6	195.7
Raw materials and supplies	58.7	129.9
	$ 291.1	$ 454.2
PRODUCT AND PROCESS TECHNOLOGY		
Product and process technology, at cost	$ 161.7	$ 108.1
Less accumulated amortization	(76.8)	(57.0)
	$ 84.9	$ 51.1

Amortization of capitalized product and process technology costs was $23.1 million in 1998; $11.4 million in 1997; and $13.6 million in 1996.

PROPERTY, PLANT AND EQUIPMENT		
Land	$ 34.8	$ 35.4
Buildings	915.5	817.9
Equipment	3,017.4	2,416.2
Construction in progress	704.6	681.9
	4,672.3	3,951.4
Less accumulated depreciation and amortization	(1,641.5)	(1,190.2)
	$3,030.8	$2,761.2

As of September 3, 1998, property, plant and equipment included unamortized costs of $701.2 million for the Company's semiconductor memory manufacturing facility in Lehi, Utah, of which $640.4 million has not been placed in service and is not being depreciated. Timing of the completion of the remainder of the Lehi production facilities is dependent upon market conditions. Market conditions which the Company expects to evaluate include, but are not limited to, worldwide market supply and demand of semiconductor products and the Company's operations, cash flows and alternative uses of capital. The Company continues to evaluate the carrying value of the facility and as of September 3, 1998, it was determined to have no impairment.

Depreciation expense was $567.6 million, $461.7 million and $363.7 million for 1998, 1997 and 1996, respectively.

SUPPLEMENTAL BALANCE SHEET INFORMATION (CONTINUED)	9/3/98	8/28/97
ACCOUNTS PAYABLE AND ACCRUED EXPENSES		
Accounts payable	$232.8	$277.0
Salaries, wages and benefits	84.9	93.7
Product and process technology payable	46.4	99.9
Taxes payable other than income	44.5	37.3
Interest payable	7.3	6.9
Other	40.7	31.3
	$ 456.6	$546.1

DEBT		
Convertible Subordinated Notes payable, due July 2004, interest rate of 7%	$500.0	$ 500.0
Notes payable in periodic installments through July 2015, weighted average interest rate 7.38% and 7.33%, respectively	315.2	331.3
Capitalized lease obligations payable in monthly installments through August 2004, weighted average interest rate of 7.38% and 7.68%, respectively	39.4	40.7
Other	--	6.3
	854.6	878.3
Less current portion	(97.3)	(116.0)
	$757.3	$ 762.3

The Company has $500 million in 7% convertible subordinated notes due July 1, 2004 which are convertible into shares of the Company's common stock at $67.44 per share. The notes were offered under a $1 billion shelf registration statement pursuant to which the Company may issue from time to time up to $500 million of additional debt or equity securities.

During the fourth quarter of 1998 the Company renegotiated its revolving credit agreement which expires May 2000. The total amount the Company is eligible to borrow was reduced to $400 million. The interest rate on borrowed funds is based on various pricing options at the time of borrowing. The agreement contains certain restrictive covenants pertaining to the Company's semiconductor operations, including a maximum debt to equity covenant. As of September 3, 1998, MTI had no borrowings outstanding under the agreement.

MEI has an unsecured $100 million credit facility expiring in June 2001 and an additional unsecured revolving credit facility expiring in June 1999 providing for borrowings of up to 1.5 billion Japanese yen (US $11.1 million at September 3, 1998). MEI is subject to certain financial and other covenants including certain financial ratios and limitations on the amount of dividends paid by MEI. As of September 3, 1998, MEI was eligible to borrow the full amount under the agreements and had aggregate borrowings of approximately $8.2 million outstanding under its credit agreements.

Certain notes payable are collateralized by plant and equipment with a total cost of approximately $496.2 million and accumulated depreciation of approximately $242.0 million as of September 3, 1998. Equipment under capital leases, and the accumulated depreciation thereon, were approximately $45.0 million and $15.4 million, respectively, as of September 3, 1998, and $59.8 million and $21.6 million, respectively, as of August 28, 1997.

The Company leases certain facilities and equipment under operating leases. Total rental expense on all operating leases was $16.3 million, $8.0 million and $5.7 million for 1998, 1997 and 1996, respectively. Minimum future rental commitments under operating leases aggregate $34.4 million as of September 3, 1998 and are payable as follows (in millions): 1999, $9.3; 2000, $7.9; 2001, $6.6; 2002, $5.4; 2003 and thereafter, $5.2.

Maturities of long-term debt are as follows:

FISCAL YEAR	NOTES PAYABLE	CAPITAL LEASES
1999	$ 91.9	$10.9
2000	96.1	10.5
2001	81.1	16.5
2002	27.5	4.6
2003	17.2	1.3
2004 and thereafter	502.2	2.3
Less discount and interest	(0.8)	(6.7)
	$815.2	$39.4

Interest income in 1998, 1997, and 1996 is net of interest expense of $49.4 million, $31.3 million and $8.6 million, respectively.

STOCK PURCHASE PLANS

As of September 3, 1998, the Company had in place the 1994 Stock Option Plan, the 1996 Stock Option Plan, the NSO Plan and the 1997 NSO Plan, collectively the "Active Stock Plans." As of September 3, 1998, there was an aggregate of 42.9 million shares of the Company's common stock authorized for issuance under the Active Stock Plans. No options were available for grant under the Company's 1985 Incentive Stock Option Plan, which expired in 1995, however, options remain outstanding under that plan. Options are subject to terms and conditions determined by the Board of Directors, and generally are exercisable in increments of 20% during each year of employment beginning one year from the date of grant. All stock options issued prior to January 19, 1998 expire six years from the date of grant and all subsequent options granted expire 10 years from the date of grant.

Option activity under MTI's Stock Plans is summarized as follows:

	FISCAL YEAR ENDED					
	9/3/98		8/28/97		8/29/96	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	21.7	$28.85	14.5	$29.38	13.7	$15.54
Assumption of subsidiary options	0.3	1.74				
Granted	2.0	30.37	14.3	36.57	3.3	71.61
Terminated or cancelled	(0.6)	32.58	(4.9)	49.28	(0.5)	23.11
Exercised	(1.3)	9.96	(2.2)	11.94	(2.0)	6.94
Outstanding at end of year	22.1	29.59	21.7	28.85	14.5	29.38
Exercisable at end of year	8.9	22.80	5.3	17.63	2.9	14.54
Shares available for future grants	26.4	--	2.9	--	5.1	--

Options outstanding under the Active Stock Plans as of September 3, 1998, were at per share prices ranging from $1.50 to $45.78. Options exercised were at per share prices ranging from $1.50 to $31.65 in 1998, $1.72 to $37.87 in 1997 and $1.53 to $28.87 in 1996.

[THIS PAGE INTENTIONALLY LEFT BLANK]

The following table summarizes information about MTI options outstanding under the Active Stock Plans as of September 3, 1998:

	MTI OUTSTANDING OPTIONS			MTI EXERCISABLE OPTIONS	
RANGE OF EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER of shares	WEIGHTED AVERAGE EXERCISE PRICE
$1.50 - $9.60	1.8	1.7	$ 4.74	1.7	$ 4.67
$10.19 -$19.98	2.8	1.5	13.85	2.0	13.75
$20.09 -$29.94	6.8	3.3	26.69	2.3	25.84
$30.39 -$45.78	10.7	4.7	39.56	2.9	37.49
	22.1			8.9	

The Company's 1989 Employee Stock Purchase Plan ("ESPP") and MEI's 1995 Employee Stock Purchase Plan ("MEI ESPP") allow eligible employees to purchase shares of the Company's common stock and MEI's common stock through payroll deductions. The shares can be purchased for 85% of the lower of the beginning or ending fair market value of each offering period and are restricted from resale for a period of one year from the date of purchase. Purchases are limited to 20% of an employee's eligible compensation. A total of 6.8 million shares of Company common stock are reserved for issuance under the ESPP, of which 6.5 million shares have been issued as of September 3, 1998. A total of 2.5 million shares of MEI common stock are reserved for issuance under the MEI ESPP, of which approximately 508,000 shares had been issued as of September 3, 1998.

MEI's 1995 Stock Option Plan provides for the granting of incentive and nonstatutory stock options. As of September 3, 1998, there were 10 million shares of common stock reserved for issuance under the option plan. Exercise prices of the incentive and nonstatutory stock options have generally been 100% and 85%, respectively, of the fair market value of the Company's common stock on the date of grant. Options are granted subject to terms and conditions determined by the MEI Board of Directors, and generally are exercisable in increments of 20% for each year of employment beginning one year from date of grant and generally expire six years from date of grant.

On March 19, 1998, the MEI Board of Directors approved an option repricing program pursuant to which essentially all MEI employees could exchange outstanding options under the option plan for new options having an exercise price equal to the average closing price of the Company's common stock for the five business days preceding April 3, 1998 and having generally the same terms and conditions, including vesting and expiration terms, as the options exchanged. Options to purchase 2,345,000 shares were exchanged under the program.

During 1998, Mr. Joel J. Kocher, MEI's Chief Executive Officer, President and Chairman of the Board of Directors, was granted options to purchase a total of 650,000 shares of the Company's common stock. Of these 650,000 options, 500,000 were granted under the option plan and 150,000 were granted as non-plan grants outside of the option plan. A total of 250,000 options vest after completion by Mr. Kocher of seven (7) years of employment with the Company, subject to immediate early vesting if the Company achieves certain financial criteria relating to profitability, net revenue, net margin and cash balance increases.

Option activity under MEI's 1995 Stock Option Plan is summarized as follows (amounts in thousands, except per share amounts):

	FISCAL YEAR ENDED					
	9/3/98		8/28/97		8/29/96	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....	3,559	$16.98	1,908	$13.70	1,795	$ 8.22
Granted.....	5,842	13.20	1,926	19.90	1,294	12.11
Terminated or cancelled.....	(4,041)	17.40	(200)	16.52	(189)	17.35
Exercised.....	(68)	11.37	(75)	9.49	(992)	1.02
Outstanding at end of year.....	5,292	12.56	3,559	16.98	1,908	13.70
Exercisable at end of year.....	747	13.24	473	14.45	172	13.84
Shares available for future grants.....	4,764	--	1,416	--	3,141	--

The following table summarizes information about MEI options outstanding under the MEI 1995 Stock Option Plan as of September 3, 1998 (amounts in thousands, except per share amounts):

	MEI OUTSTANDING OPTIONS			MEI EXERCISABLE OPTIONS	
RANGE OF EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
below $5.00	17	.23	$ 3.00	17	$ 3.00
$5.00 - $10.00	742	5.43	9.14	8	9.31
$10.01 - $15.00	3,836	5.23	12.47	564	12.36
$15.01 - $20.00	600	4.26	17.17	150	17.44
above $20.00	97	4.40	21.96	8	21.96
	5,292			747	

In December 1994, ZEOS International, Ltd. ("ZEOS"), subsequently merged with MEI, awarded shares of its common stock to certain of its employees subject to their continued employment as of January 1, 1996. Compensation expense was recognized over the vesting period based upon the fair market value of the stock at the date of award. To satisfy this award, MEI issued approximately 151,000 shares of its common stock in January 1996.

Pro forma Disclosure

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," issued in October 1995. Accordingly, compensation cost has been recorded based on the intrinsic value of the option only. The Company recognized $3.4 million and $8.4 million of compensation cost in 1998 and 1997, respectively, for stock-based employee compensation awards. The pro forma compensation cost for stock-based employee compensation awards was $67.6 million and $38.9 million in 1998 and 1997, respectively. If the Company had elected to recognize compensation cost based on the fair value of

the options granted at grant date as prescribed by SFAS No. 123, net income (loss) and earnings (loss) per share would have been changed to the pro forma amounts indicated in the table below:

(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	1998		1997		1996	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net income (loss)	$(233.7)	$(301.3)	$332.2	$293.3	$593.5	$559.8
Diluted earnings (loss) per share	$ (1.10)	$ (1.42)	$ 1.55	$ 1.35	$ 2.76	$ 2.60

The above pro forma amounts, for purposes of SFAS No. 123, reflect the portion of the estimated fair value of awards earned in 1998 and 1997. For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period (for stock options) and over the offering period for stock purchases under the Employee Stock Purchase Plans. The effects on pro forma disclosures of applying SFAS 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because SFAS 123 is applicable only to options granted subsequent to August 31, 1995, the effect will not be fully reflected until 2000.

The Company used the Black-Scholes model to value stock options for pro forma presentation. The assumptions used to estimate the value of the MTI options included in the pro forma amounts and the weighted average estimated fair value of MTI options granted are as follows:

	STOCK OPTION PLAN SHARES			EMPLOYEE STOCK PURCHASE PLAN SHARES		
	1998	1997	1996	1998	1997	1996
Average expected life (years)	3.5	3.5	3.5	0.25	0.25	0.25
Expected volatility	60%	58%	57%	60%	58%	57%
Risk-free interest rate (zero coupon U.S. Treasury note)	5.6%	6.2%	5.9%	5.1%	5.0%	5.1%
Weighted average fair value at grant						
Exercise price equal to market price	$14.70	$15.17	$34.13	--	--	--
Exercise price less than market price	$27.77	$21.26	$37.14	$9.68	$6.61	$20.67

The assumptions used to estimate the value of the MEI options included in the pro forma amounts and the weighted average estimated fair value of MEI options granted are as follows:

	STOCK OPTION PLAN SHARES			EMPLOYEE STOCK PURCHASE PLAN SHARES		
	1998	1997	1996	1998	1997	1996
Average expected life (years)	3.3	3.5	3.5	0.5	0.5	0.5
Expected volatility	70%	70%	70%	70%	70%	70%
Risk-free interest rate (zero coupon U.S. Treasury note)	5.6%	6.2%	5.9%	5.1%	5.0%	5.1%
Weighted average fair value at grant						
Exercise price equal to market price	$6.57	$10.68	$6.50	--	--	--
Exercise price less than market price	$9.25	$11.41	$6.61	$3.78	$5.39	$3.68

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions, including the expected stock price volatility and option life. Because the Company's stock options granted to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of its stock options granted to employees. For purposes of this model no dividends have been assumed.

EMPLOYEE SAVINGS PLAN

The Company has 401(k) profit-sharing plans ("RAM Plans") in which substantially all employees are participants. Employees may contribute from 2% to 16% of their eligible pay to various savings alternatives in the RAM Plans. The Company's contribution provides for an annual match of the first $1,500 of eligible employee contributions, in addition to contributions based on the Company's financial performance. The Company's RAM Plans expenses were $11.3 million in 1998, $18.9 million in 1997 and $16.9 million in 1996.

RESTRUCTURING

In 1996, MEI adopted and completed a plan to discontinue the manufacture and sale of ZEOS brand PC systems. The Company recorded a restructuring charge of $29.6 million in 1996, comprised principally of $14.5 million relating to the disposition of ZEOS components and systems and $13 million to write off unamortized goodwill.

OTHER OPERATING EXPENSE (INCOME)

Other operating expense for 1998 includes charges of $11.1 million associated with PC operations resulting from employee termination benefits and consolidation of domestic and international operations and $5.2 million from the write-off of software development costs. Other operating expense (income) reflects net pre-tax losses of $13.9 million and $2.6 million from the write-down and disposal of semiconductor memory operations equipment in 1998 and 1997, respectively, and a net pre-tax gain of $15.4 million in 1996. Fiscal year 1998 activity also includes a one-time benefit recognized by MEI resulting from a net rebate of $4.4 million associated with a change of providers of on-site service contracts.

GAINS ON INVESTMENTS AND SUBSIDIARY STOCK TRANSACTIONS

On February 26, 1998, MEI completed the sale of 90% of its interest in MCMS, Inc. ("MCMS"), formerly Micron Custom Manufacturing Services, Inc. and a wholly-owned subsidiary of MEI, resulting in a consolidated pre-tax gain of $157.0 million (approximately $37.8 million or $0.18 per share after taxes and minority interests). In exchange for the 90% interest in MCMS, MEI received $249.2 million in cash. The sale was structured as a recapitalization of MCMS, whereby Cornerstone Equity Investors IV, L.P., other investors and certain members of MCMS management, including Robert F. Subia, then a director of MEI, acquired the 90% interest in MCMS.

In a public offering in February 1997, MTI sold 12.4 million shares of MEI common stock for net proceeds of $200.0 million and MEI sold 3 million newly issued shares for net proceeds of $48.2 million, resulting in consolidated pre-tax gains of $164.6 million and $25.3 million, respectively (for a total of approximately $93.7 million or $0.44 per share after taxes). The sales reduced the Company's ownership of the outstanding MEI common stock from approximately 79% to approximately 64%. The Company also recorded pre-tax gains totaling $22.1 million for 1997 relating to sales of investments. The Company recognized a deferred tax liability on the resultant gain from the sale of MEI common stock in the second quarter of 1997.

INCOME TAXES

The provision for income taxes consists of the following:

	9/3/98	8/28/97	8/29/96
Current:			
U.S. federal	$(156.1)	$ 152.1	$ 274.5
State	0.1	21.1	25.1
Foreign	1.7	1.5	9.3
	(154.3)	174.7	308.9
Deferred:			
U.S. federal	77.6	89.5	45.5
State	(42.1)	3.1	2.6
	35.5	92.6	48.1
Income tax provision (benefit)	$(118.8)	$ 267.3	$ 357.0

The tax benefit associated with the exercise of nonstatutory stock options and disqualifying dispositions by employees of shares issued in the Company's stock option and purchase plans reduced taxes payable by $5.2 million, $14.5 million and $20.6 million for 1998, 1997 and 1996, respectively. Such benefits are reflected as additional capital.

A reconciliation between income tax computed using the federal statutory rate and the income tax provision (benefit) follows:

	9/3/98	8/28/97	8/29/96
U.S. federal income tax at statutory rate	$(117.3)	$ 216.7	$ 332.7
State taxes, net of federal benefit	(25.9)	14.1	17.5
Basis difference in domestic subsidiaries	11.6	24.8	--
Other	12.8	11.7	6.8
Income tax provision (benefit)	$(118.8)	$ 267.3	$ 357.0

State taxes reflect utilization of investment tax credits of $21.1 million, $15.3 million and $31.2 million for 1998, 1997 and 1996, respectively. As of September 3, 1998, the Company had unused state net operating loss carryforwards of approximately $288.8 million for tax purposes which expire through 2113 and unused state credits of approximately $44.3 million for tax and financial reporting purposes which expire through 2005.

Deferred income taxes reflect the net tax effects of temporary differences between the basis of assets and liabilities for financial reporting and income tax purposes. Deferred income tax assets totaled $182.7 million and $160.4 million and liabilities totaled $405.2 million and $338.0 million as of September 3, 1998 and August 28,

1997, respectively. The approximate tax effects of temporary differences which give rise to the net deferred tax liability (benefit) are as follows:

	9/3/98	8/28/97
Current deferred tax asset:		
Accrued product and process technology	$ 10.4	$ 16.3
Inventory	11.3	14.4
Accrued compensation	14.8	8.3
Deferred income	3.1	6.3
Net operating loss acquired in merger	--	0.6
Other	22.1	16.3
Net deferred tax asset	61.7	62.2
Noncurrent deferred tax asset (liability):		
Excess tax over book depreciation	(217.5)	(191.6)
Accrued product and process technology	(3.4)	21.7
Investment in subsidiary	(56.7)	(44.7)
Other	(6.6)	(25.2)
Net deferred tax liability	(284.2)	(239.8)
Total net deferred tax liability	$(222.5)	$ (177.6)

PURCHASE OF MINORITY INTERESTS

In the second quarter of 1998 the Company purchased the 11% minority interest in its subsidiary, Micron Quantum Devices, Inc., for $26.2 million in stock and stock options. The cost of the acquired interest was allocated primarily to intangible assets related to flash semiconductor technology, which is being amortized over a three-year period.

In the first quarter of 1998 the Company purchased the 12% minority interest in its subsidiary, Micron Display Technology, Inc., for $20.6 million in cash. The cost of the acquired interest was allocated primarily to intangible assets related to field emission flat panel display technology, which is being amortized over a three-year period.

EARNINGS (LOSS) PER SHARE

During 1998, the Company adopted SFAS No. 128, "Earnings Per Share," which changed the standard for computing and presenting earnings per share. Earnings per share for periods prior to 1998 have been restated as required by SFAS No. 128.

Basic earnings per share is calculated using the average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method" and convertible debentures using the "if-converted" method.

	9/3/98	8/28/97	8/29/96
Net income (loss) available for common shareholders, Basic and Diluted	(233.7)	$ 332.2	$ 593.5
Weighted average common stock outstanding - Basic	212.2	210.0	207.7
Net effect of dilutive stock options	---	4.3	5.4
Weighted average common stock and common stock equivalents Diluted	212.2	214.3	213.1
Basic earnings (loss) per share	(1.10)	$ 1.58	$ 2.86
Diluted earnings (loss) per share	(1.10)	$ 1.55	$ 2.78

Earnings per share computations exclude stock options and potential shares for convertible debentures to the extent that their effect would have been antidilutive.

EXPORT SALES AND MAJOR CUSTOMERS

Export sales were $612.7 million for 1998, including $275.3 million in sales to Europe and $179.0 million in sales to Asia Pacific, $47.4 million in sales to Canada and $42.9 million in sales to Japan. Export sales were $735.4 million and $938.4 million in 1997 and 1996, respectively. No customer individually accounted for 10% or more of the Company's total net sales.

COMMITMENTS AND CONTINGENCIES

As of September 3, 1998, the Company had commitments of $335.1 million for equipment purchases and $12.3 million for the construction of buildings.

The Company has from time to time received, and may in the future receive, communications alleging that its products or its processes may infringe on product or process technology rights held by others. The Company has accrued a liability and charged operations for the estimated costs of settlement or adjudication of asserted and unasserted claims for alleged infringement prior to the balance sheet date. Determination that the Company's manufacture of products has infringed on valid rights held by others could have a material adverse effect on the Company's financial position, results of operations or cash flows and could require changes in production processes and products.

The Company is currently a party to various other legal actions arising out of the normal course of business, none of which are expected to have a material effect on the Company's financial position or results of operations.

SUBSEQUENT EVENTS

ACQUISITION

On September 30, 1998, the Company completed its acquisition of substantially all of TI's memory operations. The Acquisition was consummated through the issuance of debt and equity securities. TI received approximately 28.9 million shares of MTI common stock, $740 million principal amount of Convertible Notes and $210 million principal amount of Subordinated Notes. In addition to TI's memory assets, the Company received $550 million in cash. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commences on January 1, 1999. The parties have also agreed to make cash adjustments to ensure that current assets minus the sum of current and noncurrent assumed liabilities of the acquired operations is $150 million as of September 30, 1998.

The MTI common stock and Convertible Notes issued in the transaction have not been registered under the Securities Act of 1933, as amended, and are therefore subject to certain restrictions on resale. The Company and TI entered into a securities rights and restrictions agreement as part of the transaction which provides TI with certain registration rights and places certain restrictions on TI's voting rights and other activities with respect to shares of MTI common stock. TI's registration rights begin on March 31, 1999. The Convertible Notes and the Subordinated Notes issued in the transaction bear interest at the rate of 6.5% and have a term of seven years. The Convertible Notes are convertible into approximately 12.3 million shares of MTI common stock at a conversion price of approximately $60 per share. The Subordinated Notes are subordinated to the Convertible Notes, the Company's outstanding 7% Convertible Subordinated Notes due July 1, 2004, and substantially all of the Company's other indebtedness.

The assets acquired by the Company in the Acquisition include a wafer fabrication operation in Avezzano, Italy, an assembly/test operation in Singapore, and a wafer fabrication facility in Richardson, Texas. TI closed the Richardson memory manufacturing operation in June 1998. Also included in the Acquisition was TI's interest in two joint ventures and TI's rights to 100% of the output of the joint ventures, TECH and KTI. MTI acquired an approximate 30% interest in TECH and a 25% interest in KTI. In the Acquisition, the Company acquired the obligation to purchase and the rights to 100% of the production output of TECH and KTI. Under the provisions of the joint venture agreements, the Company purchases assembled and tested components from the joint ventures at prices discounted from end customer sales price(s). Pursuant to the Acquisition, the Company acquired the right and obligation to purchase 100% of the production output of the TECH Semiconductor joint venture in Singapore and the KTI Semiconductor joint venture in Japan. Under the terms of the joint venture agreements, assembled and tested components are purchased at a discount from worldwide average sales prices.

EQUITY INVESTMENT

On October 19, 1998, the Company issued to Intel approximately 15.8 million stock rights exchangeable into non-voting Class A Common Stock (upon MTI shareholder approval of such class of stock) or into common stock of the Company for a purchase price of $500 million. The Rights at the time of issuance represented approximately 6% of the Company's outstanding common stock. The Rights (or Class A Common Stock) will automatically be exchanged for (or converted into) the Company's common stock upon a transfer to a holder other than Intel or a 90% owned subsidiary of Intel. The Company has agreed to seek shareholder approval to amend its Certificate of Incorporation to create the non-voting Class A Common Stock at the Company's next Annual Meeting of Shareholders. In the event the Company's shareholders approve the amendment, the Rights will be automatically exchanged for Class A Common Stock upon the filing in Delaware of the amended Certificate of Incorporation. In the event the Company's shareholders do not approve the amendment, the Rights will remain exchangeable into the Company's common stock. In order to exchange the Rights for the Company's common stock, Intel would be required to provide the Company with written evidence of compliance with the Hart-Scott-Rodino Act ("HSR") filing requirements or that no HSR filings are required. The MTI common stock issued to Intel has not been registered under the Securities Act of 1933, as amended, and is therefore subject to certain restrictions on resale. The Company and Intel entered into a securities rights and restrictions agreement which provides Intel with certain

registration rights and places certain restrictions on Intel's voting rights and other activities with respect to the shares of MTI Class A Common Stock or common stock. Intel's registration rights begin on March 31, 1999. Intel also has the right to designate a nominee acceptable to the Company to the Company's Board of Directors.

In consideration for Intel's investment, the Company has agreed to commit to the development of RDRAM and to certain production and capital expenditure milestones and to make available to Intel a certain percentage of its semiconductor memory output over a five-year period, subject to certain limitations. The exchange ratio of the Rights and conversion ratio of the Class A Common Stock is subject to adjustment under certain formulae at the election of Intel in the event MTI fails to meet the production or capital expenditure milestones. No adjustment will occur to the exchange ratio or conversion ratio under such formulae unless the price of the Company's common stock for a twenty day period ending two days prior to such milestone dates is lower than $31.625 (Intel's purchase price per Right at the time of the investment). In addition, in no event will the Company be obligated to issue more than: (a) a number of additional shares of Class A Common Stock or common stock having a value exceeding $150 million, or (b) a number of additional shares exceeding the number of shares originally issued.

MERGER

On September 11, 1998, the Company completed a stock-for-stock merger with Rendition. Rendition designs, develops and markets high-performance, low-cost, multi-functional graphics accelerators to the personal computer market. The merger was accounted for as a business combination using the pooling-of-interests method. Shareholders of Rendition received approximately 3.7 million shares of the Company's common stock.

QUARTERLY FINANCIAL AND MARKET INFORMATION (UNAUDITED)
(Dollars in millions, except for per share data)

1998 QUARTER	1ST	2nd	3rd	4th
Net sales	$ 954.6	$ 755.4	$ 609.9	$ 692.0
Costs and expenses:				
Cost of goods sold	744.1	733.1	603.6	650.7
Selling, general and administrative	124.5	135.7	109.0	98.7
Research and development	63.9	69.9	66.2	71.8
Other operating expense (income)	4.6	24.2	3.4	2.1
Total costs and expenses	937.1	962.9	782.2	823.3
Operating income (loss)	17.5	(207.5)	(172.3)	(131.3)
Gain (loss) on sale of investments and subsidiary stock, net	--	157.1	--	(0.1)
Gain on issuance of subsidiary stock, net	0.1	0.5	0.2	0.5
Interest income (expense), net	(1.3)	1.9	0.8	(1.3)
Income (loss) before income taxes	16.3	(48.0)	(171.3)	(132.2)
Income tax benefit (provision)	(6.5)	8.9	67.3	49.1
Minority interests	(0.2)	(9.0)	(2.1)	(6.0)
Net income (loss)	$ 9.6	$ (48.1)	$(106.1)	$ (89.1)
Diluted earnings (loss) per share	$ 0.04	$ (0.23)	$ (0.50)	$ (0.42)
Quarterly stock price:				
High	$45.312	$38.000	$34.938	$35.250
Low	23.125	22.000	23.813	20.125

1997 QUARTER	1ST	2nd	3rd	4th
Net sales	$ 728.1	$ 876.2	$ 965.0	$ 946.2
Costs and expenses:				
Cost of goods sold	572.9	657.5	650.0	658.8
Selling, general and administrative	76.4	97.4	92.3	104.8
Research and development	47.2	46.8	52.6	62.3
Other operating expense (income)	(0.6)	(2.5)	1.1	(3.9)
Total costs and expenses	695.9	799.2	796.0	822.0
Operating income	32.2	77.0	169.0	124.2
Gain on sale of investments and subsidiary stock, net	10.1	176.5	0.1	--
Gain (loss) on issuance of subsidiary stock, net	(0.9)	28.6	(0.1)	1.5
Interest (expense) income, net	(2.1)	(1.8)	1.5	3.3
Income before income taxes	39.3	280.3	170.5	129.0
Income tax provision	(15.6)	(131.2)	(67.8)	(52.7)
Minority interests	(3.1)	(6.4)	(5.9)	(4.2)
Net income	$ 20.6	$ 142.7	$ 96.8	$ 72.1
Diluted earnings per share	$ 0.10	$ 0.67	$ 0.45	$ 0.33
Quarterly stock price:				
High	$34.750	$39.125	$45.250	$60.063
Low	20.375	29.000	33.250	38.375

As of October 23, 1998, the Company had 6,523 shareholders of record. The Company did not declare or pay any dividends during 1998 or 1997.

Net gains on sale of investments and subsidiary stock for the third quarter of 1998 includes a pretax gain of $157.0 million on the sale of 90% of the Company's contract manufacturing subsidiary. Net gain on sales of

investments and subsidiary stock in the second quarter of 1997 includes a pretax gain of $189.9 million for the sale of 15.4 million shares of common stock of MEI.

Other operating expense for the second quarter of 1998 includes charges of $13.0 million associated with the Company's PC operations resulting from a reduction in workforce and consolidation of domestic and international operations.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Micron Technology, Inc., and its subsidiaries at September 3, 1998 and August 28, 1997, and the results of their operations and their cash flows for each of the three years in the period ended September 3, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial schedule based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Boise, Idaho
September 28, 1998, except the
Subsequent Event Note, which
is as of October 19, 1998

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Item 11. EXECUTIVE COMPENSATION

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain information concerning the registrant's executive officers is included under the caption "Officers and Directors of the Registrant" following Part I, Item 1 of this report. Other information required by Items 10, 11, 12 and 13 will be contained in the registrant's Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days after September 3, 1998, and is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

Consolidated financial statements and financial statement schedules--(see "Item 8. Financial Statements and Supplementary Data--Notes to Consolidated Financial Statements--Contingencies.")

EXHIBIT	Description
2.1	Acquisition Agreement between the Registrant and Texas Instruments Incorporated dated June 18, 1998 (1)
2.2	Second Amendment to Acquisition Agreement dated as of September 30, 1998 between the Registrant and Texas Instruments Incorporated (2)
2.3	Agreement and Plan of Reorganization dated as of June 22, 1998 between the Registrant and Rendition, Inc. (3)
3.1	Certificate of Incorporation of the Registrant, as amended (4)
3.7	Bylaws of the Registrant, as amended (5)
4.1	Indenture dated as of June 15, 1997 between the Registrant and Norwest Bank Minnesota, National Association (the "Trustee"), relating to the issuance of 7% Convertible Subordinated Notes due July 1, 2004 (the "Notes") (6)
4.2	Supplemental Trust Indenture dated as of June 15, 1997 between the Registrant and the Trustee, relating to the Notes (including the form of Note) (6)
4.3	Rendition Affiliate Agreement dated as of June 22, 1998 among the Registrant, Rendition, Inc. and each of the affiliates of Rendition (3)
10.6	Form of Micron Affiliate Agreement among the Registrant, Rendition, Inc. and each of the affiliates of the Registrant (3)
10.82	Form of Indemnification Agreement between the Registrant and its officers and directors (7)
10.91	Board Resolution regarding stock and bonus plan vesting schedules in the event of change in control of the Registrant (8)
10.92	Additional provisions related to Management Bonus Arrangements for Certain Executive Officers (8)
10.100	Amended and Restated 1985 Incentive Stock Option Plan (9)
10.109	Form of Management bonus arrangements for Executive Officers of Micron Technology, Inc., and Micron Semiconductor, Inc., for 1994 (10)
10.110	1994 Stock Option Plan (11)
10.111	Executive Bonus Plan (4)
10.112	Forms of Severance Agreement (12)
10.116	Registration Rights Agreement dated as of June 28, 1996 between the Registrant and Canadian Imperial Bank of Commerce (13)
10.117	Registration Rights Agreement dated as of July 29, 1996 between the Registrant and Canadian Imperial Bank of Commerce (13)
10.118(a)	Irrevocable Proxy dated June 28, 1996 by Canadian Imperial Bank of Commerce in favor of the Registrant (13)
10.118(b)	Irrevocable Proxy dated July 24, 1998 by the Registrant in favor of the Canadian Imperial Bank of Commerce

EXHIBIT	DESCRIPTION
10.119(a)	Reformed Irrevocable Proxy dated July 23, 1998 by J.R. Simplot Company in favor of the Registrant
10.119(b)	Irrevocable Proxy dated July 24, 1998 by the Registrant in favor of the Canadian Imperial Bank of Commerce
10.120	Form of Agreement and Amendment to Severance Agreement between the Company and its executive officers (14)
10.125	Second Supplemental Trust Indenture dated as of September 30, 1998 between the Registrant and the Trustee, relating to the issuance of 6 1/2% Convertible Subordinated Notes due October 2, 2003 (the "TI Notes") (including the form of TI Note) (2)
10.126	Subordinated Promissory Note dated September 30, 1998, issued by the Registrant in the name of Texas Instruments Incorporated in the amount of $210,000,000 (2)
10.127	Registration Rights Agreement dated as of July 20, 1998, between the Registrant, Canadian Imperial Bank of Commerce and J.R. Simplot Company (5)
10.128	Nonstatutory Stock Option Plan (15)
10.129	1997 Nonstatutory Stock Option Plan (16)
10.130	Micron Quantum Devices, Inc. 1996 Stock Option Plan (16)
10.131	Sample Stock Option Assumption Letter for Micron Quantum Devices, Inc. 1996 Stock Option Plan (16)
10.132	1998 Nonstatutory Stock Option Plan (17)
10.133	Rendition, Inc. 1994 Equity Incentive Plan (17)
10.134	Sample Stock Option Assumption Letter for Rendition, Inc. 1994 Equity Incentive Plan (17)
10.135	Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 among the Registrant and several financial institutions
10.136	Securities Purchase Agreement dated as of October 15, 1998 between the Registrant and Intel Corporation (Confidential Treatment has been requested for a portion of this document)
10.137	Securities Rights and Restrictions Agreement dated as of October 19, 1998 between the Registrant and Intel Corporation
10.138	Stock Rights Agreement dated as of October 19, 1998 between the Registrant and Intel Corporation (Confidential Treatment has been requested for a portion of this document)
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Accountants
27.1	Financial Data Schedule

- ---------

(1) Incorporated by Reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 28, 1998

(2) Incorporated by Reference to Current Report on Form 8-K filed on October 14, 1998, as amended on October 16, 1998

(3) Incorporated by Reference to Registration Statement on Form S-4 as amended (Reg. No. 333-60129)

(4) Incorporated by Reference to Annual Report on Form 10-K as amended for the fiscal year ended August 31, 1995

(5) Incorporated by Reference to Registration Statement on Form S-3 as amended (Reg. No. 333-57973)

(6) Incorporated by Reference to Current Report on Form 8-K filed on July 3, 1997

(7) Incorporated by Reference to Proxy Statement for the 1986 Annual Meeting of Shareholders

(8) Incorporated by Reference to Annual Report on Form 10-K for the fiscal year ended August 31, 1989

(9) Incorporated by Reference to Registration Statements on Forms S-8 (Reg. Nos. 33-38665, 33-38926, and 33-52653)

(10) Incorporated by Reference to Annual Report on Form 10-K for the fiscal year ended September 2, 1993

(11) Incorporated by Reference to Registration Statement on Form S-8 (Reg. Nos. 33-57887, 333-07283 and 333-50353)

(12) Incorporated by Reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 1996

(13) Incorporated by Reference to Annual Report on Form 10-K for the fiscal year ended August 29, 1996

(14) Incorporated by Reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 1997

(15) Incorporated by Reference to Registration Statement on Form S-8 (Reg. Nos. 333-17073 and 333-50353)

(16) Incorporated by Reference to Registration Statement on Form S-8 (Reg. No. 333-50353)

(17) Incorporated by Reference to Registration Statement on Form S-8 (Reg. No. 333-65449)

(b) Reports on Form 8-K:

The Registrant did not file any Reports on Form 8-K during the quarter ended September 3, 1998.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF BOISE, STATE OF IDAHO, ON THE 2ND DAY OF NOVEMBER, 1998.

MICRON TECHNOLOGY, INC.

By: /S/ WILBUR G. STOVER, JR.
WILBUR G. STOVER, JR.,
VICE PRESIDENT OF FINANCE, CHIEF FINANCIAL OFFICER
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS ANNUAL REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

Signature	TITLE	DATE
/S/ STEVEN R. APPLETON (STEVEN R. APPLETON)	Chairman of the Board, Chief Executive Officer and President	November 2, 1998
/S/ JAMES W. BAGLEY (JAMES W. BAGLEY)	Director	November 2, 1998
/S/ ROBERT A. LOTHROP (ROBERT A. LOTHROP)	Director	November 2, 1998
/S/ THOMAS T. NICHOLSON (THOMAS T. NICHOLSON)	Director	November 2, 1998
/S/ DON J. SIMPLOT (DON J. SIMPLOT)	Director	November 2, 1998
/S/ JOHN R. SIMPLOT (JOHN R. SIMPLOT)	Director	November 2, 1998
/S/ GORDON C. SMITH (GORDON C. SMITH)	Director	November 2, 1998
/S/ WILLIAM P. WEBER (WILLIAM P. WEBER)	Director	November 2, 1998

Schedule II

MICRON TECHNOLOGY, INC.
Valuation and Qualification Accounts
(dollars in millions)

	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Deduction/ Write-Off	Balance at End of Period
Allowance for Doubtful Accounts				
Year ended September 3, 1998	$ 9.0	$(3.3)	$ (0.3)	$ 5.4
Year ended August 28, 1997	9.0	0.2	(0.2)	9.0
Year ended August 29, 1996	7.4	1.9	(0.3)	9.0
Allowance for Obsolete Inventory				
Year ended September 3, 1998	$23.7	$12.4	$(16.3)	$19.8
Year ended August 28, 1997	14.5	15.9	(6.7)	23.7
Year ended August 29, 1996	11.1	8.1	(4.7)	14.5
Deferred Tax Asset Valuation Allowance				
Year ended September 3, 1998	$ -	$ 4.1	$ -	$ 4.1
Year ended August 28, 1997	-	-	-	-
Year ended August 29, 1996	-	-	-	-

EXHIBIT 10.118(b)

IRREVOCABLE PROXY
(2,600,000 shares)

The undersigned Steven R. Appleton ("Appleton") and Wilbur G. Stover, Jr. ("Stover"), and each of them alone, hereby irrevocably appoint Canadian Imperial Bank of Commerce, a Canadian bank ("CIBC"), as their true and lawful proxy and attorney-in-fact, with full power of substitution and resubstitution (a) to represent J.R. Simplot Company, a Nevada corporation (the "Company"), at the annual meetings of the stockholders of Micron Technology, Inc., a Delaware corporation ("Micron"), to be held in 1998, 1999, 2000, 2001 and 2002, and at any adjournment thereof, and to vote, in CIBC's discretion (including cumulatively, if required) 2,600,000 shares (the "Shares") of common stock, $.10 par value ("Common Stock"), of Micron held by the Company and consisting of (i) all of the shares of Common Stock certificate numbers MC38055 and MC38060 and (ii) 1,098,750 shares of the common stock evidenced by certificate number MC38067, or any certificates issued to the Company as a replacement therefor; (b) to represent the Company at any special meeting of stockholders of Micron, and at any adjournment thereof, and to vote (including cumulatively, if required) all the Shares in his or her discretion; and (c) to vote all the Shares in CIBC's discretion upon such other matter or matters which may properly come before the stockholders of Micron by written consent or otherwise. This proxy does not affect the voting rights with regard to the remaining 882,500 shares of Common Stock evidenced by certificate number MC38067.

This irrevocable proxy may be exercised at any time after the date hereof and prior to June 27, 2003, except that such proxy shall expire immediately upon the first to occur of (1) the termination for any reason of the dividend swap transaction contemplated by the letter agreement by and between the Company and CIBC dated June 28, 1996 or (2) the first date as of which CIBC is required to return the Shares pursuant to that certain Pledge Agreement dated or to be dated as of July 1998, by and between the Company and CIBC.

This irrevocable proxy is given by the undersigned, in their respective capacities as Chairman of the Board of Micron (in the case of Appleton) and Chief Financial Officer of Micron (in the case of Stover), pursuant to the power of substitution accorded by that certain proxy dated June 28, 1996 executed by CIBC in favor of the undersigned, which proxy was in turn given pursuant to the power of substitution awarded by that certain proxy dated June 28, 1996 by the Company to CIBC.

Dated: July 24, 1998

/s/ WILBUR G. STOVER, JR.

Wilbur G. Stover, Jr.

/s/ STEVEN R. APPLETON

Steven R. Appleton

EXHIBIT 10.119(a)

REFORMED IRREVOCABLE PROXY
(J.R. Simplot Company)

This Reformed Irrevocable Proxy reforms and restates that certain Irrevocable Proxy dated as of July 29, 1996 executed by J.R. Simplot Company, a Nevada corporation (the "Company"), in favor of such persons as may be serving from time to time as the Chairman of the Board of Micron Technology, Inc., a Delaware corporation ("Micron"), and the Chief Financial Officer of Micron. This Reformed Irrevocable Proxy is effective as of July 29, 1996.

The Company hereby irrevocably appoints such persons as may be serving from time to time as the Chairman of the Board of Micron, the Chief Financial Officer of Micron, and each of them alone, as its true and lawful proxy and attorney-in-fact, with full power of substitution and resubstitution (a) to represent the Company at the annual meetings of the stockholders of Micron to be held in 1996, 1997, 1998, 1999, 2000, 2001 and 2002, and at any adjournment thereof, and to vote, in its discretion (including cumulatively, if required) 5,000,000 shares (the "Shares") of common stock, $.10 par value, of Micron ("Common Stock") held by the Company and consisting of (i) all of the shares of Common Stock evidenced by certificate numbers MC83051, MC38054, MC38057, MC38061, MC38063 and MC38066, (ii) 882,500 shares of Common Stock evidenced by certificate number MC38067 and (iii) 1,244,750 shares of Common Stock evidenced by certificate number MC51861, or any certificates issued to the Company as a replacement therefor; (b) to represent the Company at any special meeting of stockholders of Micron, and at any adjournment thereof, and to vote (including cumulatively, if required) all the Shares in its discretion; and (c) to vote all the Shares in its discretion upon such other matter or matters which may properly come before the stockholders of Micron by written consent or otherwise. This proxy does not affect the voting rights with regard to the remaining 1,098,750 shares of Common Stock evidenced by certificate number MC38067 and the remaining 1,099,000 shares of Common Stock evidenced by certificate number MC51861.

This irrevocable proxy may be exercised at any time after the date hereof and prior to July 29, 2003, except that such proxy shall expire immediately upon the termination for any reason of the dividend swap transaction contemplated by the letter agreement between the Company and Canadian Imperial Bank of Commerce dated July 29, 1996.

Dated: July 23, 1998

J.R. SIMPLOT COMPANY

By: /s/ RONALD GRAVES

Name: Ronald N. Graves
Title: Secretary

EXHIBIT 10.119(b)

IRREVOCABLE PROXY
(5,000,000 shares)

The undersigned Steven R. Appleton ("Appleton") and Wilbur G. Stover, Jr. ("Stover"), and each of them alone, hereby irrevocably appoint Canadian Imperial Bank of Commerce, a Canadian bank ("CIBC"), as their true and lawful proxy and attorney-in-fact, with full power of substitution and resubstitution (a) to represent J.R. Simplot Company, a Nevada corporation ("Company"), at the annual meetings of the stockholders of Micron Technology, Inc., a Delaware corporation ("Micron"), to be held in 1998, 1999, 2000, 2001 and 2002, and at any adjournment thereof, and to vote, in CIBC's discretion (including cumulatively, if required) 5,000,000 shares (the "Shares") of common stock, $.10 par value, of Micron ("Common Stock") held by the Company and consisting of (i) all of the shares of Common Stock evidenced by certificate numbers MC83051, MC38054, MC38057, MC38061, MC38063 and MC38066, (ii) 882,500 shares of Common Stock evidenced by certificate number MC38067 and (iii) 1,244,750 shares of Common Stock evidenced by certificate number MC51861, or any certificates issued to the Company as a replacement therefor; (b) to represent the Company at any special meeting of stockholders of Micron, and at any adjournment thereof, and to vote (including cumulatively, if required) all the Shares in its discretion; and (c) to vote all the Shares in CIBC's discretion upon such other matter or matters which may properly come before the stockholders of Micron by written consent or otherwise. This proxy does not affect the voting rights with regard to the remaining 1,098,750 shares of Common Stock evidenced by certificate number MC38067 and the remaining 1,099,000 shares of Common Stock evidenced by certificate number MC51861.

This irrevocable proxy may be exercised at any time after the date hereof and prior to July 29, 2003, except that such proxy shall expire immediately upon the first to occur of (1) the termination for any reason of the dividend swap transaction contemplated by the letter agreement between the Company and CIBC dated July 29, 1996 or (2) the first date as of which CIBC is required to return the Shares pursuant to that certain Pledge Agreement dated or to be dated as of July 1998, by and between the Company and CIBC.

This irrevocable proxy is given by the undersigned, in their respective capacities as Chairman of the Board of Micron (in the case of Appleton) and Chief Financial Officer of Micron (in the case of Stover), pursuant to the power of substitution accorded to the undersigned by that certain proxy dated July 29, 1996 executed by the Company in favor of the undersigned.

Dated: July 24, 1998

/s/ WILBUR G. STOVER, JR.

Wilber G. Stover, Jr.

/s/ STEVEN R. APPLETON

Steven R. Appleton

EXHIBIT 10.135

==========

SECOND AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

Dated as of September 1, 1998

among

MICRON TECHNOLOGY, INC.,

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

Arranged by

BANCAMERICA SECURITIES, INC.

==========

TABLE OF CONTENTS

ANNEXES, SCHEDULES AND EXHIBITS

ANNEXES:

SCHEDULES:

EXHIBITS:

SECOND AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is entered into as of September 1, 1998, among Micron Technology, Inc., a Delaware corporation (the "Company"), the several financial institutions from time to time to this Agreement (individually, a "Bank" and, collectively, the "Banks"), and Bank of America National Trust and Savings Association, as administrative agent for the Banks (in such capacity, the "Agent").

RECITALS

A. The Company, the Banks and the Agent entered into that certain First Amended and Restated Revolving Credit Agreement, dated as of May 28, 1997, as amended (as amended, the "Existing Facility").

B. The Company, the Banks and the Agent desire to amend and restate the Existing Facility on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I - DEFINITIONS; OTHER INTERPRETIVE PROVISIONS; ACCOUNTING PRINCIPLES

1.01 Certain Defined Terms. The following terms have the following meanings:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or the Subsidiary is the surviving entity.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, membership interests, by contract, or otherwise.

"Agent" means BofA in its capacity as agent for the Banks hereunder, and any successor agent arising under Section 9.09.

"Agent-Related Persons" means BofA and any successor agent arising under Section 9.09, together with their respective Affiliates (including, in the case of BofA, the Lead Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agent's Payment Office" means the address for payments set forth on Schedule 10.02 or such other address as the Agent may from time to time specify.

"Agreement" means this Second Amended and Restated Revolving Credit Agreement.

"Applicable Fee Percentage" means with respect to the commitment fee payable hereunder, the amount set forth opposite the indicated Level below the heading "Commitment Fee" in the pricing grid set forth on Annex I in accordance with the parameters for calculations of such amount also set forth on Annex I.

"Applicable Margin" means, with respect to the interest payable on Base Rate Loans and Offshore Rate Loans outstanding hereunder, the amount set forth opposite the indicated Level below the heading "LIBOR Margin" or "Base Rate Margin," as applicable, in the pricing grid set forth on Annex I in accordance with the parameters for calculations of such amounts also set forth on Annex I.

"Assignee" has the meaning specified in subsection 10.08(a).

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

"Bank" has the meaning specified in the introductory paragraph hereof.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. (S)101, et seq.).

"Base Rate" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA in San Francisco, California, as its "Reference Rate." (The "reference rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.) Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"BofA" means Bank of America National Trust and Savings Association, a national banking association.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Company on the same day by the Banks under Article II, and, other than in the case of Base Rate Loans, having the same Interest Period.

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.03.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York, Portland, Oregon, Boise, Idaho, or San Francisco, California are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings are carried on in the applicable offshore Dollar interbank market.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capitalization", on any date, means the sum of (i) all Indebtedness of the Company and the Semiconductor Operations Subsidiaries on a combined basis on such date, plus (ii) Combined Tangible Net Worth on such date.

"Charge" has the meaning specified in Section 8.04.

"Closing Date" means the date on which all conditions precedent set forth in Section 4.01 are satisfied or waived by all Banks (or, in the case of subsection 4.01(e), waived by the Person entitled to receive such payment).

"Code" means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by any Loan Party in or upon which a Lien now or hereafter exists in favor of the Banks, or the Agent on behalf of the Banks, whether under this Agreement or under any other documents executed by any such Person, and delivered to the Agent or the Banks.

"Collateral Documents" means, collectively, (i) the Security Agreements, the Deeds of Trusts and all other security agreements, mortgages, deeds of trust, lease assignments, guarantees and other similar agreements between any Loan Party and the Banks or the Agent for the benefit of the Banks now or hereafter delivered to the Banks or the Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the Uniform Commercial Code or comparable law) against any Loan Party as debtor in favor of the Banks or the Agent for the

benefit of the Banks as secured party, and (ii) any amendments, supplements, modifications, renewals, replacements, consolidations, substitutions and extensions of any of the foregoing.

"Combined Adjusted Total Liabilities" means, as of any date of determination, without duplication, the total liabilities of the Company and the Semiconductor Operations Subsidiaries on a combined basis, as shown in the Semiconductor Operations Supplemental Schedules, plus all Guaranty Obligations of the Company and the Semiconductor Operations Subsidiaries on a combined basis with respect to indebtedness or obligations of Persons other than the Company and the Semiconductor Operations Subsidiaries of the kinds referred to in clauses (a) through (g) of the definitions of the term "Indebtedness", plus all obligations of the Company and the Semiconductor Operations Subsidiaries on a combined basis under synthetic leases in excess of $500,000, individually, which obligations shall be discounted to present value at the interest rate implicit in each such lease in effect at any date of determination, less Permitted Subordinated Debt.

"Combined Net Income" and "Combined Net Loss" mean, respectively, for any period, the aggregate net income or loss for such period of the Company and the Semiconductor Operations Subsidiaries on a combined basis, as shown in the Semiconductor Operations Supplemental Schedules.

"Combined Tangible Assets" means, as of any date of determination, (a) the total assets of the Company and the Semiconductor Operations Subsidiaries on a combined basis, as shown in the Semiconductor Operations Supplemental Schedules, minus (b) the net book value of all assets of the Company and the Semiconductor Operations Subsidiaries on a combined basis, as shown in the Semiconductor Operations Supplemental Schedules which would be treated as intangible assets under GAAP, including (without duplication or limitation) intangible deferred charges, franchise rights, non-compete agreements, capitalized research and development costs, capitalized costs associated with software development expenses, goodwill, patents, patent applications, trademarks, trade names, copyrights and licenses.

"Combined Tangible Net Worth" means, as of any date of determination, (a) the total net assets of the Company and the Semiconductor Operations Subsidiaries on a combined basis, as shown in the Semiconductor Operations Supplemental Schedules minus (b) the net book value of all assets of the Company and the Semiconductor Operations Subsidiaries on a combined basis as shown in the Semiconductor Operations Supplemental Schedules which would be treated as intangibles under GAAP, including (without duplication or limitation) intangible deferred charges, franchise rights, non-compete agreements, capitalized research and development costs, capitalized costs associated with software development expenses, goodwill, patents, patent applications, trademarks, trade names, copyrights and licenses.

"Commitment", as to each Bank, has the meaning specified in Section 2.01.

"Company" means Micron Technology, Inc., a Delaware corporation.

"Company Security Agreement" means the Security Agreement between the Company and the Agent in substantially the form of Exhibit F.

"Compliance Certificate" means a certificate, duly executed by a Responsible Office of the Company, substantially in the form of Exhibit D.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse: (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered, or (d) in respect of any Swap Contract.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Conversion/Continuation Date" means any date on which, under Section 2.04, the Company (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"Deeds of Trust" means the Idaho Deed of Trust and the Utah Deed of Trust.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Disclosure Letter" means the disclosure letter dated the Original Closing Date delivered to the Agent pursuant to Section 4.01(g) of the Existing Facility.

"Dispositions" has the meaning specified in Section 7.03.

"Distributions" has the meaning specified in Section 7.09.

"Dollars", "dollars" and "$" each mean lawful money of the United States.

"EBITDA" means, for any period, Combined Net Income or Combined Net
Loss, as the case may be, for such period, plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense, and (d) amortization expense, which were deductible in determining Combined Net Income or Combined Net Loss.

"Eligible Assignee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $100,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000, provided that such bank is acting through a branch or agency located in the United States; and (c) a Person that is primarily engaged in the business of commercial banking and that is (i) a Subsidiary of a Bank, (ii) a Subsidiary of a Person of which a Bank is a Subsidiary, or (iii) a Person of which a Bank is a Subsidiary.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Indemnity" means the Environmental and Hazardous Substance Indemnity Agreement, dated as of September 1, 1998, made by the Company in favor of the Banks and the Agent.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer

Plan; or (f) the imposition of any material liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Eurodollar Reserve Percentage" has the meaning specified in the definition of "Offshore Rate".

"Event of Default" means any of the events or circumstances specified in Section 8.01.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Existing Facility" has the meaning set forth in Recital A to this Agreement.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published with respect to any day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Filing Offices" has the meaning set forth in Section 4.01.

"Further Taxes" means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges (including net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of amounts payable or paid pursuant to Section 3.01.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the Closing Date.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantor" means Micron Semiconductor Products, Inc., an Idaho
corporation and a Semiconductor Operations Subsidiary for purposes hereof.

"Guarantor Security Agreement" means the Security Agreement between the Guarantor and the Agent in substantially the form of Exhibit G.

"Guaranty" means the Guaranty executed by the Guarantor in substantially the form of Exhibit E.

"Guaranty Obligation" has the meaning specified in the definition of "Contingent Obligation."

"Idaho Deed of Trust" means the Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, from the Company, as trustor, to the trustee named therein and for the Agent, as beneficiary, in substantially the form of Exhibit H.

"Idaho Facility" means the Company's facility in Boise, Idaho, located on the "Land" described in the Idaho Deed of Trust.

"Indebtedness" of any Person means, without duplication: (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than royalty payables and trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations with respect to capital leases; (g) all indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (h) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above. For all purposes of this Agreement, (i) the Indebtedness of any Person shall include all recourse Indebtedness of any partnership or joint venture or limited liability company in which such Person is a general partner or a joint venturer or a member, and (ii) indebtedness secured by a Lien permitted under Section 7.01(m) shall not constitute Indebtedness hereunder.

"Indemnified Liabilities" has the meaning specified in Section 10.05.

"Indemnified Person" has the meaning specified in Section 10.05.

"Independent Auditor" has the meaning specified in subsection 6.01(a).

"Insolvency Proceeding" means, with respect to any Person, (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority

relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Intellectual Property Licenses" has the meaning specified in Section 6.03(b).

"Interest Payment Date" means, as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Loan, the last Business Day of each calendar quarter and each date such Loan is converted into another Type of Loan; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds three months, the date that falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date.

"Interest Period" means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; provided, that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period for any Loan shall extend beyond the Revolving Termination Date as in effect on the date such Loan is made, converted or continued, as the case may be.

"Investments" has the meaning specified in Section 7.05.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code

"Lead Arranger" means BancAmerica Securities, Inc.

"Lending Office" means, as to any Bank, the office or offices of such Bank specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, on Schedule 10.02, or such other office or offices as such Bank may from time to time notify the Company and the Agent.

"Leverage Ratio" means, as of any date of determination, the ratio of
(a) Combined Adjusted Total Liabilities, after giving effect to any payments or prepayments hereunder made on such date, to (b) Combined Tangible Net Worth.

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease.

"Loan" means an extension of credit by a Bank to the Company under Article II, and may be a Base Rate Loan or an Offshore Rate Loan (each, a "Type" of Loan).

"Loan Documents" means this Agreement, the Notes, the Guaranty, the Collateral Documents, the Environmental Indemnity, the Disclosure Letter, all fee letters and all other certificates, documents or financial or other statements delivered at any time to the Agent or any Bank in connection herewith or with any other Loan Document.

"Loan Party" means each of the Company and the Guarantor.

"Majority Banks" means at any time Banks then holding at least 66-2/3% of the then aggregate unpaid principal amount of the Loans, or, if no such principal amount is then outstanding, Banks then having at least 66-2/3% of the Commitments.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the FRB.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties or condition (financial or otherwise) of the Company or the Company and its Semiconductor Operations Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its payment obligations under the Loan Documents; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document.

"Material Semiconductor Operations" means, at any time, semiconductor operations (excluding any existing Subsidiary that is not a Wholly-Owned Subsidiary, and its Subsidiaries, if any) which both (a) comprise assets having a net book value equal to or greater than ten percent (10%) of the combined total assets of the Company and its Semiconductor Operations Subsidiaries as shown in the Semiconductor Operations Supplemental Schedules, and (b) for the most recent fiscal quarter or the most recent fiscal year, generated operating income equal to or greater than ten percent (10%) of the combined income from operations for the Company and its Semiconductor Operations Subsidiaries as shown in the Semiconductor Operations Supplemental Schedules.

"Material Semiconductor Operations Subsidiary" means, at any time, (a) any Semiconductor Operations Subsidiary conducting Material Semiconductor Operations, and (b) any Semiconductor Operations Subsidiary owning 50% or more of the voting stock or other equity interest of any Material Semiconductor Operations Subsidiary.

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Negative Pledge" has the meaning specified in Section 7.02.

"Net Proceeds" means, as to any Disposition by a Person, the gross proceeds received by such Person from such Disposition less all direct costs and expenses incurred or to be incurred, and all federal, state, local and foreign taxes assessed or to be assessed, in connection therewith.

"Note" means a promissory note executed by the Company in favor of a Bank pursuant to Section 2.02(b), in substantially the form of Exhibit C.

"Notice of Borrowing" means a notice in substantially the form of Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Company to any Bank, the Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"Offshore Rate" means, for any Interest Period, with respect to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Agent as follows:

$$\text{Offshore Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Eurodollar Reserve Percentage" means for any day in any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Bank) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"); and

"LIBOR" means, for any Interest Period, the rate of interest per annum determined by the Agent to be the arithmetic mean (rounded upward to the next 1/16 of 1%) equal to the rates of interest per annum notified to the Agent by BofA as the rate of interest at which Dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, an Offshore Rate Loan by BofA and having a maturity comparable to such Interest Period would be offered to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

"Offshore Rate Loan" means a Loan that bears interest based on the Offshore Rate.

"Organization Documents" means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation.

"Original Closing Date" means the "Closing Date" of the Existing Facility.

"Other Taxes" means any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by any Governmental Authority which arise from any payment made hereunder by the Company or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Participant" has the meaning specified in Section 10.08(d).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Permitted Liens" has the meaning specified in Section 7.01.

"Permitted Sale-Leaseback Transaction" means a transaction pursuant to which the Company or any of the Semiconductor Operations Subsidiaries purchases equipment and, within 12 months thereafter, sells such equipment to, and leases back such equipment from, a third-party pursuant to an operating or capital lease.

"Permitted Subordinated Debt" means (a) Indebtedness issued under the
 ----
Subordinated Note Indenture in an aggregate principal amount not to exceed the amount outstanding as of the Closing Date; (b) any TI Subordinated Debt; and (c) any other Indebtedness of the Company (issued in compliance with the limitations set forth in Section 7.06(j)) under a written instrument which, unless otherwise consented to by the Majority Banks prior to the issuance thereof:

(i) without giving effect to the first clause of Section 1501 of the Subordinated Note Indenture providing for modifications in a supplemental indenture or pursuant to Section 301, contains subordination provisions at least as favorable to the Banks as those contained in Article Fifteen of the Subordinated Note Indenture;

(ii) provides that the stated maturity date of such subordinated Indebtedness shall be at least one year after the Revolving Termination Date in effect on the date of its issuance;

(iii) requires no mandatory or scheduled amortization, prepayments, redemptions, repurchases, defeasances or sinking fund payments prior to one year after the Revolving Termination Date in effect on the date of its issuance, except for mandatory redemptions and purchases upon the
 ------
occurrence of certain changes in control or fundamental changes with respect to the Company which are approved by the Majority Banks prior to the issuance of such subordinated Indebtedness, which mandatory redemptions and purchases shall be subject to the subordination provisions set forth in this definition;

(iv) contains no representations, warranties or covenants other than those set forth in Articles Eight and Ten of the Subordinated Note Indenture other than those which are not otherwise inconsistent with the other clauses of this definition or are not more restrictive on the Company than, or are in addition to, the representations, warranties or covenants concerning the operation or condition of the Company contained in the Agreement;

(v) contains no events of default other than those set forth in Section 501(1)-(6) of the Subordinated Note Indenture other than a cross-acceleration clause substantially in the form set forth in the Disclosure Letter;

(vi) contains no modifications, additions or deletions to the Subordinated Note Indenture (made pursuant to a supplemental indenture, pursuant to Section 301 or 901 of the Subordinated Note Indenture or otherwise) unless the Majority Banks have determined that such modifications, additions or deletions are not otherwise inconsistent with the other clauses of this definition or adverse to the interests of the Banks from the standpoint of senior lenders;

(vii) is unsecured except for Liens granted in favor of the trustee for such Permitted Subordinated Debt as described in the Disclosure Letter to secure fees and other amounts owing to such trustee;

(viii) contains conversion features, including the type of security or property into which such subordinated Indebtedness may be converted, consented to by the Majority Banks prior to the issuance of such subordinated Indebtedness; and

(ix) the Agent and the Majority Banks have determined is in form and substance not otherwise inconsistent with the requirements of this definition.

"Permitted Swap Obligations" means all obligations (contingent or otherwise) of the Company or any Semiconductor Operations Subsidiary existing or arising under Swap Contracts, provided that each of the following criteria is satisfied: (a) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments or assets held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person in conjunction with a securities repurchase program not otherwise prohibited hereunder, and not for purposes of speculation or taking a "market view;" and (b) such Swap Contracts do not contain (i) any provision ("walk-away" provision) exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party, or (ii) any provision creating or permitting the declaration of an event of default, termination event or similar event upon the occurrence of an Event of Default hereunder (other than an Event of Default under Section 8.01(a)).

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company sponsors or maintains or to which the Company makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pro Rata Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Commitment divided by the combined Commitments of all Banks.

"Reportable Event" means, any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, president, chief financial officer or treasurer of the Company, or any other officer having substantially the same authority and responsibility.

"Revolving Termination Date" means the earlier to occur of (a) May 28, 2000, and (b) the date on which the Commitments terminate in accordance with the provisions of this Agreement.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Security Agreements" means the Company Security Agreement and the Guarantor Security Agreement.

"Semiconductor Operations Subsidiaries" means all Wholly-Owned Subsidiaries of the Company conducting from time to time semiconductor operations and as specified and described in the notes to the most recent Semiconductor Operations Supplemental Schedules (individually, a "Semiconductor Operations Subsidiary").

"Semiconductor Operations Supplemental Schedules" means the Supplemental Schedules of Net Assets of Semiconductor Operations and Other Operations, the Supplemental Schedules of Semiconductor Operations, the Supplemental Schedules of Cash Flows of Semiconductor Operations and the notes thereto, which are to present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules. The items "Investments in other affiliated operations" and "Net assets - other operations, at cost" shall be excluded for all purposes in computing covenant compliance in this Agreement, and all references to the Semiconductor Operations Supplemental Schedules shall be deemed to exclude such items for computing covenant compliance.

"Subordinated Note Indenture" means that certain Indenture between the Company and Norwest Bank Minnesota, National Association, dated as of June 15, 1997, as amended, supplemented or otherwise modified from time to time (with the prior written consent of the Majority Banks if such amendment, supplement or other modification would allow for the issuance of Indebtedness not satisfying all the conditions set forth in the definition of "Permitted Subordinated Debt").

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which 50% or more of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Swap Contract" means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate

option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined by the Company based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Bank).

"Taxes" means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, respectively, taxes imposed on or measured by its net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a lending office.

"TI" means Texas Instruments Incorporated.

"TI Acquisition" means the transactions contemplated under the Acquisition Agreement dated as of June 18, 1998, as amended, between the Company and TI.

"TI Subordinated Debt" means any subordinated Indebtedness issued by the Company to TI, in an aggregate principal amount not exceeding $950,000,000, pursuant to the instruments contemplated by the TI Acquisition, as amended, supplemented or otherwise modified from time to time (with the prior written consent of the Majority Banks if such amendment, supplement or other modification would allow for the issuance of Indebtedness not satisfying all the conditions set forth in the definition of "Permitted Subordinated Debt").

"Type" has the meaning specified in the definition of "Loan."

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Utah Deed of Trust" means the Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement, from the Company, as trustor, to the trustee named therein and for the Agent, as beneficiary, in substantially the form of Exhibit I.

"Utah Facility" means the Company's facility in Lehi, Utah, located on the "Real Property" described in the Utah Deed of Trust.

"Wholly-Owned Subsidiary" means any corporation or limited liability company in which (other than directors' qualifying shares or local ownership shares required by law) 100% of the capital stock of each class having ordinary voting power, and 100% of the capital stock of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

1.02 Other Interpretive Provisions. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms. The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified. The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced. The term "including" is not limiting and means "including without limitation." In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including." The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(b) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(c) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms. Unless otherwise expressly provided, any reference to any action of the Agent or the Banks by way of consent, approval or waiver shall be deemed modified by the phrase "in its/their sole discretion."

(d) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agent, the Loan Parties and the Banks, and are the products of all the parties. Accordingly, they shall not be construed against the Agent or the Banks merely because of the Agent's or Banks' involvement in their preparation.

1.03 Accounting Principles. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied. References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

ARTICLE II - THE REVOLVING CREDIT

2.01 Amounts and Terms of Commitments. Each Bank severally agrees, on the terms and conditions set forth herein, to make loans to the Company from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on Schedule 2.01 (such amount, as the same may be reduced under Section 2.05 or as a result of one or more assignments under Section 10.08, the Bank's "Commitment"); provided, however, that, after giving effect to any Borrowing, the aggregate principal amount of all outstanding Loans shall not at any time exceed the combined Commitments. Within the limits of each Bank's Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.01, prepay under Section 2.06 and reborrow under this Section 2.01.

2.02 Loan Accounts. (a) The Loans made by the Banks shall be evidenced by one or more accounts or records maintained by the Banks in the ordinary course of business. The accounts or records maintained by the Agent and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Company, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans.

(b) Upon the request of any Bank made through the Agent, the Loans made by each Bank shall be evidenced by a Note executed by the Company in favor of such Bank, instead of loan accounts. Each Bank may endorse on schedules annexed to its Note the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each Bank is irrevocably authorized by the Company to endorse its Note and each Bank's record shall be conclusive absent manifest error; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

2.03 Procedure for Borrowing. (a) Each Borrowing shall be made upon the Company's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing, which notice must be received by the Agent prior to (i) in the case of Offshore Rate Loans, 9:00 a.m. (San Francisco time) three Business Days prior to the requested Borrowing Date and (ii) in the case of Base Rate Loans, 9:00 a.m. (San Francisco time) on the requested Borrowing Date, specifying: (A) the amount of the Borrowing, which shall be in an aggregate minimum amount of $10,000,000 or any multiple of $5,000,000 in excess thereof; (B) the requested Borrowing Date, which shall be a Business Day; (C) the Type of Loans comprising the Borrowing; and (D) the duration of the Interest Period applicable to such Loans included in such notice (if the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Offshore Rate Loans, such Interest Period shall be one month). After giving effect to any Borrowing, unless the Agent shall otherwise consent, there may not be more than six different Interest Periods in effect.

(b) The Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Borrowing. Each Bank will make the amount of its Pro Rata Share of each Borrowing available to the Agent for the account of the Company at the Agent's Payment Office by 11:00 a.m. (San Francisco time) on the Borrowing Date requested by the Company in funds immediately available to the Agent. The proceeds of all such Loans will then be made available to the Company by the Agent at such office by crediting the account of the Company on the books of BofA (or any successor Agent pursuant to Section 9.09) with the aggregate of the amounts made available to the Agent by the Banks and in like funds as received by the Agent or, if requested by the Company, by wire transfer in accordance with written instructions provided to the Agent by the Company of like funds as received by the Agent.

2.04 Conversion and Continuation Elections. (a) The Company may, upon irrevocable written notice to the Agent in accordance with Section 2.04(b): (i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any other Type of Loans, to convert any such Loans (or any part thereof in an amount not less than $10,000,000, or that is in an integral multiple of $5,000,000 in excess thereof) into Loans of any other Type; or (ii) elect, as of the last day of the applicable Interest Period, to continue any Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than $10,000,000, or that is in an integral multiple of $5,000,000 in excess thereof); provided, that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $10,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as, and convert such Loans into, Offshore Rate Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Agent not later than (i) 9:00 a.m. (San Francisco time) at least three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans, and (ii) 9:00 a.m. (San Francisco time) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying: (A) the proposed Conversion/Continuation Date; (B) the aggregate amount of Loans to be converted or continued; (C) the Type of Loans resulting from the proposed conversion or continuation; and (D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period. After giving effect to any conversion or continuation of Loans, unless the Agent shall otherwise consent, there may not be more than six different Interest Periods in effect.

(c) During the existence of an Event of Default, the Company may not elect to have a Loan converted into or continued as an Offshore Rate Loan. If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Company has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, as the case may be, or if any Event of Default then exists, the Company shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, or if the Agent has received a notice of an Event of Default pursuant to Section 9.05, the Agent will promptly notify

each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans held by each Bank with respect to which the notice was given.

2.05 Termination or Reduction of Commitments. (a) Subject to Section 3.04, the Company may, upon not less than three Business Days' prior notice to the Agent by 9:00 a.m. (San Francisco time), terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of $10,000,000, or any multiple of $5,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect.

(b) Upon the making of any Disposition under subsections 7.03(e) or (f) in excess of the aggregate amount then permitted to be made thereunder, the Commitments of the Banks shall automatically reduce by an amount equal to the excess of the cumulative amount of Net Proceeds received over the amount of Net Proceeds permitted to be received under such subsections, effective as of the date of such Disposition. If after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect, the Company shall make the mandatory prepayment of Loans required by Section 2.06(b). The Company shall give prior notice to the Banks of any Disposition resulting in a Commitment reduction hereunder (including in such notice the amount of the estimated Net Proceeds to be received by the Company or a Subsidiary in respect thereof).

(c) Once reduced or terminated in accordance with this Section, the Commitments may not be increased or reinstated. Any reduction or termination of the Commitments shall be applied to each Bank according to its Pro Rata Share. The Agent will promptly notify each Bank of its receipt of any notice under this Section 2.05, and of the amount of reduction or termination of such Bank's Commitment. All accrued commitment fees to, but not including, the effective date of any reduction or termination of Commitments shall be paid on the effective date of such reduction or termination.

2.06 Prepayments. (a) Subject to Section 3.04, the Company may, at any time or from time to time, upon (a) in the case of Offshore Rate Loans, irrevocable notice to the Agent given prior to 9:00 a.m. (San Francisco time) not less than three Business Days and (b) in the case of Base Rate Loans, irrevocable notice to the Agent given prior to 9:00 a.m. (San Francisco time) on the date of prepayment, ratably prepay Loans in whole or in part, in minimum amounts of $10,000,000, or any multiple of $5,000,000 in excess thereof.

(b) If as a result of any required Commitment reduction under Section 2.05 the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments (after giving effect to the Revolving Commitment reduction), then (i) the Company shall promptly notify the Agent of the Company's intent to make a mandatory prepayment of Loans hereunder, and (ii) promptly upon, and in no event later than one Business Day after, receipt by the Company or the Subsidiary of the Net Proceeds of the Disposition, the Company shall prepay Loans in an aggregate amount equal to the amount of such excess;

provided, however, that any such prepayment shall not be required if such amount
is less than $1,000,000.

(c) Each such notice of prepayment under this Section 2.06 shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 3.04.

2.07 Repayment. The Company shall repay to the Banks on the Revolving Termination Date the aggregate principal amount of Loans outstanding on such date.

2.08 Interest. (a) Each Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Offshore Rate or the Base Rate, as the case may be (and subject to the Company's right to convert to other Types of Loans under Section 2.04), plus the Applicable Margin; provided, however, that (i) if at any time the aggregate outstanding principal amount of Loans equals or exceeds 50% of the combined Commitments, the Applicable Margin in respect of any Offshore Rate Loans and Base Rate Loans then outstanding shall be increased by an additional 0.25% per annum, and/or (ii) if the TI Acquisition has not closed by December 31, 1998, the interest rate in effect for the Loans as provided above shall be increased by an additional 0.25% per annum, effective January 1, 1999 (such increase to terminate effective upon any closing of the TI Acquisition occurring after December 31, 1998).

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans under Section 2.06 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Agent at the request or with the consent of the Majority Banks.

(c) Notwithstanding subsection (a) of this Section, if any amount of principal of or interest on any Loan, or any other amount payable hereunder or under any other Loan Document is not paid in full when due (whether at stated maturity, by acceleration, demand or otherwise), the Company agrees to pay interest on such unpaid principal or other amount, from the date such amount becomes due until the date such amount is paid in full, and after as well as before any entry of judgment thereon to the extent permitted by law, payable on demand, at a fluctuating rate per annum equal to the Base Rate plus 2%.

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

2.09 Fees. (a) Arrangement, Agency Fee. The Company shall pay arrangement fee to the Lead Arranger for the Lead Arranger's own account, and shall pay an agency fee to the Agent for the Agent's own account, as required by the letter agreement between the Company and the Agent dated August 28, 1998.

(b) Upfront Fee. The Company shall pay to the Agent for the account of each Bank consenting hereto (as evidenced by its signature hereto) (a "Consenting Bank") an upfront fee equal to 0.25% of such Bank's Commitment, payable on the Closing Date. If the TI Acquisition has not closed by December 31, 1998, the Company shall pay to the Agent for the account of each Consenting Bank additional upfront fee equal to 0.125% of such Bank's Commitment, payable on January 1, 1999.

(c) Commitment Fee. The Company shall pay to the Agent for the account of each Bank a commitment fee on the actual daily unused portion of such Bank's Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Agent, at a rate per annum equal to the Applicable Fee Percentage; provided, however, that if the TI Acquisition has not closed by December 31, 1998, the commitment fee in effect as provided above shall be increased by an additional .125% per annum, effective January 1, 1999 (such increase to terminate effective upon any closing of the TI Acquisition occurring after December 31, 1998). Such commitment fee shall accrue from the Closing Date to the Revolving Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter commencing on September 30, 1998 through the Revolving Termination Date, with the final payment to be made on the Revolving Termination Date; provided that, in connection with any reduction or termination of Commitments under Section 2.05, the accrued commitment fee calculated for the period ending on such date shall also be paid on the date of such reduction or termination. The commitment fee provided in this subsection shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Section 4.02 are not met.

2.10 Computation of Fees and Interest. All computations of interest for Base Rate Loans when the Base Rate is determined by BofA's "reference rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof. Each determination of an interest rate by the Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

2.11 Payments by the Company. (a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Agent for the account of the Banks at the Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 10:00 a.m. (San Francisco time) on the date specified herein. The Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Agent

later than 10:00 a.m. (San Francisco time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Company prior to the date on which any payment is due to the Banks that the Company will not make such payment in full as and when required, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company has not made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.12 Payments by the Banks to the Agent. Unless the Agent receives notice from a Bank on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Borrowing, that such Bank will not make available as and when required hereunder to the Agent for the account of the Company the amount of that Bank's Pro Rata Share of the Borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately available funds on the Borrowing Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this Section shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Borrowing Date, the Agent will notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing. The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on any Borrowing Date.

2.13 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise), other than pursuant to Article III, in excess of its ratable share (or other share contemplated hereunder),

such Bank shall immediately (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.10) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

2.14 Optional Extension of Commitments. The Company may request the Banks to extend the Revolving Termination Date for a period of one year by delivering a written request for such extension to the Agent (who shall promptly notify the Banks) at any time on or before the 45th day prior to the Revolving Termination Date. Each Bank shall respond in writing to such extension request by providing written notice of its acceptance or rejection of such request to the Agent within 30 Business Days after it receives such request from the Agent. Any Bank not responding within such period shall be deemed to have rejected such request for extension. Such extension shall require the unanimous consent of the Banks, and if such unanimous consent is obtained, the Revolving Termination Date shall thereupon be so extended by one year after the then current Revolving Termination Date.

2.15 Certain Closing Date Transitional Matters. On and after the Closing Date, each Bank shall be entitled to receive commitment fees and interest on the Loans and on any other amount due under any Loan Document, in each case (i) accrued and unpaid up to the Closing Date in accordance with the applicable rates in effect under the Existing Facility and (ii) accrued on and after the Closing Date in accordance with the applicable rates under this Agreement. All such accrued and unpaid amounts due under the Existing Facility shall be paid together with any amounts due hereunder on the next occurring payment dates therefor set forth herein.

ARTICLE III - TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes. (a) Any and all payments by the Company to each Bank or the Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes.

(b) If the Company shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, then, subject to Section 3.01(e): (i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section), such Bank or the Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made; (ii) the Company shall make such deductions and withholdings; (iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and (iv) the Company shall also pay to such Bank or the Agent for the account of such Bank, at the time interest is paid, Further Taxes in the amount that such Bank specifies as necessary to preserve the after-tax yield such Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed (but only if such Taxes, Other Taxes or Further Taxes are imposed because the Company has made any payment to the Agent or any Bank hereunder or under any other Loan Document from a Person or entity outside of the United States to a Person or entity inside of the United States or from a Person or entity inside of the United States to a Person or entity outside of the United States).

(c) Subject to Section 3.01(e), the Company agrees to indemnify and hold harmless each Bank and the Agent for the full amount of (i) Taxes, (ii) Other Taxes, and (iii) Further Taxes referred to in Section 3.01(b) in the yield such Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed (but only if such Taxes, Other Taxes or Further Taxes are imposed because the Company has made any payment to the Agent or any Bank hereunder or under any other Loan Document from a Person or entity outside of the United States to a Person or entity inside of the United States or from a Person or entity inside of the United States to a Person or entity outside of the United States), and any liability (including penalties, interest, additions to tax and expenses; provided, however, that the Company
-------- -------
shall not be responsible for any such penalty, interest or expense resulting from the gross negligence or willful misconduct of the Agent or any Bank) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date such Bank or the Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Company of Taxes, Other Taxes or Further Taxes, the Company shall furnish to each Bank or the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to such Bank or the Agent.

(e) The Company will not be required to pay any additional amounts in respect of United States Federal income tax pursuant to Section 3.01(b) or (c) to any Bank for the account of any Lending Office of such Bank:

(i) if the obligation to pay such additional amounts arose solely as a result of such Bank's failure to comply with its obligations under Section 9.10 in respect of such Lending Office;

(ii) if such Bank shall have delivered to the Company a Form 4224 in respect of such Lending Office pursuant to Section 9.10, and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 4224; or

(iii) if the Bank shall have delivered to the Company a Form 1001 in respect of such Lending Office pursuant to Section 9.10, and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 1001.

(f) If the Company is required to pay any amount to any Bank or the Agent pursuant to Section 3.01(b) or (c), then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue, if such change in the sole judgment of such Bank is not otherwise disadvantageous to such Bank.

(g) Each of the Banks and the Agent agrees that it will take all reasonable actions by all usual means to maintain all exemptions, if any, available to it from United States withholding taxes (whether available pursuant to treaty, existing administrative waiver, or otherwise); provided, however, that neither the Agent nor any Bank shall be obligated by reason of this Section 3.01(g) to disclose any information regarding its tax affairs or tax computations, to reorder or alter in any way its general tax or other affairs or tax planning, or to undertake any action that such Person deems to involve the incurrence of any risk of liability or cost to itself or which requires any expenditure of effort which such Person deems unreasonable under the circumstances.

3.02 Illegality. If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by such Bank to the Company through the Agent, any obligation of that Bank to make Offshore Rate Loans shall be suspended until such Bank notifies the Agent and the Company that the circumstances giving rise to such determination no longer exist, and (a) if such Bank may lawfully continue to maintain such Offshore Rate Loans to the last day of the Interest Period with respect thereto, the Company shall repay in full such Offshore Rate Loans, together with interest accrued thereon, on the last day of the Interest Period thereof, or (b) if such Bank may not lawfully continue to

maintain such Offshore Rate Loans to the last day of the Interest Period with respect thereto, such Offshore Rate Loans shall automatically be converted into Base Rate Loans and the Company shall pay, within five Business Days of such conversion, all interest accrued on such Offshore Rate Loans prior to such conversion and all amounts required under Section 3.04 in connection with such conversion.

3.03 Increased Costs and Reduction of Return. (a) If any Bank determines that, due to either (i) the introduction announced after the date hereof of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate or in respect of the assessment rate payable by any Bank to the FDIC for insuring U.S. deposits or a change in the rate of taxation imposed on or measured by a Bank's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank is organized or maintains a lending office) in or in the interpretation of any law or regulation or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority announced after the date hereof (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Offshore Rate Loans, then the Company shall be liable for, and shall from time to time, within 30 days after written notice from such Bank (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank shall have determined that (i) the introduction announced after the date hereof of any Capital Adequacy Regulation, (ii) any change announced after the date hereof in any Capital Adequacy Regulation, (iii) any change announced after the date hereof in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by such Bank (or its Lending Office) or any corporation controlling such Bank with any Capital Adequacy Regulation, affects or would affect the amount of capital required to be maintained by the Bank or any corporation controlling such Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, Loans, credits or obligations under this Agreement, then, upon demand of such Bank to the Company through the Agent, the Company shall pay to such Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate such Bank for such increase.

3.04 Funding Losses. The Company shall reimburse each Bank and hold each Bank harmless from any loss or expense which such Bank may sustain or incur as a consequence of: (a) the failure of the Company to make on a timely basis any payment of principal of any Offshore Rate Loan, (b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation, (c) the failure of the Company to make any prepayment in accordance with any notice delivered under Section 2.06, (d) the prepayment or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period, or (e) the conversion under Section 2.04 or Section 3.02 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period; including any such loss or expense arising from the liquidation or reemployment of funds

obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained; provided, however, that any such loss or expense shall not include lost profit due solely to a failure to receive the Applicable Margin relating to any such Loan for the portion of the applicable Interest Period remaining after the date of such prepayment.

3.05 Inability to Determine Rates. If either the Agent or the Majority Banks determine (a) that for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or (b) that the Offshore Rate applicable pursuant to Section 2.08(a) for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to the Agent or such Banks of funding such Loan, the Agent will promptly so notify the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain Offshore Rate Loans, as the case may be, hereunder shall be suspended until the Agent upon the instruction of the Majority Banks revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such Notice, the Banks shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued, as the case may be, as Base Rate Loans instead of Offshore Rate Loans.

3.06 Certificates of Banks. Any Bank claiming reimbursement or compensation under this Article III shall deliver to the Company (with a copy to the Agent) a certificate setting forth in reasonable detail the amount payable to the Bank hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error; provided, however, that the Company shall not be liable for any such amount attributable to any period prior to the date 180 days prior to the date that an officer at such Bank responsible for the administration of this Agreement knew or reasonably should have known of such claim for reimbursement or compensation.

3.07 Replacement of Bank. (a) In the event that any Bank makes a demand for payment pursuant to Section 3.01 or 3.03, or any Bank has suspended its funding of Offshore Loans pursuant to Section 3.02 or 3.05, the Company shall have the right, if no Event of Default then exists, to replace such Bank in accordance with this Section 3.07.

(b) If the Company determines to replace a Bank pursuant to this Section 3.07, the Company shall have the right to replace such Bank with a Person that is an Eligible Assignee (a "Replacement Bank"); provided that such Replacement Bank: (i) if it is not already a Bank, shall be reasonably acceptable to the Agent, (ii) shall unconditionally agree in writing (with a copy to the Agent) to purchase all of such Bank's rights hereunder and interest in the Loans owing to such Bank and the Note held by such Bank without recourse at the principal amount of such Note plus interest and fees accrued thereon to the date of such purchase on a date therein specified, and (iii) shall, if such Replacement Bank is not already a Bank, execute and deliver to the Agent an Assignment and Acceptance substantially in the form of Exhibit N pursuant to which such Replacement Bank becomes a party hereto with a Commitment equal to that of the Bank being replaced.

(c) Upon (i) satisfaction of the requirements set forth in Section 3.07(b), (ii) payment to such Bank by the Replacement Bank of the purchase price in immediately available funds, (iii) payment to such Bank by the Company of all requested increased costs or additional amounts accrued to the date of such purchase which the Company is obligated to pay under Article III (including any break funding costs under Section 3.04) and all other amounts owed by the Company to such Bank hereunder (other than the principal of and interest on the Loans of such Bank purchased by the Replacement Bank and interest and fees accrued thereon to the date of purchase), and (iv) payment to the Agent by the Replacement Bank or the Company of a non-refundable processing fee of $3,500, the Replacement Bank shall constitute a "Bank" hereunder with a Commitment as so specified and the Bank being so replaced shall no longer constitute a "Bank" hereunder (and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Replacement Bank) and such Bank shall be relieved of its obligations hereunder; provided, however, that such Bank being replaced
-------- -------
shall not relinquish its rights under Article III or under Sections 10.04 and 10.05 to the extent such rights relate to the time prior to the effective date of such replacement as provided in this Section.

(d) If, however, the conditions to replacement set forth in this Section are for any reason not satisfied, or the proposed Replacement Bank for any reason fails to purchase such rights and interest in accordance with the terms hereof, the Company shall continue to be obligated to pay the increased costs or additional amounts due to such Bank pursuant to Section 3.01 or 3.03, as applicable.

(e) In no event shall the Agent or any Bank have any obligation to be a Replacement Bank or to assist the Company in finding a Replacement Bank.

3.08 Survival. The agreements and obligations of the Company in
----
Section 3.01 and 3.03 shall survive the payment of all other Obligations.

ARTICLE IV - CONDITIONS PRECEDENT

4.01 Conditions to Effectiveness. The effectiveness of this

Agreement is subject to the condition that (i) the Agent shall have received executed counterparts of this Agreement signed by the Agent, the Company and the Majority Banks, and (ii) the Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Agent and the Majority Banks, and in sufficient copies for each Bank:

(a) Credit Agreement, Guaranty and Notes. This Agreement, the
----
Guaranty and the Notes executed by each party thereto;

(b) Resolutions, Incumbency.

(i) Copies of the resolutions of the board of directors of each Loan Party authorizing the transactions contemplated hereby and the performance of the Loan Documents, certified as of the Closing Date by the Secretary of such Loan Party; and

(ii) A certificate of the Secretary of each Loan Party certifying the names, titles and true signatures of the officers of such Loan Party authorized to execute, deliver and perform, as applicable, this Agreement and all other Loan Documents to be delivered by it hereunder;

(c) Good Standing. Certificates as of a recent date for each Loan Party (i) as to good standing and tax good standing from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation and (ii) as to good standing from the Secretary of State (or similar, applicable Governmental Authority) of the states of Idaho and Utah;

(d) Legal Opinions. Opinions of (i) David A. Channer, Esq., Assistant General Counsel to the Company, addressed to the Agent and the Banks, substantially in the form of Exhibit J, dated the Closing Date; (ii) Wilson Sonsini Goodrich & Rosati PC, California counsel to the Loan Parties, addressed to the Agent and the Banks, substantially in the form of Exhibit K, dated the Closing Date; (iii) Hawley, Troxell, Ennis & Hawley LLP, Idaho counsel to the Loan Parties, addressed to the Agent and the Banks, substantially in the form of Exhibit L, dated the Closing Date; and (iv) Parsons Behle & Latimer, Utah counsel to the Company, addressed to the Agent and the Banks, substantially in the form of Exhibit M, dated the Closing Date;

(e) Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable hereunder, under the Existing Facility or the fee letter referred to in Section 2.09 on the Closing Date, together with Attorney Costs of BofA to the extent invoiced prior to or on the Closing Date;

(f) Certificate. A certificate signed by a Responsible Officer, dated as of the Closing Date, stating that: (i) the representations and warranties contained in Article V are true and correct on and as of such date, as though made on and as of such date; (ii) no Default or Event of Default exists; and (iii) there has occurred since May 28, 1998, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect, other than the material adverse changes, if any, as may have been disclosed in the written projections dated August 5, 1998 delivered to the Banks prior to the date hereof;

(g) Collateral Documents and Actions Relating to Collateral. Fully executed counterparts of the Environmental Indemnity, the Deeds of Trust and the Security Agreements, together with:

(i) evidence that all filings, registrations and recordings have been made in the appropriate governmental offices, and all other action has been taken, which shall be necessary to create, in favor of the Agent on behalf of the Banks, a perfected first priority Lien on the Collateral, including evidence of recordation of the Deeds of Trust (which may consist of a written or telephonic confirmation from the title insurance company), and filing of completed UCC-1 financing statements, in each case in the filing or recording offices described in Schedule 4.01 (the "Filing Offices");

(ii) written advice relating to such Lien and judgment searches as the Agent or any Bank shall have requested, and such termination statements or other

documents as may be necessary, to confirm that the Collateral is subject to no other Liens in favor of any Persons (other than Permitted Liens);

(iii) evidence that all other actions necessary or, in the opinion of the Agent and the Banks, desirable to perfect and protect the first priority security interest created by the Collateral Documents have been taken;

(iv) evidence that the Agent, for the ratable benefit of the Banks, has been named as loss payee under all policies of casualty insurance, and as additional insured under all policies of liability insurance, required by the Security Agreements and the Deeds of Trust; and

(v) such environmental site assessments, surveys, appraisals, consents of landlords, estoppels from landlords, tenant subordination agreements and other documents and instruments in connection with the Deeds of Trust as shall reasonably be deemed necessary by the Agent or the Banks; and

(h) Other Documents. Such other approvals, opinions, documents or materials as the Agent or any Bank may request.

4.02 Conditions to All Borrowings. The obligation of each Bank to make any Loan to be made by it, or to continue or convert any Loan under Section 2.04, is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date or Conversion/Continuation Date:

(a) Notice of Borrowing or Conversion/Continuation. The Agent shall have received a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable;

(b) Continuation of Representations and Warranties. The representations and warranties in Article V shall be true and correct on and as of such Borrowing Date with the same effect as if made on and as of such Borrowing Date (except (i) to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date, (ii) that this subsection (b) shall be deemed instead to refer to the last day of the most recent quarter and year for which financial statements have then been delivered in respect of the representations and warranties made in subsections 5.11(a) and 5.11(b); and (iii) the representations and warranties in Sections 5.05 and 5.14 shall be true and correct as of the Closing Date and the end of each fiscal quarter); and

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing.

Each Notice of Borrowing submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice and as of each Borrowing Date that the conditions in this Section 4.02 are satisfied.

ARTICLE V - REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Agent and each Bank that:

5.01 Corporate Existence and Power. The Company and each of its Semiconductor Operations Subsidiaries: (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets and to carry on its business, (c) in the case of each Loan Party, has the power and authority to execute, deliver and perform its obligations under the Loan Documents, (d) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license, and (e) is in compliance in all material respects with all Requirements of Law; except, in each case referred to in subsection (b), (d) or (e), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Corporate Authorization; No Contravention. The execution, delivery and performance by each Loan Party of this Agreement and each other Loan Document to which each Loan Party is party, have been duly authorized by all necessary corporate action, and do not: (a) contravene the terms of any of such Loan Party's Organization Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any material Contractual Obligation to which such Loan Party is a party or any order, injunction, writ or decree of any Governmental Authority to which such Loan Party or its property is subject, or (c) violate any Requirement of Law.

5.03 Governmental Authorization. No approval, license, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of the Agreement or any other Loan Document except as required by this Agreement.

5.04 Binding Effect. This Agreement and each other Loan Document to which any Loan Party is a party constitute the legal, valid and binding obligations of such Loan Party , enforceable against such Loan Party in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

5.05 Litigation. Except as set forth in the Forms 10K for the fiscal year ended August 28, 1997, and the Forms 10Q for the fiscal quarters ended November 27, 1997, February 26, 1998 and May 28, 1998, respectively, and in each case as filed or amended and filed with the SEC by the Company, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, or any of its Semiconductor Operations Subsidiaries or any of their respective properties which (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby, or (b) could reasonably be expected to have a Material Adverse

Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

5.06 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by the Loan Parties. Neither the Company nor any Semiconductor Operations Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would create an Event of Default under Section 8.01(e).

5.07 ERISA Compliance. (a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Company, nothing has occurred which would cause the loss of such qualification. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur, (ii) no Pension Plan has any Unfunded Pension Liability, (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA), (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan, and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

5.08 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 6.12 and Section 7.08. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

5.09 Title to Properties; Liens. The Company and each Semiconductor Operations Subsidiary have good and marketable title to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to result in a

Material Adverse Effect. The property of the Company and the Semiconductor Operations Subsidiaries is subject to no Liens, other than Permitted Liens.

5.10 Taxes. The Company and the Semiconductor Operations Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no final tax assessment against the Company or any Semiconductor Operations Subsidiary that could reasonably be expected to result in a Material Adverse Effect.

5.11 Financial Condition.

(a) The unaudited consolidated balance sheet of the Company and its Subsidiaries dated May 28, 1998 and the related consolidated statements of operations and cash flows for the interim periods then ended: (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, subject to ordinary, good faith year end adjustments, (ii) present fairly in all material respects the consolidated financial condition of the Company and its Subsidiaries as of the date thereof and results of operations and cash flows for the period covered thereby, and (iii) include or disclose all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries on a consolidated basis as of the date thereof, including liabilities for taxes, material commitments and material Contingent Obligations.

(b) The unaudited Semiconductor Operations Supplemental Schedules dated May 28, 1998, for the interim periods then ended: (i) include amounts based on estimates of annual amounts and are subject to changes in estimates and ordinary year-end adjustments, (ii) present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules, and (iii) were prepared on a basis consistent with the basic consolidated financial statements of the Company and its Subsidiaries except as disclosed in the notes thereto.

(c) Since May 28, 1998, there has been no Material Adverse Effect other than the material adverse changes, if any, as may have been disclosed in the written projections dated August 5, 1998 delivered to the Banks prior to the date hereof.

5.12 Environmental Matters. The Company conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that it is in material compliance with all such Environmental Laws and that any Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.13 Regulated Entities. None of the Company, any Person controlling the Company, or any Subsidiary, is an "Investment Company" within the meaning of the Investment

Company Act of 1940. The Company is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

5.14 Intellectual Property. Except as set forth in the Forms 10K for the fiscal year ended August 28, 1997 and the Forms 10Q for the fiscal quarters ended November 27, 1997, February 26, 1998 and May 28, 1998, respectively, and in each case as filed or amended and filed with the SEC by the Company, (a) the Company and its Semiconductor Operations Subsidiaries own or are licensed to use or otherwise have the right to use (or could obtain such ownership or licenses or rights on terms not materially adverse to the Company and its Semiconductor Operations Subsidiaries, taken as a whole, and under circumstances that could not reasonably be expected to have a Material Adverse Effect) all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises and other rights that are reasonably necessary for the operation of their semiconductor operations business, and (b) there are no pending or, to the best knowledge of Company, threatened claims that any slogan or other advertising device, product, process, method, substance, part or other material now employed by the Company or any Semiconductor Operations Subsidiary infringes upon any rights held by any other Person, except where the consequences of such infringement could not reasonably be expected to have a Material Adverse Effect.

5.15 Subsidiaries; Minority Interests. As of the Original Closing Date, the Company has no subsidiaries other than those specifically disclosed in part (a) of Schedule 5.15 to the Disclosure Letter and has no equity investments in any other Person in excess of $10,000,000, individually, other than those specifically disclosed in part (b) of Schedule 5.15 to the Disclosure Letter. No Material Semiconductor Operations are conducted, individually or in the aggregate, by Subsidiaries which are not Semiconductor Operations Subsidiaries. All Semiconductor Operations Subsidiaries are Wholly-Owned Subsidiaries, and all Wholly-Owned Subsidiaries which conduct any active semiconductor operations are Semiconductor Operations Subsidiaries.

5.16 Insurance. The properties of the Company and its Semiconductor Operations Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or such Semiconductor Operations Subsidiaries operate.

5.17 Swap Obligations. Neither the Company nor any of its Semiconductor Operations Subsidiaries has incurred any outstanding obligations under any Swap Contracts, other than Permitted Swap Obligations. The Company has undertaken its own independent assessment of its consolidated assets, liabilities and commitments and has considered appropriate means of mitigating and managing risks associated with such matters and has not relied on any swap counterparty or any Affiliate of any swap counterparty in determining whether to enter into any Swap Contract.

5.18 Full Disclosure. None of the representations or warranties made by the Company in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, written statement or certificate furnished by or on behalf of the Company or any Semiconductor Operations Subsidiary in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Company to the Banks prior to the Original Closing Date, taken together with all such exhibits, reports, written statements and certificates filed or amended and filed by the Company with the SEC, but excluding the items listed in Section 5.19), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered. In addition, any factual information, forecasts and projections by industry analysts, including those set forth in the information memorandum distributed to the Banks prior to closing, have been developed solely by such analysts and are not adopted by the Company, notwithstanding their inclusion in such information memorandum, and the Company makes no representations or warranties concerning same, unless such representation or warranty is separately made by the Company.

5.19 Projections. All projections, forward-looking information or other similar or related information furnished by or on behalf of the Company in connection with this Agreement were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in the light of conditions existing at the time of preparation of such forecasts, and represented, at the time of preparation, the Company's reasonable estimate of its future financial performance; provided, however, that such projections and other forward-looking information are not to be viewed as factual and actual results during the period or periods covered thereby may differ from the projected or forecasted results.

5.20 Year 2000. The Company and its Semiconductor Operations Subsidiaries have a comprehensive program to address the "Year 2000 problem" (that is, the inability of computers, as well as embedded microchips in manufacturing and other equipment, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999). The Company and its Semiconductor Operations Subsidiaries have implemented that program substantially in accordance with its timetable, and the Company reasonably anticipates that they will substantially avoid the Year 2000 problem as to all computers, as well as embedded microchips in manufacturing and other equipment, that are material to the Company's and its Semiconductor Operations Subsidiaries' business, properties or operations.

5.21 Collateral Documents.

(a) The provisions of each of the Security Agreements are effective to create in favor of the Agent for the benefit of the Banks, a legal, valid and enforceable first priority Lien in all right, title and interest of the Company and the Guarantor in the Collateral described therein, subject to Permitted Liens; and financing statements have been filed in the Filing Offices listed in Part 1 of Schedule 4.01.

(b) Each Deed of Trust when executed and delivered will be effective to grant to the Agent for the benefit of the Banks a legal, valid and enforceable Lien on all the right, title and interest of the Company in the "Property" described therein. When each such Deed of Trust is

duly recorded in the applicable Filing Offices listed in Part 2 of Schedule 4.01 and the recording fees and taxes in respect thereof are paid and compliance is otherwise had with the formal requirements of state law applicable to the recording of deeds of trust generally, such Property, subject to the encumbrances and exceptions to title set forth therein and except for any other Permitted Liens applicable thereto, is subject to a legal, valid, enforceable and perfected first priority Lien; and when Financing Statements have been filed in the applicable Filing Offices listed in Part 2 of Schedule 4.01, such Deed of Trust also creates a legal, valid, enforceable and perfected first priority Lien on all right, title and interest of the Company under such Deed of Trust in all personal property and fixtures which are covered by such Deed of Trust, subject to no other Liens, except the encumbrances and exceptions to title set forth therein and Permitted Liens.

(c) All representations and warranties of the Company and the Guarantor contained in the Collateral Documents are true and correct.

ARTICLE VI - AFFIRMATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation (other than indemnity obligations which remain inchoate at such time) shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

6.01 Financial Statements. The Company shall deliver to the Agent, in form and detail satisfactory to the Agent and the Majority Banks, with sufficient copies for each Bank:

(a) promptly after becoming available, but not later than 100 days after the end of each fiscal year (commencing with the fiscal year ended September 3, 1998), a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of operations and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, together with the related Semiconductor Operations Supplemental Schedules, and accompanied by the opinion of PricewaterhouseCoopers LLP or another nationally-recognized independent public accounting firm ("Independent Auditor") which opinion shall state that (i) such consolidated financial statements present fairly in all material respects the financial position of the Company and its Subsidiaries on a consolidated basis as of the date thereof and the results of operations for the periods indicated in conformity with GAAP, except as otherwise indicated therein and (ii) such related Semiconductor Operations Supplemental Schedules were prepared on a basis consistent with the basic consolidated financial statements of the Company and its Subsidiaries except as disclosed in the notes thereto and the information therein is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole except as specifically noted therein. Such financial statements shall be accompanied by a certificate of a Responsible Officer which shall state that such Semiconductor Operations Supplemental Schedules present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules. The Company will

not place restrictions on the examinations of the auditors or any material portion of the Company's or any Subsidiary's records; and

(b) promptly after becoming available, but not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year (commencing with the fiscal quarter ended December 3, 1998), a copy of the unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and the related consolidated statements of operations for the period commencing on the first day and ending on the last day of such quarter, and statement of cash flows for the year to date, together with the related Semiconductor Operations Supplemental Schedules, accompanied by a certificate of a Responsible Officer which shall state that (i) such unaudited consolidated financial statements (A) fairly present in all material respects, in accordance with GAAP (subject to ordinary, good faith year-end adjustments, the financial position and the results of operations of the Company and its Subsidiaries on a consolidated basis, and (B) include or disclose all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries on a consolidated basis as of the date thereof, including liabilities for taxes, material commitments and material Contingent Obligations, and (ii) such related Semiconductor Operations Supplemental Schedules (A) include amounts based on estimates of annual amounts and are subject to changes in estimates and ordinary year-end adjustments, (B) present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules, and (C) were prepared on a basis consistent with the basic consolidated financial statements of the Company and its Subsidiaries except as disclosed in the notes thereto.

6.02 Certificates; Other Information. The Company shall furnish to the Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a Compliance Certificate executed by a Responsible Officer;

(b) promptly after becoming available, but not later than 20 days after the filing thereof with the SEC or the delivery thereof to its Shareholders, as applicable, copies of all annual reports and proxy statements that the Company sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q, 8K, S-1 and S-3) that the Company or any Subsidiary may make to, or file with, the SEC; and

(c) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Semiconductor Operations Subsidiary as the Agent, at the request of any Bank, may from time to time reasonably request in writing.

6.03 Notices. The Company shall promptly, after any Responsible Officer becomes aware thereof or should have become aware thereof, notify the Agent and each Bank:

(a) of the occurrence of any Default or Event of Default, and of the occurrence or existence of any event or circumstance that could reasonably be expected to become a Default or Event of Default;

(b) of the occurrence of any breach or termination of any material Contractual Obligation pursuant to which the Company or any of its Material Semiconductor Operations Subsidiaries is licensed or otherwise has the right to use any patented technology, trademarks, service marks, trade names, copyrights or contractual franchises that are reasonably necessary for the operation of their respective businesses ("Intellectual Property Licenses");
---

or the receipt of any written claim with respect to any Intellectual Property License in which the licensor, seller or grantor of such intellectual property rights states its intention (i) to terminate such Intellectual Property License, (ii) to require the Company or any Semiconductor Operations Subsidiary to cease using such intellectual property rights (or any material portion thereof), or to cease marketing or selling products developed based on intellectual property rights (or any material portion thereof) covered by such Intellectual Property License, or (iii) to cease performing its obligations thereunder, and which, in each of the cases set forth in clauses (i), (ii) and (iii), could reasonably be expected to have a Material Adverse Effect;

(c) of the commencement of, or any material development in, any litigation, arbitration or other similar proceeding affecting the Company or any Semiconductor Operations Subsidiary with respect to any Intellectual Property License, in which injunctive or similar relief (whether temporary or permanent) is sought and which could reasonably be expected to have a Material Adverse Effect;

(d) of any other matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, which matters include, for example (but not by way of limitation): (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Semiconductor Operations Subsidiary, (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Semiconductor Operations Subsidiary and any Governmental Authority, or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Semiconductor Operations Subsidiary, including pursuant to any applicable Environmental Laws;

(e) of the occurrence of any of the following events affecting the Company or any ERISA Affiliate (but in no event more than 10 days after such event), and deliver to the Agent and each Bank a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event: (i) an ERISA Event, (ii) a material increase in the Unfunded Pension Liability of any Pension Plan, (iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Company or any ERISA Affiliate, or (iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability;

(f) of any material change in accounting policies or financial reporting practices by the Company and its Subsidiaries on a consolidated basis or the Company and its Semiconductor Operations Subsidiaries on a combined basis; provided that the description of any such changes set forth in
----

the Company's filings with the SEC, or the notes to any financial statements or Semiconductor Operations Supplemental Schedules included therein, when delivered to Agent and the Banks, shall constitute notice sufficient under this subsection (f);

(g) of the issuance of any Permitted Subordinated Debt, together with a copy of any written instrument evidencing, or which is proposed to evidence, such Indebtedness; and

(h) of any existing Subsidiary that is not a Wholly-Owned Subsidiary that conducts semiconductor operations (i) becoming a Wholly-Owned Subsidiary, or (ii) having Material Semiconductor Operations.

Each notice under this Section (other than under subsections (f) and (g)) shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under Section 6.03(a) shall describe with particularity any and all sections or clauses of this Agreement or other Loan Document that have been (or could reasonably be expected to be) breached or violated.

6.04 Preservation of Corporate Existence, Etc. The Company shall, and shall cause each Material Semiconductor Operations Subsidiary to: (a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation, except, with respect to any Material Semiconductor Operations Subsidiary, in connection with transactions permitted by Section 7.03 or 7.04; (b) preserve and maintain in full force and effect all material governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except in connection with transactions permitted by Section 7.03 or 7.04; (c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill, except, with respect to any Material Semiconductor Operations Subsidiary, in connection with transactions permitted by Section 7.03 or 7.04; and (d) preserve or renew all of its registered patents, trademarks, trade names and service marks, except where the non-preservation of which could not reasonably be expected to have a Material Adverse Effect.

6.05 Maintenance of Property. The Company shall maintain, and shall cause each Material Semiconductor Operations Subsidiary to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all reasonably necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.06 Insurance. The Company shall maintain, and shall cause each Semiconductor Operations Subsidiary to maintain, with financially sound and reputable independent insurers or through self-insurance, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

6.07 Payment of Obligations. The Company shall, and shall cause each Semiconductor Operations Subsidiary to, pay and discharge as the same shall become due and payable (or within any applicable grace period), all their respective material obligations and liabilities, which matters may include, for example (but not by way of limitation): (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets,

unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Semiconductor Operations Subsidiary, and (b) all lawful claims which, if unpaid, would by law become a Lien upon its property, except for Permitted Liens.

6.08 Compliance with Laws. The Company shall comply, and shall cause each Material Semiconductor Operations Subsidiary to comply, in all material respects, with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist.

6.09 Compliance with ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law, (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification, and (c) make all required contributions to any Plan subject to Section 412 of the Code.

6.10 Inspection of Property and Books and Records. (a) The Company shall maintain and shall cause each Semiconductor Operations Subsidiary to maintain financial books of record and account sufficient to permit the Company to prepare financial statements in accordance with GAAP.

(b) The Company shall permit, and shall cause each Semiconductor Operations Subsidiary to permit, representatives and independent contractors of the Agent (i) to visit and inspect any of their respective material properties, (ii) to examine their respective financial records, and make copies thereof or abstracts therefrom, and (iii) to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Banks and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance written notice to the Company; provided, however, that when an Event of Default exists, the Agent or any Bank
- -------- -------
may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance written notice. At any time when no Event of Default has occurred and is continuing, any such representative, independent contractor or independent public accountants (other than employees of the Agent) selected by the Agent to perform such inspections or audits, must be reasonably acceptable to the Company.

(c) Notwithstanding the foregoing, while no Event of Default exists, neither the Company nor any of its Semiconductor Operations Subsidiaries will be required to disclose, permit the inspection, examination, copying or making extracts of, or discussions of, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information, or (ii) in respect to which disclosure to the Agent or any Bank (or designated representative) is then prohibited by law or any agreement binding upon the Company or such Semiconductor Operations Subsidiary that was not entered into by the Company or such Semiconductor Operations Subsidiary for the primary purpose of concealing information from Agent and the Banks or evading the provisions of this Agreement.

6.11 Environmental Laws. The Company shall, and shall cause each Material Semiconductor Operations Subsidiary to, conduct its operations and keep and maintain its property in compliance in all material respects with all Environmental Laws.

6.12 Use of Proceeds. The Company shall use the proceeds of the Loans for working capital and other general corporate purposes not in contravention of any Requirement of Law or of any Loan Document.

6.13 Ranking; Designated Senior Indebtedness. The Company shall take, or cause to be taken, all actions necessary to ensure that the Obligations are and continue to rank at least pari passu in right of payment with all other unsecured Indebtedness of the Company. The Obligations shall be deemed "Designated Senior Debt" for purposes of Permitted Subordinated Debt issued under the Subordinated Note Indenture and any TI Subordinated Debt.

6.14 New Semiconductor Operations Subsidiaries. The Company shall cause each new Wholly-Owned Subsidiary which from time to time conducts any active semiconductor operations to be included as a Semiconductor Operations Subsidiary in the Semiconductor Operations Supplemental Schedules.

6.15 Further Assurances. Promptly upon request by the Agent or the Majority Banks, the Company shall (and shall cause the Guarantor to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as the Agent or such Banks, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) to subject to the Liens created by any of the Collateral Documents any of the properties, rights or interests covered by any of the Collateral Documents, (iii) to perfect, protect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Agent and Banks the rights granted or now or hereafter intended to be granted to the Banks under any Loan Document or under any other document executed in connection therewith.

ARTICLE VII - NEGATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation (other than indemnity obligations which remain inchoate at such time) shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

7.01 Limitation on Liens. The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its properties, revenues or assets, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) Liens existing on the Original Closing Date and set forth in Schedule 7.01 to the Disclosure Letter securing Indebtedness outstanding on such date (including any such Lien securing Indebtedness that is renewed, extended or refunded after the Original Closing Date, provided that the
----
principal amount of such Indebtedness outstanding at the time of such renewal, extension or refunding is not increased and such Lien is not extended to any other property, other than replacements or substitutions for such property);

(b) Liens created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 6.07;

(d) Liens consisting of carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings are for the purpose of preventing the forfeiture or sale of the property subject thereto;

(e) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations with respect to surety and appeal bonds, or letters of credit issued in lieu thereof, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business, provided all such Liens in the aggregate could not reasonably be expected to result (even if enforced) in a Material Adverse Effect;

(g) Liens consisting of judgment or judicial attachment liens, arising in circumstances not constituting an Event of Default under Section 8.01(j);

(h) Liens consisting of easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business (including the easements, rights-of-way, restrictions and other similar encumbrances incurred in connection with the interchange and new road to be located on the Company's headquarters property in Boise, Idaho) which, in the aggregate, do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Semiconductor Operations Subsidiaries taken as a whole;

(i) Liens on (i) assets of corporations which become Semiconductor Operations Subsidiaries after the date of this Agreement, (ii) assets which are acquired at the time a corporation merges with or into the Company or a Semiconductor Operations Subsidiary pursuant to Section 7.04, and (iii) assets acquired in connection with the TI Acquisition and any other assets acquired by the Company or a Semiconductor Operations Subsidiary pursuant to Section 7.05; provided, however, that such Liens existed at the time the respective
-------- -------
corporations

became Semiconductor Operations Subsidiaries or at the time the assets were acquired and were not created in anticipation thereof;

(j) purchase money and other security interests, and liens in the nature of capital leases, in personal or real property where the security interests do not extend beyond the property purchased or financed, any replacements, additions, attachments and accessions thereto, and the proceeds (including insurance proceeds) thereof and the amount of indebtedness secured thereby does not materially exceed the value of the property (except in connection with the Italian operations acquired in the TI Acquisition) and, in the aggregate, the amount of all indebtedness so secured does not at any time exceed (i) in the case of U.S. domestic net property, plant and equipment, 25% of the Company's and the Semiconductor Operations Subsidiaries' combined U.S. domestic net property, plant and equipment and (ii) in the case of total net property, plant and equipment, 30% of the Company's and the Semiconductor Operations Subsidiaries' combined total net property, plant and equipment (in each case as reflected on the Semiconductor Operations Supplemental Schedules) as of the last day of the fiscal quarter most recently ended prior thereto (including any such Lien securing any such indebtedness that is renewed, extended or refunded, provided that the principal amount of such indebtedness outstanding at the time of such renewal, extension or refunding is not materially increased and such Lien is not extended to any other property);

(k) Liens arising solely by virtue of any statutory, common law or contractual provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not
----
a dedicated cash collateral account and is not subject to restrictions against access by the Company or any Semiconductor Operations Subsidiary in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Company or any Semiconductor Operations Subsidiary to provide collateral to the depository institution;

(l) Liens securing extensions of credit made by the Company or another Semiconductor Operations Subsidiary to such Semiconductor Operations Subsidiaries, to the extent such extensions of credit are permitted by Section 7.06;

(m) Liens on amounts owed to the Company by a joint venture, an interest in which is being acquired by the Company in the TI Acquisition, which amounts are held in an escrow account by the lenders to such joint venture and which amounts constitute Investments permitted under Section 7.05;

(n) leases and subleases of, and licenses and sublicenses with respect to, property where the Company or a Semiconductor Operations Subsidiary is the lessor or licensor (or sublessor or sublicensor); provided that such leases,
----
subleases, licenses and sublicenses do not in the aggregate materially interfere with the business of the Company and its Semiconductor Operations Subsidiaries taken as a whole;

(o) Liens with respect to operating leases otherwise permitted by this Agreement; provided, that such Liens encumber only property financed or
----
leased, any replacements,

additions, attachments and accessions thereto, and the proceeds (including insurance proceeds) thereof;

(p) Liens incurred in the ordinary course of business used to secure cash reserves that have been deposited with the Company or its Semiconductor Operations Subsidiaries by customers to obtain the rights to delivery of future goods or services;

(q) Liens consisting of pledges of cash collateral or government securities to secure on a mark-to-market basis Permitted Swap Obligations only, provided that the counterparty to any Swap Contract relating to any such Permitted Swap Obligation is under a similar requirement to deliver similar collateral from time to time to the Company or the Semiconductor Operations Subsidiary party thereto on a mark-to-market basis; provided, however, that, as of any determination date, the amount of all such outstanding secured Permitted Swap Obligations, together with all outstanding secured Indebtedness permitted by subsection (r) below, shall not in the aggregate exceed 5% of Combined Tangible Assets;

(r) Liens incurred in the ordinary course of business securing Indebtedness other than borrowed money; provided, however, that the amount of all such outstanding secured Indebtedness, together with all outstanding secured Permitted Swap Obligations permitted by subsection (q) above, shall not in the aggregate exceed 5% of Combined Tangible Assets as of the end of the most recent fiscal quarter;

(s) Liens securing Indebtedness permitted by Section 7.06(n); and

(t) Liens in favor of a trustee granted pursuant to any Permitted Subordinated Debt of the type described in clause (vii) of the definition of Permitted Subordinated Debt.

Notwithstanding the foregoing, no Liens securing Indebtedness may exist at any time with respect to the Intellectual Property (as such term is defined in the Company Security Agreement) of the Company and its Semiconductor Operations Subsidiaries.

7.02 Exclusive Negative Pledge. The Company shall not, and shall not permit any of its Semiconductor Operations Subsidiaries to, enter into any Contractual Obligation (other than this Agreement) which prohibits the creation or assumption of any Lien upon or with respect to any part of such Persons properties or assets (including all Intellectual Property (as defined in the Company Security Agreement) and the capital stock of Semiconductor Operations Subsidiaries and Micron Electronics, Inc.) (such Contractual Obligation, a "Negative Pledge"), whether now owned or hereafter acquired, other than:

(a) Negative Pledges in favor of the Company or a Semiconductor Operations Subsidiary with respect to the assets of a Semiconductor Operations Subsidiary in connection with extensions of credit made by the Company or a Semiconductor Operations Subsidiary to such Semiconductor Operations Subsidiary, to the extent such extensions of credit are permitted by Section 7.07;

(b) Negative Pledges granted in connection with extensions of credit (whether or not guaranteed by the Company or a Semiconductor Operations Subsidiary) made available by

Persons other than the Company to a Semiconductor Operations Subsidiary to the extent such extensions of credit are permitted by Sections 7.06(h);

(c) Negative Pledges granted in connection with Permitted Subordinated Debt;

(d) Negative Pledges granted in connection with real or personal property financing arrangements to the extent permitted by Section 7.01(j), in favor of the Person providing such financing, pursuant to which the Company or a Semiconductor Operations Subsidiary, as applicable, agrees not to create or assume any Lien upon or with respect to the real property and equipment being financed (together with replacements, additions, attachments, accessions and proceeds (including insurance proceeds) thereof and accessories thereto); and

(e) Negative Pledges in connection with Indebtedness permitted under Section 7.06(p).

7.03 Disposition of Assets. The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) (together, "Dispositions") or enter into any agreement to do any of the foregoing, except for:

(a) Dispositions by a Semiconductor Operations Subsidiary of all or substantially all of its assets (upon voluntary dissolution, liquidation or otherwise) to the Company or any other Person, provided that if such a Disposition is to a Person other than the Company or another Semiconductor Operations Subsidiary (or a Wholly-Owned Subsidiary which, immediately following such dissolution or liquidation, will become a Semiconductor Operations Subsidiary), such Disposition would be a Distribution permitted under Section 7.09(d);

(b) Dispositions of assets in the ordinary course of business (the parties hereby agreeing that Dispositions of inventory, or used, worn-out or surplus equipment, or equipment pursuant to Permitted Sale-Leaseback Transactions shall be considered to be Dispositions in the ordinary course of business);

(c) Dispositions of immaterial ($1,000,000 or less individually) assets outside the ordinary course of business;

(d) Dispositions of material (greater than $1,000,000 individually) assets outside the ordinary course of business (other than accounts and notes receivable); provided that, except to the extent Commitment reductions are effected and any related prepayments made as contemplated by the last paragraph of this Section 7.03, the aggregate Net Proceeds of all material assets so sold, together with the aggregate Net Proceeds of any material (greater than $1,000,000 individually) assets disposed of pursuant to sale-leaseback transactions which do not constitute Permitted Sale-Leaseback Transactions since the Original Closing Date, shall not exceed $200,000,000 (the disposition of assets acquired in the TI Acquisition being excluded from the foregoing calculation);

(e) Subject to Subsection 7.03(f), dispositions of non-semiconductor operations assets, including dispositions of the capital stock of Subsidiaries that are not Semiconductor Operations Subsidiaries;

(f) Disposition of shares of Micron Electronics, Inc. stock, provided that, except to the extent Commitment reductions are effected and any related prepayments made as contemplated by the last paragraph of this Section 7.03, the aggregate Net Proceeds therefrom since the Original Closing Date shall not exceed $200,000,000; and

(g) Disposition of assets acquired in the TI Acquisition.

Notwithstanding the foregoing, (i) subject to clause (ii) below, the aggregate amount of Dispositions under subsections (d) and (f) since the Original Closing Date shall not exceed $300,000,000 in the aggregate; and (ii) Dispositions described in subsections (d) and (f) which involve an amount exceeding the maximum amount permitted under this Section 7.03 will be permitted hereunder if the Commitments are reduced as contemplated by Section 2.05 and, if required by Section 2.06 as a result of such Commitment reductions, the Net Proceeds are paid over to the Agent for the account of the Banks as a prepayment of the Loans in accordance with the requirements of Section 2.06.

7.04 Consolidations and Mergers. The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to, liquidate, dissolve or reorganize, or merge or consolidate with or into any other Person, except that:

(a) the Company or any Semiconductor Operations Subsidiary may merge, consolidate or reorganize with or into another Person (other than the Company or another Subsidiary) in connection with an Acquisition permitted pursuant to Section 7.05(g) or (o), provided that (i) no Default or Event of Default has occurred or would occur as a result thereof on a pro forma basis, and (ii) in the case of a transaction involving the Company, the Company shall be the surviving corporation, and (iii) in the case of a transaction involving a Semiconductor Operations Subsidiary, the resulting Person shall be a Semiconductor Operations Subsidiary;

(b) any Semiconductor Operations Subsidiary may merge, consolidate or reorganize with or into the Company or a Semiconductor Operations Subsidiary (or a Wholly-Owned Subsidiary which, immediately following such merger or consolidation, will become a Semiconductor Operations Subsidiary), provided that the Company or such Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(c) any Semiconductor Operations Subsidiary may consolidate or merge with or into any other Semiconductor Operations Subsidiary; and

(d) any Semiconductor Operations Subsidiary may liquidate or dissolve as permitted under Section 7.03(a).

7.05 Loans and Investments. The Company shall not purchase or acquire, or suffer or permit any Semiconductor Operations Subsidiary to purchase or acquire, any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make any Acquisitions, or make any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of the Company (together, "Investments"), except for:

(a) Investments held by the Company or a Semiconductor Operations Subsidiary in the form of cash equivalents and liquid investments;

(b) Investments in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services or licensing of property in the ordinary course of business;

(c) Investments made by the Company to or in its Semiconductor Operations Subsidiaries, or by a Semiconductor Operations Subsidiary to or in the Company or another Semiconductor Operations Subsidiary, to the extent permitted by Section 7.07;

(d) Investments in Micron Electronics, Inc.; provided, however, that the aggregate principal amount of all advances, loans and other extensions of credit to Micron Electronics, Inc. outstanding at any time plus the cumulative amount of all equity contributions in Micron Electronics, Inc. since the Original Closing Date shall not exceed $100,000,000 in the aggregate;

(e) [reserved];

(f) incidental loans or advances to employees in the ordinary course of business or as part of their overall compensation package;

(g) Investments incurred in order to consummate Acquisitions or to acquire equity minority interests in any Person that is not a Subsidiary; provided, however, that (i) the Investment is being made in a Person that is engaged in a line of business that would be permitted under Section 7.12 if such Person were a Semiconductor Operations Subsidiary, (ii) no Default or Event of Default has occurred or would occur as a result of such Investment on a pro forma basis, (iii) such Investments are undertaken in accordance with all applicable Requirements of Law, (iv) if such Investment constitutes an Acquisition, the prior, effective written consent or approval to such Investment of the board of directors or equivalent governing body of the Person acquired or in which the Investment is being made is obtained, and (v) the cumulative aggregate consideration paid (including the assumption of debt), the aggregate principal amount of all outstanding advances, loans and other extension of credit, plus the cumulative amount of all equity contributions made since the Original Closing Date in connection with such Investments (excluding the consideration paid in the TI Acquisition, and Indebtedness assumed in connection therewith and any Contingent Obligations in respect thereof) shall not exceed an amount equal to 25% of Combined Tangible Assets as of the last day of the most recently ended fiscal quarter;

(h) Investments consisting of guarantees by the Company and its Semiconductor Operations Subsidiaries of the obligations of vendors and suppliers of the Company or its Semiconductor Operations Subsidiaries entered into in the ordinary course of business;

(i) Investments constituting Permitted Swap Obligations or payments or advances under Swap Contracts relating to Permitted Swap Obligations;

(j) Investments existing on the Original Closing Date;

(k) Investments received in settlement of delinquent obligations or disputes, including Investments received in connection with the bankruptcy or reorganization of third Persons;

(l) Investments consisting of deposit accounts maintained in the ordinary course of business;

(m) Investments accepted in connection with Dispositions of assets permitted under Section 7.03;

(n) any Investment made in connection with a transaction permitted under Section 7.04;

(o) the TI Acquisition, provided that (i) no Default or Event of Default has occurred or would occur as a result of such Investment on a pro forma basis, and (ii) such Investment is undertaken in accordance with all applicable Requirements of Law; and

(p) Investments in non-Semiconductor Operations Subsidiaries (other than Micron Electronics, Inc.), and other Investments not described or covered by any of the foregoing subsections (a) through (o) of this Section; provided that (i) no Default or Event of Default has occurred or would occur as a result of such Investment on a pro forma basis, (ii) such Investments are undertaken in accordance with all applicable Requirements of Law, (iii) if such Investment constitutes an Acquisition, the prior, effective written consent or approval to such Investment of the board of directors or equivalent governing body of the Person acquired or in which the Investment is being made is obtained, and (iv) the cumulative aggregate consideration paid (including the assumption of debt), the aggregate principal amount of all outstanding advances, loans and other extension of credit, plus the cumulative amount of all equity contributions made since the Original Closing Date in connection with such Investments shall not exceed an amount equal to 5% of Combined Tangible Assets as of the last day of the most recently ended fiscal quarter.

7.06 Limitation on Indebtedness and Contingent Obligations.

The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness or Contingent Obligations, except, without duplication:

(a) Indebtedness incurred pursuant to this Agreement;

(b) Indebtedness and Contingent Obligations existing on the Original Closing Date and set forth in Schedule 7.06 to the Disclosure Letter;

(c) Contingent Obligations in the form of endorsements for collection or deposit in the ordinary course of business;

(d) Indebtedness with respect to cash deposited by customers to obtain the rights to delivery of future goods or services;

(e) Permitted Swap Obligations;

(f) Indebtedness permitted by Section 7.01(j);

(g) Indebtedness incurred in connection with Investments permitted by Section 7.05;

(h) Indebtedness incurred by the Company or any of the Semiconductor Operations Subsidiaries from Persons other than the Company or another Semiconductor Operations Subsidiary up to a maximum aggregate principal amount outstanding of $50,000,000;

(i) Indebtedness with respect to deferred compensation or employee benefit programs incurred in the ordinary course of business or in connection with the discontinuance or sale of businesses or facilities;

(j) (A) Indebtedness under the Subordinated Note Indenture outstanding as of the Closing Date; and (B) Permitted Subordinated Debt incurred by the Company in respect of TI Subordinated Debt and, subject to Section 7.10, other Permitted Subordinated Debt incurred by the Company in an aggregate principal amount not to exceed at any time $600,000,000;

(k) [reserved];

(l) Indebtedness or Contingent Obligations incurred in connection with the bonding requirements of Micron Construction, Inc.;

(m) Indebtedness incurred in the ordinary course of business by the Company or any Semiconductor Operations Subsidiary in connection with the payment of foreign currency amounts owed to the Company or any Semiconductor Operations Subsidiary by a customer;

(n) Indebtedness consisting of obligations with respect to standby letters of credit issued in the ordinary course of business;

(o) Contingent Obligations of the Company with respect to Indebtedness of its Semiconductor Operations Subsidiaries to the extent such Indebtedness is otherwise permitted under this Section 7.06, and Contingent Obligations of the Company with respect to Indebtedness of the Company or another Semiconductor Operations Subsidiaries to the extent such Indebtedness is otherwise permitted under this Section 7.06;

(p) Indebtedness of the Company and its Subsidiaries relating to or provided for in connection with the TI Acquisition;

(q) Indebtedness and Contingent Obligations other than for borrowed money, to the extent not otherwise permitted by this Section 7.06, in an aggregate principal amount not exceeding $50,000,000 at any time; and

(r) any extensions, renewals and refinancings of Indebtedness described in subsections (b), (j) and (p), provided that the principal amount
----
of such Indebtedness being extended, renewed or refinanced does not increase; and provided further that if any such Indebtedness being extended, renewed or
-------- -------
refinanced is Permitted Subordinated Debt, the extended, renewed or refinanced Indebtedness shall constitute Permitted Subordinated Debt satisfying all the conditions in the definition thereof.

7.07 Transactions with Affiliates. The Company shall not, and
----
shall not suffer or permit any Semiconductor Operations Subsidiary to, enter into any transaction with any Affiliate of the Company, except (a) with respect to any Affiliate which is not a Semiconductor

Operations Subsidiary, upon fair and reasonable terms no less favorable to the Company or such Semiconductor Operations Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Semiconductor Operations Subsidiary, and (b) with respect to any Affiliate which is a Semiconductor Operations Subsidiary, upon fair and reasonable terms.

7.08 Use of Proceeds. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, (a) to purchase or carry Margin Stock, (b) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, (c) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (d) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

7.09 Restricted Payments. The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock (in connection with a reclassification of such stock or otherwise), or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares or any Permitted Subordinated Debt, or make any voluntary payments on Permitted Subordinated Debt consisting of sinking fund payments, defeasances or redemptions thereof, now or hereafter outstanding (collectively "Restricted Payments"), except that, so long as no Default or Event of Default exists or would result therefrom:

(a) the Company may make Restricted Payments payable solely in its capital stock, and may distribute rights under any stockholder rights plan;

(b) the Company may make Restricted Payments with the proceeds received from the substantially concurrent issue of new shares of its capital stock and may redeem rights distributed under any stockholder rights plan;

(c) any Semiconductor Operations Subsidiary may declare and make Restricted Payments on account of any shares of any class of its capital stock or redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, to or from the Company or to or from another Semiconductor Operations Subsidiary; and

(d) the Company and its Semiconductor Operations Subsidiaries may make Restricted Payments from earnings available therefor; provided, that the aggregate amount of all such Restricted Payments paid during the then current fiscal quarter and the three fiscal quarters immediately preceding such quarter may not at any time exceed 25% of Combined Net Income for the most recently ended fiscal quarter and the three fiscal quarters immediately preceding such quarter.

7.10 Permitted Subordinated Debt. The Company shall not:

(a) (i) issue any Permitted Subordinated Debt if the aggregate issue price thereof (defined as the aggregate principal amount at maturity less the aggregate original issue discount) which, when aggregated with all other subordinated indebtedness, would exceed the amount permitted

under Section 7.06(j) immediately after giving effect to the issuance thereof; or (ii) issue or refinance any Permitted Subordinated Debt if a Default or Event of Default shall exist either immediately prior to, or after giving effect to, the incurrence of such Permitted Subordinated Debt;

(b) except as permitted under Section 7.09, pay any principal (including sinking fund payments) or any other amount (including scheduled interest payments) with respect to any Permitted Subordinated Debt (including the payment of cash in connection with such a conversion thereof), or purchase or redeem (or offer to purchase or redeem) any Permitted Subordinated Debt, or deposit any monies, securities or other Property with any trustee or other Person to provide assurance that the principal or any portion thereof of any Permitted Subordinated Debt will be paid when due or otherwise to provide for the defeasance of any Permitted Subordinated Debt; except, subject to the subordination provisions contained in any Permitted Subordinated Debt therein, the Company may: (i) pay scheduled interest payments on Permitted Subordinated Debt; (ii) make mandatory payments consisting of prepayments or redemptions of Permitted Subordinated Debt in each case scheduled at the time of issuance of Permitted Subordinated Debt; and (iii) deliver securities, cash and other property upon the conversion of the Permitted Subordinated Debt in accordance with the terms thereof (including the payment of cash in lieu of fractional shares in connection with such a conversion); or

(c) amend, waive, supplement or otherwise modify any instrument relating to any Permitted Subordinated Debt (including any modifications to the Subordinated Note Indenture made pursuant to a supplemental indenture, Section 301 of the Subordinated Note Indenture or otherwise) if, as a result thereof, such Permitted Subordinated Debt would no longer satisfy all the conditions set forth in the definition of "Permitted Subordinated Debt" or as otherwise approved by the Majority Banks.

7.11 ERISA. The Company shall not, and shall not suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could be reasonably expected to result in liability of the Company in an aggregate amount in excess of 5% of Combined Tangible Net Worth, or (b) engage in a transaction that could reasonably be expected to subject the Company to liability under Section 4069 or 4212(c) of ERISA.

7.12 Business or Accounting Changes. The Company shall not, and shall not suffer or permit any Semiconductor Operations Subsidiary to: (a) engage in any material line of business substantially different from those lines of business carried on by the Company and its Semiconductor Operations Subsidiaries on the date hereof, together with businesses which are appropriate extensions of or are reasonably related or incidental to the current businesses of the Company and its Semiconductor Operations Subsidiaries, or (b) make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP, or change the convention for determining the fiscal year of the Company or of any Semiconductor Operations Subsidiary.

7.13 Minimum Cash and Equivalents. The Company shall not permit the sum of its cash, cash equivalents and liquid investments as of the last day of any fiscal quarter

occurring (i) prior to the TI Acquisition to be less than $100,000,000, and (ii) on or after the closing date of the TI Acquisition to be less than $200,000,000.

7.14 Combined Tangible Net Worth. The Company shall not permit, as of the last day of any fiscal quarter, Combined Tangible Net Worth to be less than an amount equal to $1,900,000,000, plus the sum of (a) 75% of Combined Net Income (not reduced by Combined Net Loss for any period) earned in each fiscal quarterly accounting period commencing with the fiscal quarter ending September 3, 1998, and (b) 50% of the amount by which Combined Tangible Net Worth increases as a result of any secondary public or private offering of equity securities by the Company and its Semiconductor Operations Subsidiaries (not in connection with an Acquisition or employee stock option or purchase plans or the TI Acquisition) after the Closing Date.

7.15 Leverage Ratio. The Company shall not permit, as of the last day of any fiscal quarter, the Leverage Ratio to exceed 1.00 to 1.00.

7.16 Maximum Indebtedness to Capitalization. The Company shall not permit, as of the last day of any fiscal quarter, the aggregate amount of all Indebtedness of the Company and the Semiconductor Operations Subsidiaries on a combined basis to be an amount which exceeds 60% of Capitalization.

7.17 [Reserved]

7.18 Material Semiconductor Operations. The Company shall not permit any Material Semiconductor Operations to be conducted, individually or in the aggregate, by any Subsidiaries which are not Semiconductor Operations Subsidiaries. The Company shall not permit any Semiconductor Operations Subsidiary to be a non Wholly-Owned Subsidiary.

ARTICLE VIII - EVENTS OF DEFAULT

8.01 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. (i) The Company fails to pay, when and as required to be paid herein, (A) any amount of principal of any Loan, or (B) any amount of interest or commitment fee payable hereunder within five days after the same becomes due; or (ii) any Loan Party fails to pay any other amount payable hereunder or under any other Loan Document within 30 days after the same becomes due; or

(b) Representation or Warranty. Any representation or warranty by any Loan Party or any Semiconductor Operations Subsidiary made or deemed made herein or in any other Loan Document is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in Section 6.13 or in Article VII; or

(d) Other Defaults. (i) The Company fails to perform or observe any term, covenant or agreement contained in any of Sections 6.01, 6.02(a), 6.02(b), 6.03 or 6.10(b), and such default shall continue unremedied for a period of five days after the earlier of (a) the date upon which a Responsible Officer knew or reasonably should have known of such failure, and (b) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or (ii) any Loan Party fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 20 days after the earlier of (x) the date upon which a Responsible Officer knew or reasonably should have known of such failure, and (y) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or

(e) Cross-Acceleration -- Indebtedness. The Company or any Semiconductor Operations Subsidiary (i) fails to make any payment in respect of any individual item of Indebtedness having an aggregate principal amount (including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $10,000,000, or with respect to any multiple items of Indebtedness having an aggregate principal amount (including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $20,000,000, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure, or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness described in Section 8.01(e)(i) hereof and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure, if, in the case of clause (i) or clause (ii), the effect of such failure, event or condition results in the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) declaring such Indebtedness to be due and payable prior to its stated maturity; or

(f) Cross-Acceleration - Swap Obligations. There occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (i) any event of default under such Swap Contract as to which the Company or any Semiconductor Operations Subsidiary is the Defaulting Party (as defined in such Swap Contract), or (ii) any Termination Event (as defined in such Swap Contract) as to which the Company or any Semiconductor Operations Subsidiary is an Affected Party (as defined in such Swap Contract), and, in either event, the Swap Termination Value owed by the Company or such Semiconductor Operations Subsidiary as a result thereof is greater than $10,000,000; or

(g) Insolvency; Voluntary Proceedings. The Company or any Semiconductor Operations Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise, (ii) voluntarily ceases to conduct its business in the ordinary course, except as may otherwise be permitted herein, (iii) voluntarily commences any Insolvency Proceeding with respect to itself, or (iv) takes any action to effectuate or authorize any of the foregoing; or

(h) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Semiconductor Operations Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any Semiconductor Operations Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy, (ii) the Company or any Semiconductor Operations Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding, or (iii) the Company or any Semiconductor Operations Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(i) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of 5% of Combined Tangible Net Worth, (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds 5% of Combined Tangible Net Worth, or (iii) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of 5% of Combined Tangible Net Worth; or

(j) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Company or any Semiconductor Operations Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of $20,000,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of 30 consecutive days after the entry thereof; or

(k) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Company or any Semiconductor Operations Subsidiary which could reasonably be expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(l) Change of Control. If (i) any Person or two or more Persons acting in concert, other than TI, J.R. Simplot, J.R. Simplot Company, Simplot Canada Limited, a member of J.R. Simplot's immediate family and any other Persons controlled by or under common control with any of the foregoing, shall either acquire beneficial ownership, directly or indirectly, of, or acquire by contract or otherwise, or enter into a contract or arrangement which upon consummation will result in its or their acquisition of, or control over, securities of the Company (or other securities convertible into such securities) representing 30% or more of the combined voting power of all securities of the Company entitled to vote in the election of directors; or (ii) during any period of up to 12 consecutive months, commencing after the Original Closing Date,

individuals who at the beginning of such 12-month period were directors of the Company shall cease for any reason to constitute a majority of the Board of Directors of the Company unless the persons replacing such individuals were nominated by the Board of Directors of the Company; or

(m) Loss of Governmental Licenses. Any Governmental Authority revokes or fails to renew any material license, permit or franchise of the Company or any Semiconductor Operations Subsidiary, or the Company or any Semiconductor Operations Subsidiary for any reason loses any material governmental license, permit or franchise, or the Company or any Semiconductor Operations Subsidiary suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any material governmental license, permit or franchise and the effect of such revocation, failure to renew, loss or imposition could reasonably be expected to have a Material Adverse Effect; or

(n) Permitted Subordinated Debt; Loss of Subordination. Any event occurs which gives the holder or holders of any Permitted Subordinated Debt (or an agent or trustee on its or their behalf) the right to declare such Permitted Subordinated Debt due before the date on which it otherwise would become due, or the right to require the issuer thereof to redeem or purchase, or offer to redeem or purchase, all or any portion of any Permitted Subordinated Debt; or a final unstayed judgment is entered by a court of competent jurisdiction that any Permitted Subordinated Debt is not subordinated in accordance with its terms to the Obligations.

(o) Guarantor Defaults. The Guarantor fails in any material respect to perform or observe any term, covenant or agreement in the Guaranty; or the Guaranty is for any reason partially (including with respect to future advances) or wholly revoked or invalidated, or otherwise ceases to be in full force and effect, or the Guarantor or any other Person contests in any manner the validity or enforceability thereof or denies that it has any further liability or obligation thereunder.

(p) Collateral. (i) Any provision of any Collateral Document shall for any reason cease to be valid and binding on or enforceable against the Company or any Subsidiary party thereto or the Company or any Subsidiary party thereto shall so state in writing or bring an action to limit its obligations or liabilities thereunder; (ii) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in the Collateral purported to be covered thereby or such security interests shall for any reason cease to be a perfected and first priority security interest subject only to Permitted Liens; or (iii) any "Event of Default" (as defined) shall occur and be continuing under any Collateral Document.

8.02 Remedies. If any Event of Default occurs, the Agent shall, at the request of, or may, with the consent of, the Majority Banks: (a) declare the obligation of each Bank to make Loans to be terminated, whereupon such obligation and such Bank's Commitment shall be terminated, (b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company, and (c) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law; provided, however, that upon the occurrence of any event

specified in subsection (g) or (h) of Section 8.01 (in the case of clause (i) of subsection (h) upon the expiration of the 60-day period mentioned therein), the obligation of each Bank to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent or any Bank.

8.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

8.04 Certain Financial Covenant Defaults. In the event that, after taking into account any extraordinary charge to earnings taken or to be taken as of the end of any fiscal period of the Company (a "Charge"), and if solely by virtue of such Charge, there would exist an Event of Default due to the breach of any of Sections 7.13, 7.14, 7.15 or 7.16 as of such fiscal period end date, such Event of Default shall be deemed to arise upon the earlier of (a) the date after such fiscal period end date on which the Company announces publicly it will take, is taking or has taken such Charge (including an announcement in the form of a statement in a report filed with the SEC) or, if such announcement is made prior to such fiscal period end date, the date that is such fiscal period end date, and (b) the date the Company delivers to the Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

ARTICLE IX - THE AGENT

9.01 Appointment and Authorization; "Agent". Each Bank hereby irrevocably (subject to Section 9.09) appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

9.02 Delegation of Duties. The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The

Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Agent. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

9.04 Reliance by Agent. (a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

9.05 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will notify the Banks of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be

requested by the Majority Banks in accordance with Article VIII; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.06 Credit Decision. Each Bank acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and credit worthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and credit worthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or credit worthiness of the Company which may come into the possession of any of the Agent-Related Persons.

9.07 Indemnification of Agent. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

9.08 Agent in Individual Capacity. BofA (and any successor Agent pursuant to Section 9.09) and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries

and Affiliates as though BofA (or such successor Agent) were not the Agent hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BofA (and any successor Agent pursuant to Section 9.09) or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA (and any successor Agent pursuant to Section 9.09) shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" include BofA (or such successor Agent) in its individual capacity.

9.09 Successor Agent. The Agent may, and at the request of the Majority Banks shall, resign as Agent upon 30 days' notice to the Banks. If the Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks, which successor agent shall be approved by the Company. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX and Sections 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above.

9.10 Withholding Tax. (a) If any Bank is a "foreign corporation, partnership or trust" within the meaning of the Code and such Bank claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Bank agrees with and in favor of the Agent, to deliver to the Agent:

(i) if such Bank claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, two properly completed and executed copies of IRS Form 1001 before the payment of any interest or fees in the first calendar year and before the payment of any interest or fees in each third succeeding calendar year during which interest or fees may be paid under this Agreement;

(ii) if such Bank claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Bank, two properly completed and executed copies of IRS Form 4224 before the payment of any interest or fees are due in the first taxable year of such Bank and in each succeeding taxable year of such Bank during which interest or fees may be paid under this Agreement; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Bank agrees to promptly notify the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company owing to such Bank, such Bank agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Bank. To the extent of such percentage amount, the Agent will treat such Bank's IRS Form 1001 as no longer valid.

(c) If any Bank claiming exemption from United States withholding tax by filing IRS Form 4224 with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company owing to such Bank, such Bank agrees to notify the Agent of the percentage amount which it is no longer the beneficial owner of Obligations of the Company to such Bank. To the extent of such percentage amount, the Agent will treat such Bank's IRS Form 4224 as no longer valid.

(d) If any Bank is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. However, if the forms or other documentation required by subsection (a) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank because the appropriate form was not delivered or was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses including Attorney Costs). The obligation of the Banks under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

9.11 Co-Agents. None of the Banks identified on the facing page or signature pages of this Agreement as a "co-agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified as a "co-agent" shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

9.12 Collateral Matters. (a) The Agent is authorized on behalf of all the Banks to execute the Collateral Agreements and, without the necessity of any notice to or further consent from the Banks, from time to time to take any action with respect to any Collateral or the Collateral Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Collateral Documents.

(b) The Banks irrevocably authorize the Agent, at its option and in its discretion, to release any Lien granted to or held by the Agent upon any Collateral (i) upon termination of the Commitments and payment in full of all Loans and all other Obligations known to the Agent and payable under this Agreement or any other Loan Document; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) constituting property in which the Company or any Subsidiary owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting property to be leased by the Company or the Guarantor or constituting security for Indebtedness to be incurred by the Company or the Guarantor, in each case in a transaction permitted under this Agreement; (v) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness evidenced thereby has been paid in full; or (vi) if approved, authorized or ratified in writing by the Majority Banks (as specifically contemplated in the Loan Documents) or all the Banks, as the case may be, as provided in subsection 10.01(f). Upon request by the Agent at any time, the Banks will confirm in writing the Agent's authority to release particular types or items of Collateral pursuant to this subsection 9.12(b), provided that the absence of any such confirmation for whatever reason shall not affect the Agent's rights under this Section 9.12.

ARTICLE X - MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company or any applicable Subsidiary therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks (or by the Agent at the written request of the Majority Banks) and the Company and acknowledged by the Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Banks and the Company and acknowledged by the Agent, do any of the following: (a) increase or extend the Commitment of any Bank (or reinstate any Commitment terminated pursuant to Section 8.02), (b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document, (c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (ii) below) any fees or other amounts payable hereunder or under any other Loan Document, (d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Banks or any of them to take any action hereunder, (e) amend this Section, Section 2.13 or Section 2.14, or any provision herein providing for consent or other action by all Banks, or (f) discharge the Guarantor, or release any of the Collateral, except as otherwise may be provided herein or in the Collateral Documents or except where the consent of the Majority Banks only is

specifically provided for; and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under this Agreement or any other Loan Document, (ii) the fee letter referred to in Section 2.09 may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto; and (iii) nothing herein shall be construed to prohibit deemed amendments from taking effect pursuant to Sections 3.07 or 10.08(c) hereof.

10.02 Notices. (a) All notices, requests, consents, approvals, waivers and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Company by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 10.02, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 10.02; or, as directed to the Company or the Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon receipt by the addressee, or if delivered, upon delivery; except that notices pursuant to Article II or IX to the Agent shall not be effective until actually received by the Agent.

(c) Any agreement of the Agent and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and the Agent and the Banks shall not have any liability to the Company or other Person on account of any action taken or not taken by the Agent or the Banks in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans shall not be affected in any way or to any extent by any failure by the Agent and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agent and the Banks of a confirmation which is at variance with the terms understood by the Agent and the Banks to be contained in the telephonic or facsimile notice.

10.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.04 Costs and Expenses. The Company shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse BofA (including in its capacity as Agent) and the Lead Arranger for all reasonable costs and expenses incurred by them in connection with the development, preparation, delivery,

administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, the consummation of the transactions contemplated hereby and thereby, and in connection with any borrowing base audit of the Company by the Agent, including Attorney Costs incurred by them with respect thereto, and including all title, appraisal (including the allocated cost of internal appraisal services), survey, audit, environmental inspection, consulting, search, recording, filing and similar costs, fees and expenses incurred or sustained by the Agent or any of its Affiliates in connection with the Collateral Documents or the Collateral; and

(b) pay or reimburse the Agent, the Lead Arranger and each Bank for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding). The agreements in this Section shall survive the payment of all other Obligations.

10.05 Company Indemnification. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify, defend and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person in favor of any third-party in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

10.06 Payments Set Aside. To the extent that the Company makes a payment to the Agent or the Banks, or the Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or

such set-off had not occurred, and (b) each Bank severally agrees to pay to the Agent upon demand its pro rata share of any amount so recovered from or repaid by the Agent.

10.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank.

10.08 Assignments, Participations, etc. (a) Any Bank may, with the written consent of the Company (at all times other than during the existence of an Event of Default) and the Agent, which consents shall not unreasonably be withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Company or the Agent shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank or to another Bank party hereto) (each an "Assignee") all, or any ratable part of all, of the Loans, the Commitments and the other rights and obligations of such Bank hereunder, in a minimum amount of $5,000,000, or such lesser amount which represents a Bank's entire Commitment (provided that no minimum amount limitation shall apply in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank or to another Bank party hereto); provided, however, that the Company and the Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Company and the Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Company and the Agent an Assignment and Acceptance substantially in the form of Exhibit N ("Assignment and Acceptance"), together with any Note or Notes subject to such assignment, and (iii) the assignor Bank or Assignee has paid to the Agent a processing fee in the amount of $3,500.

(b) From and after the date that the Agent notifies the assignor Bank that the Agent and the Company have received (and provided their consent, if required, with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents; provided, however, that the assignor Bank shall not relinquish its rights under Article III or under Sections 10.04 and 10.05 to the extent such rights relate to the time prior to the effective date of the Assignment and Acceptance.

(c) Within five Business Days after the Company's receipt of notice by the Agent that it has received an executed Assignment and Acceptance and payment of the processing fee, (and provided that the Company consents to such assignment in accordance with Section 10.08(a)), the Company shall execute and deliver to the Agent, new Notes evidencing such Assignee's assigned Loans and Commitment and, if the assignor Bank has retained a portion of its Loans and its Commitment, replacement Notes in the principal amount of the Loans retained by the assignor Bank (such Notes to be in exchange for, but not in payment of, the Notes held by such

Bank). Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Bank pro tanto.

(d) Any Bank may at any time sell to one or more commercial banks or other Persons not Affiliates of the Company (a "Participant") participating interests in any Loans, the Commitment of that Bank and the other interests of that Bank (the "originating Bank") hereunder and under the other Loan Documents; provided, however, that (i) the originating Bank's obligations under this Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 10.01. In the case of any such participation, the Participant shall be entitled to the benefit of Sections 3.01, 3.03 and 10.05 as though it were also a Bank hereunder (provided, however, that no Participant shall be entitled to greater benefits under any such Section than the Bank which sold such participation would have been entitled to), and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(e) Notwithstanding any other provision in this Agreement, any Bank may at any time, without the consent of any Person, create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR (S)203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

10.09 Confidentiality. Each Bank agrees to take and to cause its Affiliates to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all confidential information provided to it by the Company or any Subsidiary, or by the Agent on the Company's or such Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Company or any Subsidiary; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however, that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of

such Bank by any such authority; (B) pursuant to subpoena or other court process, provided, that the Bank shall use its reasonable, good faith efforts to provide prior written notice (unless prohibited from doing so by any applicable Requirement of Law) to the Company to allow the Company to seek a protective order; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding (except as set forth in clause (E)) to which the Agent, any Bank or their respective Affiliates may be party, provided, that the Bank shall use its reasonable, good faith efforts to provide prior written notice (unless prohibited from doing so by any applicable Requirement of Law) to the Company to allow the Company to seek a protective order; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors, provided such persons have a need to know such information and agree to be bound by the terms of this Section 10.09 as so they were a party hereto; (G) to any Participant or Assignee, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Banks hereunder; (H) as to any Bank or its Affiliate, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company or any Subsidiary is party or is deemed party with such Bank or such Affiliate; and (I) to its Affiliates. Upon the execution hereof by all the parties, the confidentiality undertaking set forth in this Section shall replace and supersede the terms of any confidentiality agreement between the Company and any of the Agent or the Banks executed prior to the Original Closing Date and shall survive the termination of this Agreement for a period of 12 months.

10.10 Set-off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, upon obtaining the prior written consent of the Agent, and without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Company against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Company and the Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

10.11 Notification of Addresses, Lending Offices, Etc. Each Bank shall notify the Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Agent shall reasonably request.

10.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. Each of the parties hereto understands and agrees that this Agreement and any other Loan Document

may be delivered by any party hereto or thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Bank or the Company shall bind such Bank or the Company, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

10.13 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required thereunder.

10.14 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Banks, the Agent, the Indemnified Persons, and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

10.15 Governing Law and Jurisdiction. (a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY, THE AGENT AND THE BANKS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY, THE AGENT AND THE BANKS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY CALIFORNIA LAW.

10.16 Waiver of Jury Trial. THE COMPANY, THE BANKS AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY

OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE BANKS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

10.17 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Banks and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

10.18 Amendment and Restatement of Existing Facility. From and after the Closing Date, this Agreement amends and restates the Existing Facility.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in San Francisco, California by their proper and duly authorized officers as of the day and year first above written.

MICRON TECHNOLOGY, INC.

By:

Name: Norman Schlachter
Title: Treasurer

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:

Name: Dietmar Schiel
Title: Vice President

ABN AMRO BANK N.V., as Co-Agent and a Bank

By:

Name:
Title:

By:

Name:
Title:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Bank

By:

Name: Michael J. McCutchin
Title: Managing Director

THE BANK OF NOVA SCOTIA, as Co-Agent
and a Bank

By:

Name:
Title:

FLEET NATIONAL BANK, as Co-Agent and a Bank

By:

Name:
Title:

PNC BANK, NATIONAL ASSOCIATION,
as Co-Agent and a Bank

By:

Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as Co-Agent
and a Bank

By:

Name:
Title:

ROYAL BANK OF CANADA

By:

Name:
Title:

BANQUE NATIONALE DE PARIS

By:

Name:
Title:

By:

Name:
Title:

KEYBANK NATIONAL ASSOCIATION

By:

Name:
Title:

MELLON BANK, N.A.

By:

Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED,
LOS ANGELES AGENCY

By:

Name:
Title:

THE FUJI BANK, LIMITED, LOS ANGELES AGENCY

By:

Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
SAN FRANCISCO AGENCY

By:

Name:
Title:

THE SUMITOMO BANK LIMITED

By:

Name:
Title:

FIRST SECURITY BANK, N.A.

By:

Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.,
LOS ANGELES AGENCY

By:

Name:
Title:

THE SAKURA BANK, LIMITED

By:

Name:
Title:

THE BANK OF NEW YORK

By:

Name:
Title:

PARIBAS

By:

Name:
Title:

By:

Name:
Title:

ANNEX I

PRICING GRID

		INDEBTEDNESS TO CAPITALIZATION LESS THAN 40%			INDEBTEDNESS TO CAPITALIZATION GREATER THAN OR EQUAL TO 40%		
LEVEL	EBITDA	LIBOR Margin	Base Rate Margin	Commitment Fee	LIBOR Margin	Base Rate Margin	Commitment Fee
1	Greater than $2.0 BN	0.875%	0.000%	0.3500%	1.125%	0.1250%	0.3500%
2	$1.6-$2.0 BN	1.000%	0.000%	0.3500%	1.250%	0.2500%	0.3750%
3	$1.2-$1.6 BN	1.250%	0.250%	0.3750%	1.500%	0.5000%	0.4000%
4	$0.8-$1.2 BN	1.500%	0.500%	0.4000%	1.750%	0.7500%	0.5000%
5	$0.4-$0.8 BN	1.625%	0.625%	0.4375%	1.875%	0.8750%	0.5000%
6	Less than $0.4 BN	1.750%	0.750%	0.5000%	2.000%	1.0000%	0.5000%

EBITDA and Indebtedness to Capitalization used to compute the LIBOR Margin, the Base Rate Margin and the Commitment Fee set forth above shall be EBITDA and Indebtedness to Capitalization as set forth in the Compliance Certificate most recently delivered by the Company to the Agent pursuant to Section 6.02(a) of the Credit Agreement. EBITDA shall be determined (i) as of 9/3/98 by multiplying EBITDA for the fiscal quarter ending 9/3/98 by four; (ii) as of 12/3/98 by multiplying the sum of EBITDA for the fiscal quarters ending 9/3/98 and 12/3/98 by two; (iii) as of 3/4/99 by dividing the sum of EBITDA for the fiscal quarters ending 9/3/98, 12/3/98 and 3/4/99 by three, and then multiplying such amount by four; and (iv) and thereafter for the four consecutive fiscal quarters ending on the date of the financial statements referred to in the Compliance Certificate.

The Applicable Fee Percentage shall be adjusted automatically as to the commitment fee then accruing effective as of the 100th day after the end of each fiscal year and the 60th day after the end of the first three fiscal quarters of each fiscal year based on EBITDA and Indebtedness to Capitalization set forth in the most recently delivered Compliance Certificate; provided, however, that for the period from the Closing Date
-------- -------
through the 100th day after the end of the Company's fiscal year ending 9/3/98, the Applicable Fee Percentage shall be 0.5000%.

The Applicable Margin shall be adjusted automatically as to all Loans then outstanding effective as of the 100th day after the end of each fiscal year and the 60th day after the end of the first three fiscal quarters of each fiscal year based on EBITDA and Indebtedness to Capitalization as set forth in the most recently delivered Compliance Certificate; provided, however,
-------- -------
that for the period from the Closing Date through the 100th day after the end of the Company's fiscal year ending 9/3/98, the Applicable Margin shall be 1.750% (LIBOR Margin) and 0.750% (Base Rate Margin).

If the Company shall fail to deliver a Compliance Certificate within the number of days after the end of any fiscal quarter or fiscal year as required pursuant to Section 6.02(a) (without giving effect to any grace period), the Applicable Fee Percentage and the Applicable Margin from the first day after the date on which such Compliance Certificate was required to be delivered to the

Agent to the day the Company delivers to the Agent a Compliance Certificate shall conclusively equal the highest Applicable Fee Percentage and Applicable Margin set forth above.

PRICING GRID

SCHEDULE 2.01

COMMITMENTS AND PRO RATA SHARES

Bank	Commitment	Pro Rata Share
Bank of America National Trust and Savings Association	$ 35,200,000	8.8%
ABN AMRO Bank, N.V.	28,000,000	7.0
The Bank of Nova Scotia	28,000,000	7.0
Fleet National Bank	28,000,000	7.0
PNC Bank, National Association	28,000,000	7.0
U.S. Bank National Association	28,000,000	7.0
Royal Bank of Canada	24,000,000	6.0
Banque Nationale de Paris	20,000,000	5.0
KeyBank National Association	20,000,000	5.0
Mellon Bank, N.A.	20,000,000	5.0
The Dai-Ichi Kangyo Bank, Limited, Los Angeles Agency	20,000,000	5.0
The Fuji Bank, Limited, Los Angeles Agency	20,000,000	5.0
The Industrial Bank of Japan, Limited, San Francisco Agency	20,000,000	5.0
The Sumitomo Bank Limited	20,000,000	5.0
First Security Bank, N.A.	12,800,000	3.2
The Long-Term Credit Bank of Japan, Ltd., Los Angeles Agency	12,800,000	3.2
The Sakura Bank, Limited	12,800,000	3.2
The Bank of New York	11,200,000	2.8
Paribas	11,200,000	2.8
TOTAL	$400,000,000	100.0

SCHEDULE 4.01

FILING OFFICES

1. FILING OFFICES AS TO COLLATERAL PROVIDED PURSUANT TO THE SECURITY AGREEMENTS.

   a) Secretary of State of the State of Idaho (Company and Guarantor)

   b) Office of the County Recorder of Ada County, Idaho (Company and Guarantor)

   c) Division of Corporations and Commercial Code, Utah Department of Commerce (Company and Guarantor)

   d) Office of the County Recorder of Utah County, Utah (Company and Guarantor)

   e) Secretary of State of the State of Texas (Company and Guarantor)

   f) Secretary of State of California (Company and Guarantor)

   g) Secretary of State of North Carolina, UCC Division (Company and Guarantor)

   h) Office of the County Recorder of Durham County, North Carolina (Company and Guarantor)

   i) Secretary of State of the State of South Dakota, UCC Division Central Filing (Company and Guarantor)

   j) State Corporation Commission of the State of Virginia (Company and Guarantor)

   k) Office of the County Recorder of Richmond County, Virginia (Company and Guarantor)

2. FILING OFFICES AS TO COLLATERAL PROVIDED PURSUANT TO THE DEEDS OF TRUST

   a) Office of the County Recorder of Ada County, Idaho (Company)

   b) Office of the County Recorder of Utah County, Utah (Company)

SCHEDULE 10.02

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

MICRON TECHNOLOGY, INC.

Notices:

Micron Technology, Inc.
8000 S. Federal Way
Mail Stop 157
Boise, Idaho 83716-9632
Attention: Norman L. Schlachter
Treasurer
Telephone: (208) 368-3766
Facsimile: (208) 368-4095

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, AS AGENT

Address for Notices of Borrowing and
Notices of Conversion/Continuation:

Bank of America National Trust
and Savings Association
Agency Administrative Services #5596
1850 Gateway Boulevard
Concord, California 94520
Attention: Blanca Vinje
Sr. Associate Agency Officer
Telephone: (415) 675-8432
Facsimile: (415) 675-8500

Notices (other than Notice of Borrowing
and Notices of Conversion/Continuation):

Bank of America National Trust
  and Savings Association
Agency Management #10831
1455 Market Street, 12th Floor
San Francisco, CA 94103
Attention: Wendy Young
            Vice President
            Telephone: (415) 436-3420
            Facsimile: (415) 436-3425

Payment Office:

Bank of America National Trust
  and Savings Association
ABA No. 121-000-358
1850 Gateway Boulevard, Fifth Floor
Concord, California 94520
Account No.: 12332-15032
Reference: Micron Technology, Inc.
Attention: Agency Administrative Services #5596

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as a Bank

Notices (other than Notice of Borrowing
and Notices of Conversion/Continuation):

Bank of America National Trust
  and Savings Association
Credit Products-High Technology-SF #3697
555 California Street, 41st Floor
San Francisco, CA 94104
Attention: Michael J. McCutchin
            Managing Director
            Telephone: (415) 622-4589
            Facsimile: (415) 622-2514

Domestic and Offshore Lending Office:

Bank of America National Trust
and Savings Association
1850 Gateway Boulevard, Fourth Floor
Concord, California 94520
Reference: Micron Technology, Inc.
Attention: Marlene Clarine
Telephone: (925) 675-7335
Facsimile: (925) 603-7254

PNC BANK, NATIONAL ASSOCIATION

Notices:

PNC Bank, National Association
One PNC Plaza
249 5th Avenue, Mail Stop: P-1-P0PP-02-4
Pittsburgh, PA 15222
Attention: Philip Liebscher
Vice President
Telephone: (412) 762-3202
Facsimile: (412) 762-6484

Domestic and Offshore Lending Office:

PNC Bank, National Association
One PNC Plaza
249 5th Avenue, Mail Stop: P-1-P0PP-02-4
Pittsburgh, PA 15222
Attention: Sally Hunter
Telephone: (412) 768-3807
Facsimile: (412) 768-4586

U.S. BANK NATIONAL ASSOCIATION

Notices:

U.S. Bank National Association
111 S.W. Fifth Avenue
Suite 400
Portland, OR 97204
Attention: Ross Beaton
Treasury Director
Telephone: (503) 275-5172
Facsimile: (503) 275-5795

Domestic and Offshore Lending Office:

U.S. Bank National Association
Oregon Corporate Loan Servicing
555 S.W. Oak
Suite PL7
Portland, OR 97204
Attention: Lan Tran
Telephone: (503) 275-3337
Facsimile: (503) 275-4600

ABN AMRO BANK, N.V.

Notices:

ABN AMRO Bank, N.V.
135 S. LaSalle Street
Suite 2805
Chicago, IL 60603
Attention: Credit Administration
Telephone: (312) 904-8835
Facsimile: (312) 904-8840

With a copy to:

ABN AMRO Bank, N.V.
600 University Street, Suite 2323
One Union Square
Suite 2323
Seattle, WA 98101
Attention: Lee-Lee Miao
Vice President
Telephone: (206) 654-0362
Facsimile: (206) 682-5641

Domestic and Offshore Lending Office:

ABN AMRO Bank, N.V.
135 S. LaSalle Street
Suite 625
Chicago, IL 60603
Attention: Loan Administration
Telephone: (312) 904-8855
Facsimile: (312) 904-1287

THE BANK OF NOVA SCOTIA

Notices:

The Bank of Nova Scotia
580 California Street
Suite 2100
San Francisco, CA 94104
Attention: Maarten Van Otterloo
Senior Relationship Manager
Telephone: (415) 616-4161
Facsimile: (415) 397-0791

Domestic and Offshore Lending Office:

The Bank of Nova Scotia
580 California Street
Suite 2100
San Francisco, CA 94104
Attention: Maarten Van Otterloo
Senior Relationship Manager
Telephone: (415) 616-4161
Facsimile: (415) 397-0791

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
SAN FRANCISCO AGENCY

Notices:

The Industrial Bank of Japan, Limited,
San Francisco Agency
555 California Street
Suite 3110
San Francisco, CA 94104
Attention: Greg Stewart
Vice President
Telephone: (415) 693-1824
Facsimile: (415) 982-1917

Domestic and Offshore Lending Office:

The Industrial Bank of Japan, Limited,
San Francisco Agency
555 California Street
Suite 3110
San Francisco, CA 94104
Attention: Jeannette O'Donnell
Telephone: (415) 693-1831
Facsimile: (415) 982-1917

KEYBANK NATIONAL ASSOCIATION

Notices:

KeyBank National Association
700 Fifth Avenue
48th Floor
Seattle, WA 98104
Attention: John H. Brock
Senior Vice President and Manager
Telephone: (206) 684-6031
Facsimile: (206) 684-6035

Domestic and Offshore Lending Office:

KeyBank National Association
700 Fifth Avenue
48th Floor
Seattle, WA 98104

ROYAL BANK OF CANADA

Notices:

Royal Bank of Canada
600 Wilshire Boulevard
Suite 800
Los Angeles, CA 90017
Attention: Michael Cole
Manager
Telephone: (213) 955-5328
Facsimile: (213) 955-5350

Domestic and Offshore Lending Office:

Royal Bank of Canada
600 Wilshire Boulevard
Suite 800
Los Angeles, CA 90017

BANQUE NATIONALE DE PARIS

Notices:

Banque Nationale de Paris
180 Montgomery Street
3rd Floor
San Francisco, CA 94104
Attention: Michael McCorriston
Vice President
Telephone: (415) 956-0707
Facsimile: (415) 296-8954

Domestic and Offshore Lending Office:

Banque Nationale de Paris, San Francisco Branch
180 Montgomery Street
San Francisco, CA 94104
Telephone: (415) 956-0707
Facsimile: (415) 989-9041

THE FUJI BANK, LIMITED, LOS ANGELES AGENCY

Notices:

The Fuji Bank, Limited,
Los Angeles Agency
333 South Grand Avenue
25th Floor, Suite 3900
Los Angeles, CA 90071
Attention: Steve Brennan
Vice President and Manager
Telephone: (213) 253-4174
Facsimile: (213) 253-4198

Domestic and Offshore Lending Office:

The Fuji Bank, Limited,
Los Angeles Agency
333 South Grand Avenue
25th Floor, Suite 3900
Los Angeles, CA 90071
Attention: Vivian Chang
Telephone: (213) 253-4129
Facsimile: (213) 253-4198

THE BANK OF NEW YORK

Notices:

The Bank of New York
10990 Wilshire Boulevard
Suite 1125
Los Angeles, CA 90024
Attention: Robert Louk
Vice President
Telephone: (310) 996-8663
Facsimile: (310) 996-8667

Domestic and Offshore Lending Office:

The Bank of New York
One Wall Street
22nd Floor
New York, NY 10286
Attention: Sandra Morgan
Telephone: (212) 635-6743
Facsimile: (212) 635-6877

THE DAI-ICHI KANGYO BANK, LIMITED,
LOS ANGELES AGENCY

Notices:

The Dai-Ichi Kangyo Bank, Limited,
San Francisco Agency
101 California Street
Suite 4000
San Francisco, CA 94111
Attention: Virgilio N. Madrid
Vice President
Telephone: (415) 393-1811
Facsimile: (415) 788-7868

Domestic and Offshore Lending Office:

The Dai-Ichi Kangyo Bank, Limited,
Los Angeles Agency
Credit Administration
555 W. Fifth Street
Los Angeles, CA 90013
Attention: Matilda Chiriboga
Telephone: (213) 243-4713
Facsimile: (213) 243-4896

FIRST SECURITY BANK, N.A.

Notices:

First Security Bank, N.A.
3276 Elder Street
Boise, ID 83705
Attention: Brian W. Cook
Vice President
Telephone: (208) 393-2162
Facsimile: (208) 393-2472

Domestic and Offshore Lending Office:

First Security Bank, N.A.
3276 Elder Street
Boise, ID 83705
Attention: Rhonda Miller
Telephone: (208) 393-4117
Facsimile: (208) 393-4540

FLEET NATIONAL BANK

Notices:

Fleet National Bank
One Federal Street
Boston, MA 02211
Attention: Frank Benesh
Vice President
Telephone: (617) 346-0617
Facsimile: (617) 346-0568

Domestic and Offshore Lending Office:

Fleet National Bank
One Federal Street
Boston, MA 02211
Attention: Pauline Kowalczyk
Telephone: (617) 346-0622
Facsimile: (617) 346-0595

THE LONG-TERM CREDIT BANK OF JAPAN,
LTD., LOS ANGELES AGENCY

Notices:

The Long-Term Credit Bank of Japan,
Ltd., Los Angeles Agency
350 South Grand Avenue, Suite 3000
Los Angeles, CA 90071
Attention: Tamotsu Ukai
Vice President
Telephone: (213) 689-63345
Facsimile: (213) 626-1067

Domestic and Offshore Lending Office:

The Long-Term Credit Bank of Japan,
Ltd., Los Angeles Agency
350 South Grand Avenue, Suite 3000
Los Angeles, CA 90071
Attention: Cindy Ly
Telephone: (213) 689-6247
Facsimile: (213) 626-1067

MELLON BANK, N.A.

Notices:

Mellon Bank, N.A.
Info Tech Group Rep Office
435 Tasso Street, Suite 100
Palo Alto, CA 93401
Attention: Edwin Wiest
First Vice President
Telephone: (415) 326-3005
Facsimile: (415) 326-2382

Domestic and Offshore Lending Office:

Mellon Bank, N.A.
3 Mellon Bank Center
Room 2304
Pittsburgh, PA 15259
Attention: D. Carr
Telephone: (412) 234-1872
Facsimile: (412) 234-5049

THE SUMITOMO BANK LIMITED

Notices:

The Sumitomo Bank Limited
1201 Third Avenue
Suite 5320
Seattle, WA 98101
Attention: Bob Granfelt
Vice President
Telephone: (206) 223-4050
Facsimile: (206) 623-8551

Domestic and Offshore Lending Office:

The Sumitomo Bank Limited
777 S. Figueroa #2600
Los Angeles, CA 90017
Attention: Miriam Delgado
Vice President
Telephone: (213) 955-0867
Facsimile: (213) 623-6832

THE SAKURA BANK, LIMITED

Notices:

The Sakura Bank, Limited
U.S. Corporate Finance Department
Los Angeles Agency
515 South Figueroa St., Suite 400
Los Angeles, CA 90071-3301
Attention: Jonathan R. Hainer
Telephone: (213) 489-6479
Facsimile: (213) 623-8692

Domestic and Offshore Lending Office:

The Sakura Bank, Limited
New York Branch
Loan Administration Dept.
277 Park Avenue, 45th Floor
New York, NY 10172
Attention: Patricia L. Walsh
Telephone: (212) 756-6788
Facsimile: (212) 756-6781

PARIBAS

Notices:

Paribas
101 California Street, Suite 3150
San Francisco, CA 94111
Attention: Jonathan Leone
Vice President
Telephone: (415) 398-6811
Facsimile: (415) 398-4240

Domestic and Offshore Lending Office:

Paribas
2029 Century Park East, Suite 3900
Los Angeles, CA 90067
Attention: Shirley Williams
Telephone: (310) 551-7360
Facsimile: (310) 553-1504 OR (310) 556-8759

EXHIBIT A

FORM OF NOTICE OF BORROWING

Date: _____

To: Bank of America National Trust and Savings Association, as Agent for the Banks party to the Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Micron Technology, Inc., the several financial institutions from time to time party to the Credit Agreement (the "Banks"), and Bank of America National Trust and Savings Association, as Agent

Ladies and Gentlemen:

The undersigned, Micron Technology, Inc. (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.03 of the Credit Agreement, of the Borrowing specified below:

1. The Business Day of the proposed Borrowing is _____.

2. The aggregate amount of the proposed Borrowing is $_____.

3. The Borrowing is to be comprised of $_____ of [Base Rate] [Offshore Rate] Loans.

[4. The duration of the Interest Period for the Offshore Rate Loans included in the Borrowing shall be _____ months.]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Company contained in Article V of the Credit Agreement are true and correct as though made on and as of such date, except (i) to the extent such representations and warranties relate to an earlier date, in which case they were true and correct as of such earlier date, (ii) that this subparagraph (a) shall be deemed instead to refer to the last day of the most recent quarter and year for which financial statements have then been delivered in respect of the representations and warranties made in subsections 5.11(a) and 5.11(b), and (iii) the representations and warranties contained in Sections 5.05 and 5.14 shall be true and correct as of the Closing Date and as of the end of each fiscal quarter;

(b) no Default or Event of Default has occurred and is continuing, or would result from such proposed Borrowing; and

(c) the proposed Borrowing will not cause the aggregate principal amount of all outstanding Loans to exceed the combined Commitments of the Banks.

MICRON TECHNOLOGY, INC.

By:_____
Title:

EXHIBIT B

FORM OF NOTICE OF CONVERSION/CONTINUATION

Date: _____

To: Bank of America National Trust and Savings Association, as Agent for the Banks party to the Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Micron Technology, Inc., the several financial institutions from time to time party to the Credit Agreement (the "Banks"), and Bank of America National Trust and Savings Association, as Agent

Ladies and Gentlemen:

The undersigned, Micron Technology, Inc. (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.04 of the Credit Agreement, of the [conversion] [continuation] of the Loans specified herein, that:

1. The Conversion/Continuation Date is _____.

2. The aggregate amount of the Loans to be [converted] [continued] is $_____.

3. The Loans are to be [converted into] [continued as] [Offshore Rate] [Base Rate] Loans.

[4. The duration of the Interest Period for the Offshore Rate Loans included in the [conversion] [continuation] shall be ___ months.]

MICRON TECHNOLOGY, INC.

By:_____
Title:

EXHIBIT C

FORM OF MASTER PROMISSORY NOTE

$_____ _____, 1998

FOR VALUE RECEIVED, the undersigned Micron Technology, Inc., a Delaware corporation (the "Company"), hereby promises to pay to the order of _____ (the "Bank"), at the Agent's Payment Office, the aggregate unpaid principal amount of all Loans made by the Bank to the Company from time to time pursuant to the Credit Agreement described below at the times and in the amounts specified in the Credit Agreement. The Company also promises to pay interest on such unpaid principal amount at the times and at the rates specified in the Credit Agreement.

The Bank is hereby authorized to endorse the date, amount, and maturity of each Loan made by it and the amount and date of each payment of principal made by the Company with respect thereto on the schedule annexed to this Note and on continuations of such schedule, both schedule and continuations being hereby made a part of this Note; provided, that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect any obligation of the Company under the Credit Agreement and this Note.

This Master Promissory Note is one of the Notes referred to in, and is issued under, the Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among the Company, the several financial institutions from time to time party to the Credit Agreement (the "Banks"), and Bank of America National Trust and Savings Association, as Agent, and amends and restates any prior promissory noted delivered to the holder under the Existing Facility.

The holder of this Master Promissory Note shall be entitled to the benefits provided for in the Credit Agreement. Reference is made to the Credit Agreement for the provisions on (i) the obligation of the Bank to advance funds under this Master Promissory Note, (ii) the manner in which interest is computed and accrued, (iii) the Company's rights, if any, to prepay all or part of the Loans, (iv) the events upon which the maturity of this Master Promissory Note may be accelerated or shall be automatically accelerated, as the case may be, (v) Attorneys Costs and other fees and expenses incurred in any enforcement of this Master Promissory Note, (vi) the Company's right to cure certain Events of Default, and (vii) the Bank's rights to assign all or part of this Master Promissory Note to Eligible Assignees and/or to sell participating interests in any Loans, as more fully set forth in the Credit Agreement. Terms defined in the Credit Agreement shall have the same meanings herein.

This Master Promissory Note shall be governed by and construed and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned has caused this Master Promissory Note to be executed by its officer thereunto duly authorized.

MICRON TECHNOLOGY, INC.

By:_____
Title:

FORM OF PROMISSORY NOTE
C-2.

SCHEDULE

Date Loan Disbursed	Amount of Loan	Maturity Date	Principal Payment	Date Principal Paid

FORM OF PROMISSORY NOTE
C-3.

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

Micron Technology, Inc.
Financial Statement Date: _____

Reference is made to that certain Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Micron Technology, Inc. (the "Company"), the several financial institutions from time to time party to this Credit Agreement (the "Banks"), and Bank of America National Trust and Savings Association, as agent for the Banks (in such capacity, the "Agent"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Credit Agreement.

The undersigned Responsible Officer of the Company hereby certifies as of the date hereof that he/she is the [Chief Financial Officer] [Treasurer] of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Banks and the Agent on the behalf of the Company and its consolidated Subsidiaries, and that:

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by Section 6.01(a) of the Credit Agreement.]

1. Attached as Schedule 1 hereto are true and correct copies of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of the fiscal year ended _____, and the related consolidated statements of operations and cash flows for the year then ended, setting forth in each case in comparative form the figures for the previous fiscal year, together with the related Semiconductor Operations Supplemental Schedules, and accompanied by the report of the Independent Auditor, whose opinion (a) states (i) that such consolidated financial statements present fairly in all material respects the financial position of the Company and its Subsidiaries on a consolidated basis as of the date thereof and the results of operations for the periods indicated in conformity with GAAP, except as otherwise indicated therein, and (ii) such related Semiconductor Operations Supplemental Schedules were prepared on a basis consistent with the basic consolidated financial statements of the Company and its Subsidiaries except as disclosed in the notes thereto and the information therein is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole except as specifically noted therein. Such Semiconductor Operations Supplemental Schedules present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules.

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by Section 6.01(b) of the Credit Agreement.]

1. Attached as Schedule 1 hereto are true and correct copies of the ----------
unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of the fiscal quarter ended _____ and the related consolidated statements of operations and cash flows for the interim periods then ended, together with the related Semiconductor Operations Supplemental Schedules. The unaudited consolidated financial statements of the Company and its Subsidiaries (a) fairly present in all material respects, in accordance with GAAP (subject to ordinary, good faith year-end adjustments, the financial position and the results of operations of the Company and its Subsidiaries on a consolidated basis, and (b) include or disclose all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries on a consolidated basis as of the date thereof, including liabilities for taxes, material commitments and material Contingent Obligations. Such related Semiconductor Operations Supplemental Schedules (x) include amounts based on estimates of annual amounts and are subject to changes in estimates and ordinary year-end adjustments, (y) present fairly, in all material respects, the net assets and operations and cash flows of the Company and its Semiconductor Operations Subsidiaries (on a combined basis) for the periods covered thereby, on the basis specified and described in the notes to such schedules, and (z) were prepared on a basis consistent with the basic consolidated financial statements of the Company and its Subsidiaries except as disclosed in the notes thereto.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and conditions (financial or otherwise) of the Company during the accounting period covered by the attached financial statements.

3. The Company, during such period, has observed, performed or satisfied all of its covenants and other agreements, and satisfied every condition in the Credit Agreement to be observed, performed or satisfied by the Company, and the undersigned has no knowledge of any Default or Event of Default.

4. The representations and warranties of the Company contained in Article V of the Credit Agreement are true and correct as though made on and as of the date hereof (except (i) to the extent such representations and warranties relate to an earlier date, in which case they were true and correct as of such earlier date, (ii) that this paragraph (4) shall be deemed instead to refer to the last day of the most recent quarter and year for which financial statements have then been delivered in respect of the representations and warranties made in subsections 5.11(a) and 5.11(b), and (iii) the representations and warranties contained in Sections 5.05 and 5.14 shall be true and correct as of the Closing Date and as of the end of each fiscal quarter.

5. The following financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this - ----------
Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____.

MICRON SEMICONDUCTOR PRODUCTS, INC.

By: _____
Title:

FORM OF COMPLIANCE CERTIFICATE
D-3.

SCHEDULE 2
---
to the Compliance Certificate
($ in 000's)

Date: _____

For the fiscal quarter/year
ended _____

(Unless otherwise noted, all calculations are to be made on basis of the Company and the Semiconductor Operations Subsidiaries on a combined basis.)

A. Section 7.13: Minimum Cash and Equivalents:

1. Sum of cash, cash equivalents and liquid investments: $_____

Line A.1 not to exceed $100,000,000 (prior to TI Acquisition) and $200,000,000 (on or after date of TI Acquisition)

B. Section 7.14: Combined Tangible Net Worth.

1. Total net assets:/1/ $_____

2. Net book value of intangible assets:/1/ $_____

3. Line B.1 less Line B.2: $

4. 75% of Combined Net Income (not reduced by Combined Net Loss) commencing with FQ ending 9/3/98: $_____

5. 50% of increases in Combined Tangible Net Worth resulting from certain equity offerings after Original Closing Date: $_____

6. $1,900,000,000 + Line B.4 + B.5: $

Line B.3 not to be less than Line B.6

_____

/1/ Excluding non-semiconductor operations and assets otherwise included therein.

C. Section 7.15: Leverage Ratio.

1. Combined Adjusted Total Liabilities:

a. Total liabilities (excluding operating leases) $_____

b. Certain off-balance sheet obligations: $_____

c. Total liabilities (Lines C.1a + C.1b): $_____

d. Permitted Subordinated Debt $_____

e. Adjusted total liabilities (line C.1c less line C.1d): $ ==========

2. Line B.3 (Combined Tangible Net Worth): $_____

3. Leverage Ratio (Line C.1e divided by Line C.2): ___ to 1.00

Leverage Ratio not to exceed 1.0 to 1.0

D. Section 7.16: Maximum Indebtedness to Capitalization.

1. Combined Indebtedness: $_____

2. Capitalization:

a. Line D.1 (Combined Indebtedness) $_____

b. Line B.3 (Combined Tangible Net Worth) $_____

c. Capitalization (lines D.2a + D.2b) $ ==========

3. 60% of Line D.2c $_____

Line D.1 not to exceed Line D.3

E. Section 7.01(j): Purchase Money Liens.

1. Indebtedness secured by purchase money and other security interests on combined U.S. net property, plant and equipment: $_____

2. Combined U.S. net property, plant and equipment: $_____

3. 25% of Line E.2: $_____

Line E.1 not to exceed Line E.3

4. Indebtedness secured by purchase money and other security interests on combined total U.S. property, plant and equipment $_____

5. Combined total net property, plant and equipment: $_____

6. 30% of Line E.5 $_____

Line E.4 not to exceed Line E.6

F. Sections 7.01(q), (r): Secured Permitted Swap Obligations; Ordinary Course Secured Indebtedness.

1. Permitted Swap Obligations secured by cash collateral or government securities: $_____

2. Ordinary course secured Indebtedness for other than borrowed money: $_____

3. Combined Tangible Assets: $_____

a. Total assets:/2/ $_____

b. Line B.2: $_____

c. Line F.3a less Line F.3b: $

4. 5% of Line F.3c: $_____

Lines F.1 + F.2 not to exceed Line F.4

G. Sections 7.03(d), (f): Certain Dispositions.

1. Aggregate Net Proceeds from all material (greater than $1,000,000 individually) assets sold outside ordinary course of business since Original Closing Date: $_____

2. Aggregate Net Proceeds of all material (greater than $1,000,000 individually) assets disposed of pursuant to sale-leaseback transactions not constituting Permitted Sale-Leaseback Transactions since Original Closing Date: $_____

_____

/2/ Excluding non-semiconductor operations and assets otherwise included therein.

3. Lines G.1 + G.2: $ ==========

Line G.3 not to exceed $200,000,000

4. Aggregate Net Proceeds of all Micron Electronics, Inc. stock sold since Original Closing Date: $_____

Line G.4 not to exceed $200,000,000

5. Lines G.3 + G.4 $_____

Line G.5 not to exceed $300,000,000 (unless Commitment reductions and any related Loan prepayments effected under Sections 2.05 and 2.06)

H. Section 7.05(d): Investments in Micron Electronics, Inc.

1. Aggregate principal amount of all outstanding extensions of credit to, plus cumulative amount of all equity contributions made since Original Closing Date in, Micron Electronics, Inc: $_____

Line H.1 not to exceed $100,000,000

I. Section 7.05(g): Acquisitions or Minority Interests.

Cumulative aggregate consideration paid (including assumption of debt), aggregate principal amount of all outstanding extensions of credit, plus cumulative amount of all equity contributions made since Original Closing Date (excluding TI Acquisition) in connection with: $_____

1. Acquisitions: $_____

2. Acquisitions of minority interests: $_____

3. Lines I.1 + I.2: $ ==========

4. 25% of Line F.3c (Combined Tangible Assets): $_____

Line I.3 not to exceed Line I.4

J. Section 7.05(p): Other Investments.

1. Cumulative aggregate consideration paid (including assumption of debt), aggregate principal amount of all

outstanding extensions of credit, plus cumulative amount of all equity contributions made in non-Semiconductor Operations Subsidiaries (other than Micron Electronics, Inc.) since Original Closing Date not otherwise permitted by Section 7.05. $_____

2. 5% of Line F.3c (Combined Tangible Assets): $_____

Line J.1 not to exceed Line J.2

K. Section 7.06(h): Indebtedness Incurred from other than Company or Semiconductor Operations Subsidiaries.

1. Indebtedness incurred by the Company or any Semiconductor Operations Subsidiaries from Persons other than Company or Semiconductor Operations Subsidiaries: $_____

Line K.1 not to exceed $50,000,000

L. Sections 7.06(j) and 7.06(r): Permitted Subordinated Debt.

1. TI Subordinated Debt of Company (and/or any Indebtedness resulting from a refinancing thereof) $_____

Line L.1 not to exceed $950,000,000

2. Other Permitted Subordinated Debt of Company: $_____

Line L.2 not to exceed $600,000,000

M. Section 7.06(q): Other Indebtedness and Contingent Obligations for Other Than Borrowed Money.

1. Other Indebtedness and Contingent Obligations other than for borrowed money: $_____

Line M.1 not to exceed $50,000,000

N. Section 7.09(d): Restricted Payments.

1. Restricted Payments during Subject Period: $_____

2. Combined Net Income for four consecutive quarters ending on date of above financial statements: $_____

3. 25% of Line O.2 (Combined Net Income): $ ==========

Line N.1 not to exceed Line N.3

O. Section 1.01: EBITDA.

1. EBITDA for applicable period or periods (as set forth in the Annex I) ("Subject Period")

Subject Period _____:

a. Combined Net Income or Combined Net Loss:	$_____
b. Interest expense:/3/	$_____
c. Income tax expense:/3/	$_____
d. Depreciation expense:/3/	$_____
e. Amortization expense:/3/	$_____
f. EBITDA (Lines O.1a + b +c + d + e):	$ ==========

(Repeat O.1a-f as required by Annex I)

_____

/3/ To the extent deducted in determining Combined Net Income or Combined Net Loss.

EXHIBIT E

FORM OF GUARANTY

THIS GUARANTY (this "Guaranty"), dated as of September 1, 1998, is made by Micron Semiconductor Products, Inc., an Idaho corporation (the "Guarantor"), in favor of the Banks party to the Credit Agreement referred to below and Bank of America National Trust and Savings Association, as agent for itself and such Banks (in such capacity, the "Agent").

RECITALS

WHEREAS, Micron Technology, Inc., a Delaware corporation (the "Company"), certain financial institutions as lenders (the "Banks") and the Agent are parties to a Second Amended and Restated Revolving Credit Agreement among the Company, the Banks and the Agent dated as of September 1, 1998 (as amended, modified, renewed or extended from time to time, the "Credit Agreement");

WHEREAS, it is a condition precedent to the occurrence of the Closing Date under the Credit Agreement that the Guarantor guarantee the indebtedness and other obligations of the Company to the Agent and the Banks under or in connection with the Credit Agreement as set forth herein; and

WHEREAS, the Guarantor, as a subsidiary of the Company, will derive substantial direct and indirect benefits from the credit extensions to the Company pursuant to the Credit Agreement and the amendments contemplated by the Credit Agreement (which benefits are hereby acknowledged by the Guarantor).

NOW, THEREFORE, to induce the Banks to enter into the Credit Agreement and in consideration thereof, the Guarantor hereby agrees as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Guaranty and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Certain Defined Terms. As used in this Guaranty, the following terms shall have the following meanings:

"Guaranteed Obligations" has the meaning set forth in Section 2.

"Guarantor Documents" means this Guaranty, the Guarantor Security Agreement and all other certificates, documents, agreements and instruments delivered to the Agent and the Banks under or in connection with this Guaranty.

"Solvent" means, as to any Person at any time, that (a) the fair value
 ----
of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code and, in the alternative, for purposes of the California Uniform Fraudulent Transfer Act; (b) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Subordinated Debt" has the meaning set forth in Section 7.

(c) Interpretation. The rules of interpretation set forth in Section
    ----
1.03 of the Credit Agreement shall be applicable to this Guaranty and are incorporated herein by this reference.

SECTION 2 Guaranty.

(a) Guaranty. The Guarantor hereby unconditionally and irrevocably
    ----
guarantees to the Agent and the Banks, and their respective successors, endorsees, transferees and assigns, the full and prompt payment when due (whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) and performance of the indebtedness, liabilities and other obligations of the Company to the Agent and the Banks under or in connection with the Credit Agreement, the Notes and the other Loan Documents, including all unpaid principal of the Loans, all interest accrued thereon, all fees due under the Credit Agreement and all other amounts payable by the Company to the Agent and the Banks thereunder or in connection therewith. The terms "indebtedness," "liabilities" and "obligations" are used herein in their most comprehensive sense and include any and all advances, debts, obligations and liabilities, now existing or hereafter arising, whether voluntary or involuntary and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether recovery upon such indebtedness, liabilities and obligations may be or hereafter become unenforceable or shall be an allowed or disallowed claim under the Bankruptcy Code or other applicable law. The foregoing indebtedness, liabilities and other obligations of the Company, and all other indebtedness, liabilities and obligations to be paid or performed by the Guarantor in connection with this Guaranty (including any and all amounts due under Section 15), shall hereinafter be collectively referred to as the "Guaranteed Obligations."
- ----------------------

(b) Limitation of Guaranty. To the extent that any court of competent
    ----
jurisdiction shall impose by final judgment under applicable law (including the California Uniform Fraudulent Transfer Act and (S)(S)544 and 548 of the Bankruptcy Code) any limitations on the amount of the Guarantor's liability with respect to the Guaranteed Obligations which the Agent or the Banks can enforce under this Guaranty, the Agent and the Banks by their acceptance hereof accept such limitation on the amount of the Guarantor's liability hereunder to

the extent needed to make this Guaranty and the Guarantor Documents fully enforceable and nonavoidable.

SECTION 3 Liability of Guarantor. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute, independent and unconditional, and shall not be affected by any circumstance which might constitute a discharge of a surety or guarantor other than the indefeasible payment and performance in full of all Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, the Guarantor agrees as follows:

(i) the Guarantor's liability hereunder shall be the immediate, direct, and primary obligation of the Guarantor and shall not be contingent upon the Agent's or any Bank's exercise or enforcement of any remedy it may have against the Company or any other Person, or against any Collateral;

(ii) this Guaranty is a guaranty of payment when due and not merely of collectibility;

(iii) the Guarantor's payment of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge the Guarantor's liability for any portion of the Guaranteed Obligations remaining unsatisfied; and

(iv) the Guarantor's liability with respect to the Guaranteed Obligations shall remain in full force and effect without regard to, and shall not be impaired or affected by, nor shall the Guarantor be exonerated or discharged by, any of the following events:

(A) any Insolvency Proceeding with respect to the Company, any other guarantor or any other Person;

(B) any limitation, discharge, or cessation of the liability of the Company, any other guarantor or any other Person for any Guaranteed Obligations due to any statute, regulation or rule of law, or any invalidity or unenforceability in whole or in part of any of the Guaranteed Obligations or the Loan Documents;

(C) any merger, acquisition, consolidation or change in structure of the Company, the Guarantor or any other guarantor or Person, or any sale, lease, transfer or other disposition of any or all of the assets or shares of the Company, the Guarantor, any other guarantor or other Person;

(D) any assignment or other transfer, in whole or in part, of the Agent's or any Bank's interests in and rights under this Guaranty or the other Loan Documents, including the Agent's or any Bank's right to receive payment of the Guaranteed Obligations, or any assignment or other transfer, in whole or in part, of the Agent's or any Bank's interests in and to any of the Collateral;

(E) any claim, defense, counterclaim or setoff, other than that of prior performance, that the Company, the Guarantor, any other guarantor or other Person may have or assert, including any defense of incapacity or lack of corporate or other authority to execute any of the Loan Documents;

(F) the Agent's or any Bank's amendment, modification, renewal, extension, cancellation or surrender of any Loan Document, any Collateral, or the Agent's or any Bank's exchange, release, or waiver of any Collateral;

(G) the Agent's or any Bank's exercise or nonexercise of any power, right or remedy with respect to any of the Collateral, including the Agent's or any Bank's compromise, release, settlement or waiver with or of the Company, any other guarantor or any other Person;

(H) the Agent's or any Bank's vote, claim, distribution, election, acceptance, action or inaction in any Insolvency Proceeding related to the Guaranteed Obligations;

(I) any impairment or invalidity of any of the Collateral or any other collateral securing any of the Guaranteed Obligations or any failure to perfect any of the Liens of the Agent and the Banks thereon or therein; and

(J) any other guaranty, whether by the Guarantor or any other Person, of all or any part of the Guaranteed Obligations or any other indebtedness, obligations or liabilities of the Company to the Agent or the Banks.

SECTION 4 Consents of Guarantor. The Guarantor hereby unconditionally consents and agrees that, without notice to or further assent from the Guarantor:

(i) the principal amount of the Guaranteed Obligations may be increased or decreased and additional indebtedness or obligations of the Company under the Loan Documents may be incurred, by one or more amendments, modifications, renewals or extensions of any Loan Document or otherwise;

(ii) the time, manner, place or terms of any payment under any Loan Document may be extended or changed, including by an increase or decrease in the interest rate on any Guaranteed Obligation or any fee or other amount payable under such Loan Document, by an amendment, modification or renewal of any Loan Document or otherwise;

(iii) the time for the Company's (or any other Person's) performance of or compliance with any term, covenant or agreement on its part to be performed or observed under any Loan Document may be extended, or such performance or compliance waived, or failure in or departure from such performance or compliance consented to, all in such manner and upon such terms as the Agent and the Banks may deem proper;

(iv) the Agent or the Banks may discharge or release, in whole or in part, any other guarantor or any other Person liable for the payment and performance of all or any part of the Guaranteed Obligations, and may permit or consent to any such action or any result of such action, and shall not be obligated to demand or enforce payment upon any of the Collateral or any other collateral, nor shall the Agent or the Banks be liable to the Guarantor for any failure to collect or enforce payment or performance of the Guaranteed Obligations from any Person or to realize on the Collateral or other collateral therefor;

(v) in addition to the Collateral, the Agent and the Banks may take and hold other security (legal or equitable) of any kind, at any time, as collateral for the Guaranteed Obligations, and may, from time to time, in whole or in part, exchange, sell, surrender, release, subordinate, modify, waive, rescind, compromise or extend such security and may permit or consent to any such action or the result of any such action, and may apply such security and direct the order or manner of sale thereof;

(vi) the Agent and the Banks may request and accept other guaranties of the Guaranteed Obligations and any other indebtedness, obligations or liabilities of the Company to the Agent or the Banks and may, from time to time, in whole or in part, surrender, release, subordinate, modify, waive, rescind, compromise or extend any such guaranty and may permit or consent to any such action or the result of any such action; and

(vii) the Agent and the Banks may exercise, or waive or otherwise refrain from exercising, any other right, remedy, power or privilege (including the right to accelerate the maturity of any Loan and any power of sale) granted by any Loan Document or other security document or agreement, or otherwise available to the Agent and the Banks, with respect to the Guaranteed Obligations or any of the Collateral, even if the exercise of such right, remedy, power or privilege affects or eliminates any right of subrogation or any other right of the Guarantor against the Company;

all as the Agent and the Banks may deem advisable, and all without impairing, abridging, releasing or affecting this Guaranty.

SECTION 5 Guarantor's Waivers.

(a) Certain Waivers. The Guarantor waives and agrees not to assert:

(i) any right to require the Agent or any Bank to marshal assets in favor of the Company, the Guarantor, any other guarantor or any other Person, to proceed against the Company, any other guarantor or any other Person, to proceed against or exhaust any of the Collateral, to give notice of the terms, time and place of any public or private sale of personal property security constituting the Collateral or other collateral for the Guaranteed Obligations or comply with any other provisions of (S)9504 of the California UCC (or any equivalent provision of any other applicable law) or to pursue any other right, remedy, power or privilege of the Agent or any Bank whatsoever;

(ii) the defense of the statute of limitations in any action hereunder or for the collection or performance of the Guaranteed Obligations;

(iii) any defense arising by reason of any lack of corporate or other authority or any other defense of the Company, the Guarantor or any other Person;

(iv) any defense based upon the Agent's or any Bank's errors or omissions in the administration of the Guaranteed Obligations;

(v) any rights to set-offs and counterclaims;

(vi) any defense based upon an election of remedies (including, if available, an election to proceed by nonjudicial foreclosure) which destroys or impairs the subrogation rights of the Guarantor or the right of the Guarantor to proceed against the Company or any other obligor of the Guaranteed Obligations for reimbursement; and

(vii) without limiting the generality of the foregoing, to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by applicable law limiting the liability of or exonerating guarantors or sureties, or which may conflict with the terms of this Guaranty, including any and all benefits that otherwise might be available to the Guarantor under California Civil Code (S)(S)1432, 2809, 2810, 2815, 2819, 2839, 2845, 2848, 2849, 2850, 2899 and 3433 and California Code of Civil Procedure (S)(S)580a, 580b, 580d and 726, and any similar laws in any states in which any real property Collateral is situated. Accordingly, the Guarantor waives all rights and defenses that the Guarantor may have because the Company's debt is secured by real property. This means, among other things: (A) the Agent and the Banks may collect from the Guarantor without first foreclosing on any real or personal property Collateral pledged by the Company; and (B) if the Agent forecloses on any real property Collateral pledged by the Company: (1) the amount of the debt may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the Collateral is worth more than the sale price, and (2) the Agent and the Banks may collect from the Guarantor even if the Agent, by foreclosing on the real property Collateral, has destroyed any right the Guarantor may have to collect from the Company. This is an unconditional and irrevocable waiver of any rights and defenses the Guarantor may have because the Company's debt is secured by real property. These rights and defenses include, but are not limited to, any rights of defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure

(b) Additional Waivers. The Guarantor waives any and all notice of the acceptance of this Guaranty, and any and all notice of the creation, renewal, modification, extension or accrual of the Guaranteed Obligations, or the reliance by the Agent and the Banks upon this Guaranty, or the exercise of any right, power or privilege hereunder. The Guaranteed Obligations shall conclusively be deemed to have been created, contracted, incurred and permitted to exist in reliance upon this Guaranty. The Guarantor waives promptness, diligence, presentment, protest, demand for payment, notice of default, dishonor or nonpayment and all other notices to or upon the Company, the Guarantor or any other Person with respect to the Guaranteed Obligations.

(c) Independent Obligations. The obligations of the Guarantor hereunder are independent of and separate from the obligations of the Company and any other guarantor and upon the occurrence and during the continuance of any Event of Default, a separate action or actions may be brought against the Guarantor, whether or not the Company or any such other guarantor is joined therein or a separate action or actions are brought against the Company or any such other guarantor.

(d) Financial Condition of Company. The Guarantor shall not have any right to require the Agent or the Banks to obtain or disclose any information with respect to: (i) the financial condition or character of the Company or the ability of the Company to pay and perform the Guaranteed Obligations; (ii) the Guaranteed Obligations; (iii) the Collateral; (iv) the existence or nonexistence of any other guarantees of all or any part of the Guaranteed

Obligations; (v) any action or inaction on the part of the Agent or the Banks or any other Person; or (vi) any other matter, fact or occurrence whatsoever.

SECTION 6 Subrogation. Until the Guaranteed Obligations shall be satisfied in full and the Commitments shall be terminated, the Guarantor shall not have, and shall not directly or indirectly exercise, (i) any rights that it may acquire by way of subrogation under this Guaranty, by any payment hereunder or otherwise, (ii) any rights of contribution, indemnification, reimbursement or similar suretyship claims arising out of this Guaranty or (iii) any other right which it might otherwise have or acquire (in any way whatsoever) which could entitle it at any time to share or participate in any right, remedy or security of the Banks or the Agent as against the Company or other guarantors, whether in connection with this Guaranty, any of the other Loan Documents or otherwise. If any amount shall be paid to the Guarantor on account of the foregoing rights at any time when all the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Agent and the Banks and shall forthwith be paid to the Agent to be credited and applied to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

SECTION 7 Subordination.

(a) Subordination to Payment of Guaranteed Obligations. All payments on account of all indebtedness, liabilities and other obligations of the Company to the Guarantor, whether created under, arising out of or in connection with any documents or instruments evidencing any credit extensions to Company or otherwise, including all principal on any such credit extensions, all interest accrued thereon, all fees and all other amounts payable by the Company to the Guarantor in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined (the "Subordinated Debt") shall be subject, subordinate and junior in right of payment and exercise of remedies, to the extent and in the manner set forth herein, to the prior payment in full in cash or cash equivalents of the Guaranteed Obligations.

(b) No Payments. As long as any of the Guaranteed Obligations shall remain outstanding and unpaid, the Guarantor shall not accept or receive any payment or distribution by or on behalf of the Company, directly or indirectly, of assets of the Company of any kind or character, whether in cash, property or securities, including on account of the purchase, redemption or other acquisition of Subordinated Debt, as a result of any collection, sale or other disposition of collateral, or by setoff, exchange or in any other manner, for or on account of the Subordinated Debt ("Subordinated Debt Payments"), except that if no Event of Default exists and no notice described below has been received by the Guarantor, the Guarantor shall be entitled to accept and receive regularly scheduled payments and other payments in the ordinary course on the Subordinated Debt, in accordance with the terms of the documents and instruments governing the Subordinated Debt and other Subordinated Debt Payments in respect of Subordinated Debt not evidenced by documents or instruments (including in respect of Dispositions), in each case to the extent permitted under Article VII of the Credit Agreement. During the existence of an Event of Default (or if any Event of Default would exist immediately after the making of a Subordinated Debt Payment), and upon receipt by the Company of notice from the Agent or any Bank of such Default, and until such Event of Default is cured or waived,

the Company shall not make, accept or receive any Subordinated Debt Payment. In the event that, notwithstanding the provisions of this Section 7, any Subordinated Debt Payments shall be received in contravention of this Section 7 by the Guarantor before all Guaranteed Obligations are paid in full in cash or cash equivalents, such Subordinated Debt Payments shall be held in trust for the benefit of the Agent and the Banks and shall be paid over or delivered to the Agent for application to the payment in full in cash or cash equivalents of all Guaranteed Obligations remaining unpaid to the extent necessary to give effect to this Section 7, after giving effect to any concurrent payments or distributions to the Agent and the Banks in respect of the Guaranteed Obligations.

(c) Subordination of Remedies. As long as any Guaranteed Obligations shall remain outstanding and unpaid, the Guarantor shall not, without the prior written consent of the Agent:

(i) accelerate or bring suit or institute any other actions or proceedings to enforce its rights or interests under or in respect of the Subordinated Debt;

(ii) exercise any rights under or with respect to (A) any guaranties of the Subordinated Debt, or (B) any collateral held by it, including causing or compelling the pledge or delivery of any collateral, any attachment of, levy upon, execution against, foreclosure upon or the taking of other action against or institution of other proceedings with respect to any collateral held by it, notifying any account debtors of the Company or asserting any claim or interest in any insurance with respect to any collateral, or attempt to do any of the foregoing;

(iii) exercise any rights to set-offs and counterclaims in respect of any indebtedness, liabilities or obligations of the Guarantor to the Company against any of the Subordinated Debt; or

(iv) commence, or cause to be commenced, or join with any creditor other than the Agent and the Banks in commencing, any Insolvency Proceeding.

(d) Subordination Upon Any Distribution of Assets of the Company. In the event of any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, upon any Insolvency Proceeding with respect to or involving the Company, (i) all amounts owing on account of the Guaranteed Obligations, including all interest accrued thereon at the contract rate both before and after the initiation of any such proceeding, whether or not an allowed claim in any such proceeding, shall first be paid in full in cash, or payment provided for in cash or in cash equivalents, before any Subordinated Debt Payment is made; and (ii) to the extent permitted by applicable law, any Subordinated Debt Payment to which the Guarantor would be entitled except for the provisions hereof, shall be paid or delivered by the trustee in bankruptcy, receiver, assignee for the benefit of creditors or other liquidating agent making such payment or distribution directly to the Agent (on behalf of the Banks) for application to the payment of the Guaranteed Obligations in accordance with clause (i), after giving effect to any concurrent payment or distribution or provision therefor to the Agent or the Banks in respect of such Guaranteed Obligations.

(e) Authorization to Agent. If, while any Subordinated Debt is outstanding, any Insolvency Proceeding is commenced by or against the Company or its property:

(i) the Agent, when so instructed by the Majority Banks, is hereby irrevocably authorized and empowered (in the name of the Banks or in the name of the Guarantor or otherwise), but shall have no obligation, to demand, sue for, collect and receive every payment or distribution in respect of the Subordinated Debt and give acquittance therefor and to file claims and proofs of claim and take such other action (including voting the Subordinated Debt) as it may deem necessary or advisable for the exercise or enforcement of any of the rights or interests of the Agent and the Banks; and

(ii) the Guarantor shall promptly take such action as the Agent (on instruction from the Majority Banks) may reasonably request (A) to collect the Subordinated Debt for the account of the Banks and to file appropriate claims or proofs of claim in respect of the Subordinated Debt, (B) to execute and deliver to the Agent, such powers of attorney, assignments and other instruments as it may request to enable it to enforce any and all claims with respect to the Subordinated Debt, and (C) to collect and receive any and all Subordinated Debt Payments.

SECTION 8 Continuing Guaranty; Reinstatement.

(a) Continuing Guaranty. This Guaranty is a continuing guaranty and agreement of subordination and shall continue in effect and be binding upon the Guarantor until termination of the Commitments and payment and performance in full of the Guaranteed Obligations.

(b) Reinstatement. This Guaranty shall continue to be effective or shall be reinstated and revived, as the case may be, if, for any reason, any payment of the Guaranteed Obligations by or on behalf of the Company (or receipt of any proceeds of Collateral) shall be rescinded, invalidated, declared to be fraudulent or preferential, set aside, voided or otherwise required to be repaid to the Company, its estate, trustee, receiver or any other Person (including under the Bankruptcy Code or other state or federal law), or must otherwise be restored by the Agent or any Bank, whether as a result of Insolvency Proceedings or otherwise. To the extent any payment is so rescinded, set aside, voided or otherwise repaid or restored, the Guaranteed Obligations shall be revived in full force and effect without reduction or discharge for such payment. All losses, damages, costs and expenses that the Agent or the Banks may suffer or incur as a result of any voided or otherwise set aside payments shall be specifically covered by the indemnity in favor of the Banks and the Agent contained in Section 16.

SECTION 9 Payments. The Guarantor hereby agrees, in furtherance of the foregoing provisions of this Guaranty and not in limitation of any other right which the Agent or any Bank or any other Person may have against the Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under (S)362(a) of the Bankruptcy Code), the Guarantor shall forthwith pay, or cause to be paid, in cash, to the Agent an amount equal to the amount of the Guaranteed Obligations then due as

aforesaid (including interest which, but for the filing of a petition in any Insolvency Proceeding with respect to the Company, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against the Company for such interest in any such Insolvency Proceeding). The Guarantor shall make each payment hereunder, unconditionally in full without set-off, counterclaim or other defense, or deduction for any Taxes, on the day when due in Dollars and in same day or immediately available funds, to the Agent at such office of the Agent and to such account as are specified in the Credit Agreement. All such payments shall be promptly applied from time to time by the Agent as provided in the Credit Agreement.

SECTION 10 Representations and Warranties. The Guarantor represents and warrants to the Agent and each Bank that:

(a) Organization and Powers. The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, is qualified to do business and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would have a Material Adverse Effect and has all requisite power and authority to own its assets and carry on its business and, with respect to the Guarantor, to execute, deliver and perform its obligations under the Guarantor Documents.

(b) Authorization; No Conflict. The execution, delivery and performance by the Guarantor of this Guaranty and any other Guarantor Documents have been duly authorized by all necessary corporate action of the Guarantor, and do not and will not: (i) contravene the terms of the Guarantor's organization documents or (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any material Contractual Obligation to which the Guarantor is a party or any order, injunction, writ or decree of any Governmental Authority to which the Guarantor or its property is subject, or (iii) violate any Requirement of Law.

(c) Binding Obligation. This Guaranty and the other Guarantor Documents constitute the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

(d) Governmental Consents. No authorization, consent, approval, license, exemption of, or filing or registration with, any Governmental Authority, or approval or consent of any other Person, is required for the due execution, delivery or performance by, or enforcement against, the Guarantor of the Guarantor Documents.

(e) No Prior Assignment. The Guarantor has not previously assigned any interest in the Subordinated Debt or any collateral relating thereto, no Person other than the Guarantor owns an interest in the Subordinated Debt or any such collateral (whether as joint holders of the Subordinated Debt, participants or otherwise), and the entire Subordinated Debt is owing only to the Guarantor.

(f) Solvency. Immediately prior to and after and giving effect to the incurrence of the Guarantor's obligations under this Guaranty the Guarantor will be Solvent.

(g) Consideration. The Guarantor has received at least "reasonably equivalent value" (as such phrase is used in (S)548 of the Bankruptcy Code, in (S)3439.04 of the California Uniform Fraudulent Transfer Act and in comparable provisions of other applicable law) and more than sufficient consideration to support its obligations hereunder in respect of the Guaranteed Obligations and under any of the Collateral Documents to which it is a party.

(h) Independent Investigation. The Guarantor hereby acknowledges that it has undertaken its own independent investigation of the financial condition of the Company and all other matters pertaining to this Guaranty and further acknowledges that it is not relying in any manner upon any representation or statement of the Agent or any Bank with respect thereto. The Guarantor represents and warrants that it has received and reviewed copies of the Loan Documents and that it is in a position to obtain, and it hereby assumes full responsibility for obtaining, any additional information concerning the financial condition of the Company and any other matters pertinent hereto that the Guarantor may desire. The Guarantor is not relying upon or expecting the Agent or any Bank to furnish to the Guarantor any information now or hereafter in the Agent's or any such Bank's possession concerning the financial condition of the Company or any other matter.

SECTION 11 Reporting Covenant. So long as any Guaranteed Obligations shall remain unsatisfied or any Bank shall have any Commitment, the Guarantor agrees that it shall furnish to the Agent such information respecting the operations, properties, business or condition (financial or otherwise) of the Guarantor or its Subsidiaries as the Agent, at the request of any Bank, may from time to time reasonably request.

SECTION 12 Additional Covenants. So long as any Guaranteed Obligations shall remain unsatisfied or any Bank shall have any Commitment, the Guarantor agrees that:

(a) Preservation of Existence, Etc. The Guarantor shall, and shall cause each of its Subsidiaries to, maintain and preserve (i) its legal existence and (ii) its rights to transact business and all other rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of its properties, except in the case of this clause (ii) where the non-preservation could not reasonably be expected to have a Material Adverse Effect.

(b) Further Assurances and Additional Acts. The Guarantor shall execute, acknowledge, deliver, file, notarize and register at its own expense all such further agreements, instruments, certificates, documents and assurances and perform such acts as the Agent or the Majority Banks shall deem reasonably necessary or appropriate to effectuate the purposes of this Guaranty and the other Guarantor Documents, and promptly provide the Agent with evidence of the foregoing satisfactory in form and substance to the Agent and the Majority Banks.

SECTION 13 Notices. All notices, requests or other communications hereunder shall be given in the manner and to the addresses specified in the Credit Agreement. Notices to the Guarantor shall be sent or delivered to the address set forth therein for the Company. All such notices, requested and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form

by facsimile machine, respectively, or if mailed, upon receipt by the addressee, or if delivered, upon delivery.

SECTION 14 No Waiver; Cumulative Remedies. No failure on the part of the Agent or any Bank to exercise, and no delay in exercising on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder or under any other Guarantor Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

SECTION 15 Costs and Expenses; Indemnification.

(a) Costs and Expenses. The Guarantor shall:

(i) whether or not the transactions contemplated hereby are consummated, pay or reimburse the Agent for all costs and expenses incurred by it in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Guaranty, any other Guaranty Document and any other documents prepared in connection herewith or therewith and the consummation of the transactions contemplated hereby and thereby; and

(ii) pay or reimburse the Agent, the Lead Arranger and each Bank for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Guaranty or any other Guaranty Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

(b) Indemnification. The Company shall indemnify, defend and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suites, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Person in favor of any third-party in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or relating to the Collateral, whether or not any Indemnified Person is a "Indemnified Liabilities"); provided that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person.

(c) Defense. At the election of any Indemnified Person, the Guarantor shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Person's sole discretion, at the sole cost and expense of the Guarantor.

(d) Interest. Any amounts payable to the Agent or any Bank under this Section 15 if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in Section 2.08 of the Credit Agreement.

(e) Survival. The agreements in this Section shall survive payment of all other Secured Obligations.

SECTION 16 Right of Set-Off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is hereby authorized at any time and from time to time, upon obtaining the prior written consent of the Agent, and without notice to the Guarantor (any such notice being expressly waived by the Guarantor), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing under this Guaranty, irrespective of whether or not such Bank shall have made any demand upon the Company or the Guarantor under the Loan Documents and although such obligations may be contingent and unmatured. Each Bank shall promptly notify the Guarantor (through the Agent) after any such set-off and application made by it; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Banks under this Section 16 are in addition to other rights and remedies (including other rights of set-off) which the Banks may have.

SECTION 17 Marshalling; Payments Set Aside. Neither the Agent nor the Banks shall be under any obligation to marshal any assets in favor of the Guarantor or any other Person or against or in payment of any or all of the Guaranteed Obligations. To the extent that the Guarantor makes a payment to the Agent or the Banks, or the Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Agent upon demand its pro rata share of any amount so recovered from or repaid by the Agent.

SECTION 18 Benefits of Guaranty. This Guaranty is entered into for the sole protection and benefit of the Agent and each Bank and its successors and assigns, and no other Person (other than any Indemnified Person specified herein) shall be a direct or indirect beneficiary of, or shall have any direct or indirect cause of action or claim in connection with, this Guaranty. The Agent and the Banks, by their acceptance of this Guaranty, shall not have any obligations under this Guaranty to any Person other than the Guarantor, and such obligations shall be limited to those expressly stated herein.

SECTION 19 Binding Effect; Assignment.

(a) Successors and Assigns. The provisions of this Guaranty shall be binding upon and insure to the benefit of the parties hereto and their respective successors and assigns.

(b) Assignment. The Guarantor shall not have the right to assign or transfer its rights and obligations hereunder or under any other Guarantor Documents without the prior written consent of the Majority Banks. Each Bank may, without notice to or consent by the Guarantor, sell, assign, transfer or grant participations in all or any portion of such Bank's rights and obligations hereunder and under the other Guarantor Documents in connection with any sale, assignment, transfer or grant of a participation by such Bank in accordance with Section 10.08 of the Credit Agreement of or in its rights and obligations thereunder and under the other Loan Documents. The Guarantor agrees that in connection with any such sale, assignment, transfer or grant by any Bank, such Bank may deliver to the prospective participant or assignee financial statements and other relevant information relating to the Guarantor and its Subsidiaries.

SECTION 20 Governing Law and Jurisdiction.

(a) THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY OR ANY OTHER GUARANTOR DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, AND THE GUARANTOR HEREBY CONSENTS, AND BY ACCEPTANCE OF THIS GUARANTY, EACH OF THE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE COMPANY IRREVOCABLY WAIVES, AND EACH OF THE AGENT AND THE BANKS BY ITS ACCEPTANCE HEREOF IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS GUARANTY OR ANY GUARANTOR DOCUMENT. THE COMPANY WAIVES, AND EACH OF THE AGENT AND THE BANKS BY ITS ACCEPTANCE HEREOF WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY CALIFORNIA LAW.

SECTION 21 Waiver of Jury Trial. THE GUARANTOR HEREBY AGREES TO WAIVE, AND THE AGENT AND THE BANKS BY THEIR ACCEPTANCE HEREOF HEREBY AGREE TO WAIVE, THEIR RESPECTIVE RIGHTS TO A TRAIL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS GUARANTY, THE OTHER GUARANTOR DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE

PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE GUARANTOR HEREBY AGREES, AND THE AGENT AND THE BANKS BY THEIR ACCEPTANCE HEREOF HEREBY AGREE, THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE GUARANTOR FURTHER AGREES, AND THE AGENT AND THE BANKS BY THEIR ACCEPTANCE HEREOF FURTHER AGREE, THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS GUARANTY OR THE OTHER GUARANTOR DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY AND THE OTHER GUARANTOR DOCUMENTS.

SECTION 22 Entire Agreement; Amendments. This Guaranty, together with the other Guaranty Documents, embodies the entire agreement of the Guarantor with respect to the matters set forth herein, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof and shall not be amended except by written agreement of the Guarantor, the Agent and the Majority Banks.

SECTION 23 Severability. The illegality or unenforceability of any provision of this Guaranty or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Guaranty or any instrument or agreement required hereunder.

SECTION 24 Amendment and Restatement of Existing Guaranty. From and after the Closing Date, this Guaranty amends and restates the existing Guaranty of the Guarantor dated as of June 16, 1998.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty, as of the date first above written.

MICRON SEMICONDUCTOR
PRODUCTS, INC.

By: _____
Title:

EXHIBIT F

FORM OF COMPANY SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of September 1, 1998, is made between Micron Technology, Inc., a Delaware corporation (the "Company"), and Bank of America National Trust and Savings Association, as agent for itself and the Banks referred to below (in such capacity, the "Agent").

RECITALS

WHEREAS, the Company, certain financial institutions as lenders (the "Banks") and the Agent are parties to a Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 among the Company, the Banks and the Agent (as amended, modified, renewed or extended from time to time, the "Credit Agreement"); and

WHEREAS, it is a condition precedent to the occurrence of the Closing Date under the Credit Agreement that the Company enter into this Agreement and grant to the Agent, for itself and for the ratable benefit of the Banks, the security interests hereinafter provided to secure the obligations of the Company described below.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Accounts" means any and all accounts receivable owed to the Company, whether now existing or hereafter acquired or arising, arising out of or in connection with the sale or lease of merchandise, goods or commodities or the rendering of services or arising from any other transaction, however evidenced, and whether or not earned by performance, all guaranties, indemnities and security with respect to the foregoing, and all letters of credit relating thereto, in each case whether now existing or hereafter acquired or arising.

"Books" means all books, records and other written, electronic or other documentation in whatever form maintained now or hereafter by or for the Company in connection with the ownership of the Collateral or evidencing or containing information relating to the Collateral, including: (i) ledgers; (ii) records indicating, summarizing, or evidencing the Collateral), business operations or financial condition; (iii) computer programs and software; (iv) computer discs, tapes, files, manuals, spreadsheets; (v) computer printouts and output of

whatever kind; (vi) any other computer prepared or electronically stored, collected or reported information and equipment of any kind; and (vii) any and all other rights now or hereafter arising out of any contract or agreement between the Company and any service bureau, computer or data processing company or other Person charged with preparing or maintaining any of the Company's books or records or with credit reporting, including with regard to the Company's Accounts.

"Collateral" has the meaning set forth in Section 2.

"Company Intellectual Property" means any Intellectual Property owned or held by the Company or in which the Company otherwise has any interest that allows for transfer or sublicense to third parties, now existing or hereafter acquired or arising, whether or not relating to or arising out of or existing in connection with the Equipment.

"Documents" means any and all documents of title, bills of lading, dock warrants, dock receipts, warehouse receipts and other documents of the Company relating to Collateral, whether or not negotiable, and includes all other documents which purport to be issued by a bailee or agent and purport to cover goods in any bailee's or agent's possession which are either identified or are fungible portions of an identified mass, including such documents of title made available to the Company for the purpose of ultimate sale or exchange of goods or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with goods in a manner preliminary to their sale or exchange, in each case whether now existing or hereafter acquired or arising.

"Equipment" means all now existing or hereafter acquired equipment of the Company in all of its forms, located at the Idaho Facility and the Utah Facility, and including any and all machinery, furniture, equipment, furnishings and fixtures in which the Company now or hereafter acquires any right, and all other goods and tangible personal property (other than Inventory), including tools, parts and supplies, automobiles, trucks, tractors and other vehicles, computer and other electronic data processing equipment and other office equipment, Vendor Intellectual Property, and all additions, substitutions, replacements, parts, accessories, and accessions to and for the foregoing, now owned or hereafter acquired, and including any of the foregoing which are or are to become fixtures on real property.

"Excluded Collateral" means the Collateral set forth on Schedule 1.

"Financing Statements" has the meaning set forth in Section 3.

"General Intangibles" means all general intangibles of the Company in any way relating to or arising out of or existing in connection with the Accounts, Inventory and Equipment constituting Collateral, now existing or hereafter acquired or arising and shall include Vendor Intellectual Property and exclude Company Intellectual Property.

"Intellectual Property" means the following properties and assets: (i) all patents and patent applications, domestic or foreign and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights arising therefrom and pertaining thereto (collectively, "Patents"); (ii) all copyrights and applications for copyright, domestic or

foreign, together with the underlying works of authorship (including titles), and all rights of renewal and extension of copyright; (iii) all state (including common law), federal and foreign trademarks, service marks and trade names, and applications for registration of such trademarks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, and all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof; (iv) all trade secrets, trade dress, trade styles, logos, other source of business identifiers, mask-works, mask-work registrations, mask-work applications, software, confidential information, customer lists, license rights, advertising materials, operating manuals, methods, processes, know-how, algorithms, formulae, databases, quality control procedures, product, service and technical specifications, operating, production and quality control manuals, sales literature, drawings, specifications, blue prints, descriptions, inventions, name plates and catalogs; and (v) the entire goodwill of or associated with the businesses now or hereafter conducted by the Company connected with and symbolized by any of the aforementioned properties and assets.

"Inventory" means any and all of the Company's inventory in all of its forms, wherever located, whether now owned or hereafter acquired, and in any event includes all goods (including goods in transit) which are held for sale, lease or other disposition, including those held for display or demonstration or out on lease or consignment or to be furnished under a contract of service, or which are raw materials, work in process, finished goods or materials used or consumed in the Company's business, and the resulting product or mass, and all repossessed, returned, rejected, reclaimed and replevied goods, together with all parts, components, supplies and other materials used or usable in connection with the manufacture, production, packing, shipping, advertising, selling or furnishing of such goods; and all other items hereafter acquired by the Company by way of substitution, replacement, return, repossession or otherwise, and all additions and accessions thereto, and any Document representing or relating to any of the foregoing at any time.

"Proceeds" means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral or other assets of the Company, including "proceeds" as defined at UCC Section 9306, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of the Company from time to time with respect to any of the Collateral, any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person, any and all other tangible or intangible property received upon the sale or disposition of Collateral, and all proceeds of proceeds.

"Rights to Payment" means all Accounts and any and all rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under all Documents, General Intangibles and Proceeds.

"Secured Obligations" means the indebtedness, liabilities and other
obligations of the Company to the Agent and the Banks under or in connection with the Credit Agreement and the Notes, including all unpaid principal of the Loans, all interest accrued thereon, all fees due under the Credit Agreement and all other amounts payable by the Company to the Agent and the Banks thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of California; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of California, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Vendor Intellectual Property" means any Intellectual Property owned by or originating with a vendor from whom Company purchased Equipment, where such Intellectual Property (i) accompanied the sale of such Equipment to Company, (ii) which Company utilized or accessed in the operation of such Equipment, (iii) to which Company was licensed, either expressly or by implication, and (iv) as to which Vendor placed no restrictions on transfer in connection with the resale of Equipment.

(c) Terms Defined in UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) Interpretation. The rules of interpretation set forth in Section 1.03 of the Credit Agreement shall be applicable to this Agreement and are incorporated herein by this reference.

SECTION 2 Security Interest.

(a) Grant of Security Interest. As security for the payment and performance of the Secured Obligations, the Company hereby pledges, assigns, transfers, hypothecates and sets over to the Agent, for itself and on behalf of and for the ratable benefit of the Banks, and hereby grants to the Agent, for itself and on behalf of and for the ratable benefit of the Banks, a security interest in all of the Company's right, title and interest in, to and under the following property, wherever located and whether now existing or owned or hereafter acquired or arising but excluding the Company's right, title and interest in, to and under the Excluded Collateral (collectively, the "Collateral"): (i) all Accounts; (ii) all Documents; (iii) all Equipment; (iv) all General Intangibles; (v) all Inventory; (vi) all Books; and (vii) all products and Proceeds of any and all of the foregoing.

(b) Continuing Security Interest. The Company agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 22.

(c) Excluded General Intangibles. Notwithstanding the foregoing provisions of this Section 2, the grant of a security interest as provided herein shall not extend to, and the term "Collateral" shall not include, any General Intangibles of the Company (whether owned or held as licensee or lessee, or otherwise), to the extent that (i) such General Intangibles are not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (ii) such consent has not been obtained; provided, however, that the foregoing grant of security interest shall extend to, and the term "Collateral" shall include, (A) any General Intangible which is an Account or a proceed of, or otherwise related to the enforcement or collection of, any Account, or goods which are the subject of any Account, (B) any and all proceeds of any General Intangibles which are otherwise excluded to the extent that the assignment or encumbrance of such proceeds is not so restricted, and (C) upon obtaining the consent of any such licensor, lessor or other applicable party's consent with respect to any such otherwise excluded General Intangibles, such General Intangibles as well as any and all proceeds thereof that might have theretofore have been excluded from such grant of a security interest and the term "Collateral".

SECTION 3 Perfection Procedures. The Company shall execute and deliver at any time and from time to time after execution of this Agreement all other or additional financing statements, continuation financing statements, termination statements, security agreements, chattel mortgages, assignments, patent, copyright and trademark collateral assignments, fixture filings, warehouse receipts, documents of title, affidavits, reports, notices, schedules of account, letters of authority and all other documents and instruments, in form satisfactory to the Agent (the "Financing Statements"), and take all other action, as the Agent may request, to perfect and continue perfected, maintain the priority of or provide notice of the Agent's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, (i) on or prior to the Closing Date the Company shall execute and deliver Financing Statements for filing in the Filing Offices, and (ii) after the Closing Date the Company shall execute and deliver Financing Statements for filing in the appropriate filing office or offices in any state identified by the Company in a notice delivered to the Agent pursuant to Section 5(e).

SECTION 4 Representations and Warranties. In addition to the representations and warranties of the Company set forth in the Credit Agreement, which are incorporated herein by this reference, the Company represents and warrants to each Bank and the Agent that:

(a) Location of Chief Executive Office and Collateral. The Company's chief executive office and principal place of business is located at the address set forth in Part 1 of Schedule 1.

(b) Locations of Books. All locations where Books pertaining to the Rights to Payment are kept, including all equipment necessary for accessing such Books and the names

and addresses of all service bureaus, computer or data processing companies and other Persons keeping any Books or collecting Rights to Payment for the Company, are set forth in Part 2 of Schedule 1.

(c) Trade Names and Trade Styles. All trade names and trade styles under which the Company presently conducts its business operations are set forth in Part 3 of Schedule 1.

(d) Ownership of Collateral. The Company is, and, except as permitted by Section 5(i), will continue to be, the sole and complete owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Company acquires rights in such Collateral, will be the sole and complete owner thereof), free from any Lien other than Permitted Liens.

(e) Enforceability; Priority of Security Interest. (i) This Agreement creates a security interest which is enforceable against the Collateral in which the Company now has rights and will create a security interest which is enforceable against the Collateral in which the Company hereafter acquires rights at the time the Company acquires any such rights; and (ii) the Agent has a perfected and first priority security interest in the Collateral covered by the Financing Statements filed in the Filing Offices and any other Financing Statements required hereunder, and will have a perfected security interest in the Collateral, subject only to Permitted Liens, referred to in the Financing Statements filed in the Filing Offices, and any other Financing Statements filed hereunder, in which the Company hereafter acquires rights at the time the Company acquires any such rights, in each case securing the payment and performance of the Secured Obligations, and free from any Lien other than Permitted Liens.

(f) Rights to Payment.

(i) The Rights to Payment represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, bona fide transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are and will be genuine, free from Liens, and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Company's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5(k) or otherwise occurring in the ordinary course of business;

(ii) all Rights to Payment comply in all material respects with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;

(iii) the Company has not assigned any of its rights under the Rights to Payment except as provided in this Agreement or as set forth in the other Loan Documents; and

(iv) all statements made, all unpaid balances and all other information in the Books and other documentation relating to the Rights to Payment are true and correct in all material respects and in all material respects what they purport to be.

SECTION 5 Covenants. In addition to the covenants of the Company set forth in the Credit Agreement, which are incorporated herein by this reference, so long as any of the Secured Obligations remain unsatisfied or any Bank shall have any Commitment, the Company agrees that:

(a) Defense of Collateral. The Company will appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or the Agent's right or interest in, any material portion of Collateral.

(b) Preservation of Collateral. The Company will do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect any material Collateral.

(c) Compliance with Laws, Etc. The Company will comply with all laws, regulations and ordinances, and all policies of insurance, relating in a material way to the possession, operation, maintenance and control of the Collateral, except where the failure to do so could not reasonably be expected to have a material adverse effect on the Collateral position of the Agent and the Banks.

(d) Location of Books and Chief Executive Office. The Company will give at least 30 days' prior written notice to the Agent of (A) any changes in any such location where Books pertaining to the Rights to Payment are kept, including any change of name or address of any service bureau, computer or data processing company or other Person preparing or maintaining Books or collecting material Rights to Payment for the Company or (B) any change in the location of the Company's chief executive office or principal place of business.

(e) Location of Collateral. If any Inventory of the Company shall be relocated to, or otherwise be located in, a state of the United States in which a Financing Statement has not already been filed with respect to such Inventory, and the aggregate value of such Inventory equals or exceeds $5,000,000 (as determined by the Company using net book values as determined in accordance with GAAP), the Company will give the Agent prompt notice thereof (and in any event not later than one Business Day after becoming aware thereof).

(f) Change in Name, Identity or Structure. The Company will give at least 30 days' prior written notice to the Agent of (i) any change in its name and (ii) any changes in its identity or structure in any manner which might make any Financing Statement filed hereunder incorrect or misleading.

(g) Maintenance of Records. The Company will keep Books with respect to the Collateral which are accurate in all material respects.

(h) Invoicing of Sales. The Company will invoice all of its sales and maintain proof of delivery and customer acceptance of goods in accordance with past practices.

(i) Liens. The Company will keep the Collateral free of all Liens except Permitted Liens.

(j) Expenses. The Company will pay all expenses of protecting, storing, warehousing, insuring, handling and shipping the Collateral.

(k) Rights to Payment. The Company will:

(i) with such frequency as the Agent may require upon the occurrence and during the continuance of an Event of Default or after any acceleration of the Secured Obligations (but in no event more than once during any calendar month), furnish to the Agent full and complete reports, in form and substance reasonably satisfactory to the Agent, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Agent shall reasonably request;

(ii) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices, and enforce all Accounts and other Rights to Payment, and during the existence of an Event of Default, take all such action to such end as may from time to time be reasonably requested by the Agent, except that the Company may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices;

(iii) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Company, any dispute, setoff, claim, counterclaim or defense exists with respect to an Account or other Right to Payment, disclose such fact in the Books relating to such Account or other Right to Payment;

(iv) to the extent required in accordance with its sound business judgment perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment;

(v) upon the request of the Agent at any time that Loans are outstanding (A) upon the occurrence and during the continuance of an Event of Default, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (B) upon the occurrence and during the continuance of an Event of Default, notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Agent or to such other Person or location as the Agent shall specify; and

(vi) upon the occurrence and during the continuance of any Event of Default, upon the request of Agent, at any time that Loans are outstanding, establish such lockbox or similar arrangements for the payment of the Accounts and other Rights to Payment as the Agent shall require.

(l) Instruments, Etc. Upon the request of the Agent, the Company will (i) immediately deliver to the Agent, or an agent designated by it, appropriately endorsed or accompanied by appropriate instruments of transfer or assignment, Documents, all letters of credit relating to the Collateral, and all Rights to Payment at any time evidenced by promissory

notes, trade acceptances or other instruments, (ii) mark all Documents with such legends as the Agent shall reasonably specify, and (iii) obtain consents from any letter of credit issuers with respect to the assignment to the Agent of any Letter of Credit Proceeds.

(m) Inventory. The Company will:

(i) at such times as the Agent shall request, prepare and deliver to the Agent a report of all Inventory, in form and substance reasonably satisfactory to the Agent; and

(ii) upon the reasonable request of the Agent, take a physical listing of the Inventory (including specification of all locations thereof) and promptly deliver a copy of such physical listing to the Agent.

(n) Notices, Reports and Information. The Company will (i) notify the Agent of any other modifications of or additions to the information contained in Schedule 1; (ii) notify the Agent of any material claim made or asserted against the Collateral by any Person or other event other than market changes which could materially adversely affect the value of the Collateral or the Agent's Lien thereon; (iii) furnish to the Agent such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as the Agent may reasonably request, all in reasonable detail; and (iv) upon the reasonable request of the Agent make such demands and requests for information and reports as the Company is entitled to make in respect of the Collateral.

(o) [reserved]

(p) Insurance. All insurance maintained by the Company, as required under Section 6.06 of the Credit Agreement, with respect to Collateral as well as all "Property" referred to in the Deeds of Trust shall name the Agent as loss payee/mortgagee and/or as additional insured, for the benefit of the Banks, as their interests may appear. Upon request of the Agent or any Bank, the Company shall furnish the Agent, with sufficient copies for each Bank, at reasonable intervals (but not more than once per calendar year) a certificate of a Responsible Officer of the Company (and, if requested by the Agent, any insurance broker of the Company) setting forth the nature and extent of all insurance maintained by the Company and its Subsidiaries in accordance with this Section or any other Collateral Documents. Additionally, the Company shall also furnish to the Agent at least once in each calendar year a certificate of the Company's insurance broker or other insurance specialist stating that all premiums then due on the policies relating to such insurance required hereunder and under the other Collateral Documents have been paid and that such policies are in full force and effect. All insurance policies required under this subsection shall provide that they shall not be terminated or cancelled nor shall any such policy be materially changed without at least 30 days' prior written notice to the Company and the Agent. Receipt of notice of termination or cancellation of any such insurance policies or material reduction of coverages or amounts thereunder shall entitle the Agent to renew any such policies, cause the coverages and amounts thereof to be maintained at levels required pursuant to the first sentence of this subsection or otherwise to obtain similar insurance in place of such policies, in each case at the expense of the Company.

SECTION 6 Rights to Payment.

(a) Collection of Rights to Payment. Until the Agent exercises its rights hereunder to collect Rights to Payment, the Company shall endeavor in the first instance diligently to collect all amounts due or to become due on or with respect to the Rights to Payment unless in its reasonable business judgment it decides not to collect a Right to Payment. At the request of the Agent, upon and after the occurrence and during the continuance of any Event of Default if Loans are outstanding, all remittances received by the Company shall be held in trust for the Agent and, in accordance with the Agent's instructions, remitted to the Agent or deposited to an account with the Agent in the form received (with any necessary endorsements or instruments of assignment or transfer).

SECTION 7 Authorization; Agent Appointed Attorney-in-Fact. The Agent shall have the right to, in the name of the Company, or in the name of the Agent or otherwise, without notice to or assent by the Company, and the Company hereby constitutes and appoints the Agent (and any of the Agent's officers or employees or agents designated by the Agent) as the Company's true and lawful attorney-in-fact, with full power and authority to:

(i) if the Company fails to do so promptly, sign any of the Financing Statements which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Agent's security interest in the Collateral;

(ii) take possession of and endorse any notes, acceptances, checks, drafts, money orders or other forms of payment or security and collect any Proceeds of any Collateral;

(iii) sign and endorse any invoice or bill of lading relating to any of the Collateral, warehouse or storage receipts, drafts against customers or other obligors, assignments, notices of assignment, verifications and notices to customers or other obligors;

(iv) send requests for verification of Rights to Payment to the customers or other obligors of the Company;

(v) contact, or direct the Company to contact, all account debtors and other obligors on the Rights to Payment and instruct such account debtors and other obligors to make all payments directly to the Agent;

(vi) assert, adjust, sue for, compromise or release any claims under any policies of insurance;

(vii) notify each Person maintaining lockbox or similar arrangements for the payment of the Rights to Payment to remit all amounts representing collections on the Rights to Payment directly to the Agent;

(viii) ask, demand, collect, receive and give acquittances and receipts for any and all Rights to Payment, enforce payment or any other rights in respect of the Rights to Payment and other Collateral, grant consents, agree to any amendments, modifications or waivers of the agreements and documents governing the Rights to Payment and other Collateral, and otherwise file any claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, as the Agent may deem necessary or desirable to

maintain, preserve and protect the Collateral, to collect the Collateral or to enforce the rights of the Agent with respect to the Collateral;

(ix) execute any and all applications, documents, papers and instruments necessary for the Agent to use the Intellectual Property and grant or issue any exclusive or non-exclusive license or sublicense with respect to any Intellectual Property in connection with the exercise of the Agent's rights and remedies under Section 10;

(x) execute any and all endorsements, assignments or other documents and instruments necessary to sell, lease, assign, convey or otherwise transfer title in or dispose of the Collateral; and

(xi) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of the Company, which the Agent may deem necessary or advisable to (A) realize upon the Collateral, and (B) maintain, protect, and preserve the Collateral and the Agent's security interest therein and to accomplish the purposes of this Agreement.

The Agent agrees that, except upon and after the occurrence and during the continuance of an Event of Default and while Loans are outstanding, it shall not exercise the power of attorney, or any rights granted to the Agent, pursuant to clauses (ii) through (x) and (xi)(A). The foregoing power of attorney is coupled with an interest and irrevocable so long as the Banks have any Commitments or the Secured Obligations have not been paid and performed in full. The Company hereby ratifies, to the extent permitted by law, all that the Agent shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

SECTION 8 Agent Performance of Company Obligations. If the Company fails to do so promptly after notice, the Agent may perform or pay any obligation which the Company has agreed to perform or pay under or in connection with this Agreement, and the Company shall reimburse the Agent on demand for any amounts paid by the Agent pursuant to this Section 8.

SECTION 9 Agent's Duties. Notwithstanding any provision contained in this Agreement, the Agent shall have no duty to exercise any of the rights, privileges or powers afforded to it and shall not be responsible to the Company or any other Person for any failure to do so or delay in doing so. Beyond the exercise of reasonable care to assure the safe custody of Collateral in the Agent's possession and the accounting for moneys actually received by the Agent hereunder, the Agent shall have no duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Collateral.

SECTION 10 Remedies.

(a) Remedies. Upon the occurrence and during the continuance of an Event of Default and acceleration of the Secured Obligations under Section 8.02 of the Credit Agreement, the Agent shall have, in addition to all other rights and remedies granted to it in this Agreement, the Credit Agreement or any other Loan Document, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, the Company agrees that upon the occurrence and during the continuance of an Event of Default and acceleration of the Secured Obligations under Section 8.02 of the Credit

Agreement the Agent may exercise the following rights and remedies, in accordance with the direction or consent of the Majority Banks:

(i) The Agent may peaceably and without notice enter any premises of the Company, and using reasonable care, take possession of any Collateral, remove or dispose of all or part of the Collateral on any premises of the Company or elsewhere, or, in the case of Equipment, render it nonfunctional, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Agent may determine.

(ii) The Agent may require the Company to assemble all or any part of the Collateral and make it available to the Agent, at any place and time designated by the Agent.

(iii) The Agent may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law).

(iv) The Agent may sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of the Company's assets, without charge or liability to the Agent therefor, except that Company Intellectual Property may only be used as provided in Subsection (b)) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit or for future delivery without assumption of any credit risk, all as the Agent deems advisable; provided, however, that the Company shall be credited
-------- -------
with the net proceeds of sale only when such proceeds are finally collected by the Agent. The Agent and each of the Banks shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption the Company hereby releases, to the extent permitted by law. The Company hereby agrees that the sending of notice by ordinary mail, postage prepaid, to the address of the Company set forth in the Credit Agreement, of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, shall be deemed reasonable notice thereof if such notice is sent ten days prior to the date of such sale or other disposition or the date on or after which such sale or other disposition may occur, provided that the Agent
----
may provide the Company shorter notice or no notice, to the extent permitted by the UCC or other applicable law.

(b) License. Solely for the purpose of enabling the Agent to exercise
----
its rights and remedies under this Section 10 or otherwise in connection with the disposition of Inventory in accordance with this Agreement, the Company hereby grants to the Agent an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Company) of the Intellectual Property necessary to sell or otherwise dispose of Inventory, provided that such license to use such Intellectual Property does not include the right to manufacture Inventory.

(c) Application of Proceeds. The cash proceeds actually received from
----
the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied as

provided in the Credit Agreement. Any surplus thereof which exists after payment and performance in full of the Secured Obligations shall be promptly paid over to the Company or otherwise disposed of in accordance with the UCC or other applicable law. The Company shall remain liable to the Agent and the Banks for any deficiency which exists after any sale or other disposition or collection of Collateral.

SECTION 11 Certain Waivers. The Company waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Secured Obligations; (ii) any right to require the Agent or the Banks (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Secured Obligations, (C) to pursue any remedy in the Agent's or any of the Banks' power, or (D) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; and (iii) all claims, damages, and demands against the Agent or the Banks arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral, other than any resulting from the gross negligence or willful misconduct of such Person.

SECTION 12 Notices. All notices, requests or other communications hereunder shall be given in the manner and to the addresses specified in the Credit Agreement. All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon receipt by the addressee, or if delivered, upon delivery.

SECTION 13 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

SECTION 14 Costs and Expenses; Indemnification; Other Charges.

(a) Costs and Expenses. The Company shall:

(i) whether or not the transactions contemplated hereby are consummated, pay or reimburse the Agent for all reasonable costs and expenses incurred by it in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby; and

(ii) pay or reimburse the Agent, the Lead Arranger and each Bank for all costs and expenses (including Attorney Costs) incurred by them in connection

with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

(b) Indemnification. The Company shall indemnify, defend and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Person in favor of any third-party in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or relating to the Collateral, whether or not any Indemnified Person is a party thereto (all of the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person.

(c) Other Charges. The Company agrees to indemnify the Agent and each of the Banks against and hold each of them harmless from any and all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments and other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of this Agreement.

(d) Interest. Any amounts payable to the Agent or any Bank under this Section 14 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in Section 2.08(c) of the Credit Agreement.

(e) Survival. The agreements in this Section shall survive payment of all other Secured Obligations.

SECTION 15 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank.

SECTION 16 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND TO THE EXTENT THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS HEREUNDER, OR THE REMEDIES HEREUNDER, IN RESPECT OF ANY COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN CALIFORNIA.

SECTION 17 Entire Agreement; Amendment. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the

Company, the Banks and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof and shall not be amended except by the written agreement of the parties as provided in the Credit Agreement.

SECTION 18 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

SECTION 19 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. Each of the parties hereto understands and agrees that this Agreement may be delivered by any party hereto or thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Bank of or the Company shall bind such Bank or the Company, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

SECTION 20 Incorporation of Provisions of the Credit Agreement. To the extent the Credit Agreement contains provisions of general applicability to the Loan Documents, including any such provisions contained in Article X thereof, such provisions are incorporated herein by this reference.

SECTION 21 No Inconsistent Requirements. The Company acknowledges that this Agreement and the other Loan Documents may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

SECTION 22 Termination. Upon the termination of the Commitments of the Banks and payment and performance in full of all Secured Obligations, this Agreement shall terminate and the Agent shall promptly execute and deliver to the Company such documents and instruments reasonably requested by the Company as shall be necessary to evidence termination of all security interests given by the Company to the Agent hereunder; provided, however, that the obligations of the Company under Section 14 shall survive such termination.

SECTION 23 Amendment and Restatement of Existing Security Agreement. From and after the Closing Date, this Agreement amends and restates the existing Security Agreement dated as of June 16, 1998 between the Agent and the Company.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

THE COMPANY

MICRON TECHNOLOGY, INC.

By _____
Title:

THE AGENT

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By _____
Title:

SCHEDULE 1
to the Security Agreement

1. LOCATIONS OF CHIEF EXECUTIVE OFFICE AND OTHER LOCATIONS, INCLUDING OF COLLATERAL

Chief Executive Office and Principal Place of Business:

8000 South Federal Way
Boise, Idaho 83707

2. LOCATIONS OF BOOKS PERTAINING TO RIGHTS TO PAYMENT

8000 South Federal Way
Boise, Idaho 83707

3. TRADE NAMES AND TRADE STYLES; OTHER CORPORATE, TRADE OR FICTITIOUS NAMES; ETC.

EXHIBIT G

FORM OF GUARANTOR SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of September 1, 1998, is made between Micron Semiconductor Products, Inc., an Idaho corporation (the "Guarantor"), and Bank of America National Trust and Savings Association, as agent for itself and the Banks referred to below (in such capacity, the "Agent").

RECITALS

WHEREAS, Micron Technology, Inc. (the "Company"), certain financial institutions as lenders (the "Banks") and the Agent are parties to a Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 among the Company, the Banks and the Agent (as amended, modified, renewed or extended from time to time, the "Credit Agreement");

WHEREAS, to guarantee the indebtedness and other obligations of the Company under the Credit Agreement, the Guarantor has made a Guaranty dated as of the date hereof (as amended, modified, renewed or extended from time to time, the "Guaranty") in favor of the Agent; and

WHEREAS, it is a condition precedent to the occurrence of the Closing Date under the Credit Agreement that the Guarantor enter into this Agreement and grant to the Agent, for itself and for the ratable benefit of the Banks, the security interests hereinafter provided to secure the obligations of the Guarantor under the Guaranty described below.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Accounts" means any and all accounts receivable owed to the Guarantor, whether now existing or hereafter acquired or arising, arising out of or in connection with the sale or lease of merchandise, goods or commodities or the rendering of services or arising from any other transaction, however evidenced, and whether or not earned by performance, all guaranties, indemnities and security with respect to the foregoing, and all letters of credit relating thereto, in each case whether now existing or hereafter acquired or arising.

"Books" means all books, records and other written, electronic or other documentation in whatever form maintained now or hereafter by or for the Guarantor in connection with the ownership of the Collateral or evidencing or containing information relating to the Collateral, including: (i) ledgers; (ii) records indicating, summarizing, or evidencing the Collateral), business operations or financial condition; (iii) computer programs and software; (iv) computer discs, tapes, files, manuals, spreadsheets; (v) computer printouts and output of whatever kind; (vi) any other computer prepared or electronically stored, collected or reported information and equipment of any kind; and (vii) any and all other rights now or hereafter arising out of any contract or agreement between the Guarantor and any service bureau, computer or data processing company or other Person charged with preparing or maintaining any of the Guarantor's books or records or with credit reporting, including with regard to the Guarantor's Accounts.

"Collateral" has the meaning set forth in Section 2.

"Documents" means any and all documents of title, bills of lading, dock warrants, dock receipts, warehouse receipts and other documents of the Guarantor relating to Collateral, whether or not negotiable, and includes all other documents which purport to be issued by a bailee or agent and purport to cover goods in any bailee's or agent's possession which are either identified or are fungible portions of an identified mass, including such documents of title made available to the Guarantor for the purpose of ultimate sale or exchange of goods or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with goods in a manner preliminary to their sale or exchange, in each case whether now existing or hereafter acquired or arising.

"Equipment" means all now existing or hereafter acquired equipment of the Guarantor in all of its forms, located at the Idaho Facility and the Utah Facility, and including any and all machinery, furniture, equipment, furnishings and fixtures in which the Guarantor now or hereafter acquires any right, and all other goods and tangible personal property (other than Inventory), including tools, parts and supplies, automobiles, trucks, tractors and other vehicles, computer and other electronic data processing equipment and other office equipment, Vendor Intellectual Property, and all additions, substitutions, replacements, parts, accessories, and accessions to and for the foregoing, now owned or hereafter acquired, and including any of the foregoing which are or are to become fixtures on real property.

"Excluded Collateral" means the Collateral set forth on Schedule 1.

"Financing Statements" has the meaning set forth in Section 3.

"General Intangibles" means all general intangibles of the Guarantor in any way relating to or arising out of or existing in connection with the Accounts, Inventory and Equipment constituting Collateral, now existing or hereafter acquired or arising and shall include Vendor Intellectual Property and exclude Guarantor Intellectual Property.

"Guarantor Documents" has the meaning set forth in the Guaranty.

"Guarantor Intellectual Property" means any Intellectual Property
owned or held by the Guarantor or in which the Guarantor otherwise has any interest that allows for transfer or sublicense to third parties, now existing or hereafter acquired or arising, whether or not relating to or arising out of or existing in connection with the Equipment.

"Intellectual Property" means the following properties and assets:
(i) all patents and patent applications, domestic or foreign, and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights arising therefrom and pertaining thereto (collectively, "Patents"); (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), and all rights of renewal and extension of copyright; (iii) all state (including common law), federal and foreign trademarks, service marks and trade names, and applications for registration of such trademarks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, and all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof; (iv) all trade secrets, trade dress, trade styles, logos, other source of business identifiers, mask-works, mask-work registrations, mask-work applications, software, confidential information, customer lists, license rights, advertising materials, operating manuals, methods, processes, know-how, algorithms, formulae, databases, quality control procedures, product, service and technical specifications, operating, production and quality control manuals, sales literature, drawings, specifications, blue prints, descriptions, inventions, name plates and catalogs; and (v) the entire goodwill of or associated with the businesses now or hereafter conducted by the Guarantor connected with and symbolized by any of the aforementioned properties and assets.

"Inventory" means any and all of the Guarantor's inventory in all of its forms, wherever located, whether now owned or hereafter acquired, and in any event includes all goods (including goods in transit) which are held for sale, lease or other disposition, including those held for display or demonstration or out on lease or consignment or to be furnished under a contract of service, or which are raw materials, work in process, finished goods or materials used or consumed in the Guarantor's business, and the resulting product or mass, and all repossessed, returned, rejected, reclaimed and replevied goods, together with all parts, components, supplies and other materials used or usable in connection with the manufacture, production, packing, shipping, advertising, selling or furnishing of such goods; and all other items hereafter acquired by the Guarantor by way of substitution, replacement, return, repossession or otherwise, and all additions and accessions thereto, and any Document representing or relating to any of the foregoing at any time.

"Proceeds" means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral or other assets of the Guarantor, including "proceeds" as defined at UCC Section 9306, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of the Guarantor from time to time with respect to any of the Collateral, any and all payments (in any form whatsoever) made or due and payable to the Guarantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any

part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person, any and all other tangible or intangible property received upon the sale or disposition of Collateral, and all proceeds of proceeds.

"Rights to Payment" means all Accounts and any and all rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under all Documents, General Intangibles and Proceeds.

"Secured Obligations" means the "Guaranteed Obligations" of the Guarantor as defined in the Guaranty.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of California; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of California, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Vendor Intellectual Property" means any Intellectual Property owned by or originating with a vendor from whom Guarantor purchased Equipment, where such Intellectual Property (i) accompanied the sale of such Equipment to Guarantor, (ii) which Guarantor utilized or accessed in the operation of such Equipment, (iii) to which Guarantor was licensed, either expressly or by implication, and (iv) as to which Vendor placed no restrictions on transfer in connection with the resale of Equipment.

(c) Terms Defined in UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) Interpretation. The rules of interpretation set forth in Section 1.03 of the Credit Agreement shall be applicable to this Agreement and are incorporated herein by this reference.

SECTION 2 Security Interest.

(a) Grant of Security Interest. As security for the payment and performance of the Secured Obligations, the Guarantor hereby pledges, assigns, transfers, hypothecates and sets over to the Agent, for itself and on behalf of and for the ratable benefit of the Banks, and hereby grants to the Agent, for itself and on behalf of and for the ratable benefit of the Banks, a security interest in all of the Guarantor's right, title and interest in, to and under the following property, wherever located and whether now existing or owned or hereafter acquired or arising but excluding the Guarantor's right, title and interest in, to and under the Excluded Collateral (collectively, the "Collateral"): (i) all Accounts; (ii) all Documents; (iii) all Equipment; (iv) all

General Intangibles; (v) all Inventory; (vi) all Books; and (vii) all products and Proceeds of any and all of the foregoing.

(b) Continuing Security Interest. The Guarantor agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 22.

(c) Excluded General Intangibles. Notwithstanding the foregoing provisions of this Section 2, the grant of a security interest as provided herein shall not extend to, and the term "Collateral" shall not include, any General Intangibles of the Guarantor (whether owned or held as licensee or lessee, or otherwise), to the extent that (i) such General Intangibles are not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (ii) such consent has not been obtained; provided, however, that the foregoing grant of security interest shall extend to, and the term "Collateral" shall include, (A) any General Intangible which is an Account or a proceed of, or otherwise related to the enforcement or collection of, any Account, or goods which are the subject of any Account, (B) any and all proceeds of any General Intangibles which are otherwise excluded to the extent that the assignment or encumbrance of such proceeds is not so restricted, and (C) upon obtaining the consent of any such licensor, lessor or other applicable party's consent with respect to any such otherwise excluded General Intangibles, such General Intangibles as well as any and all proceeds thereof that might have theretofore have been excluded from such grant of a security interest and the term "Collateral".

SECTION 3 Perfection Procedures. The Guarantor shall execute and deliver to the Agent at any time and from time to time after execution of this Agreement all other or additional financing statements, continuation financing statements, termination statements, security agreements, chattel mortgages, assignments, patent, copyright and trademark collateral assignments, fixture filings, warehouse receipts, documents of title, affidavits, reports, notices, schedules of account, letters of authority and all other documents and instruments, in form satisfactory to the Agent (the "Financing Statements"), and take all other action, as the Agent may request, to perfect and continue perfected, maintain the priority of or provide notice of the Agent's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, (i) on or prior to the Closing Date the Guarantor shall execute and deliver Financing Statements for filing in the Filing Offices, and (ii) after the Closing Date the Guarantor shall execute and deliver Financing Statements for filing in the appropriate filing office or offices in any state identified by the Guarantor in a notice delivered to the Agent pursuant to Section 5(e).

SECTION 4 Representations and Warranties. In addition to the representations and warranties of the Guarantor set forth in the Guaranty, which are incorporated herein by this reference, the Guarantor represents and warrants to each Bank and the Agent that:

(a) Location of Chief Executive Office and Collateral. The Guarantor's chief executive office and principal place of business is located at the address set forth in Part 1 of Schedule 1.

(b) Locations of Books. All locations where Books pertaining to the Rights to Payment are kept, including all equipment necessary for accessing such Books and the names and addresses of all service bureaus, computer or data processing companies and other Persons keeping any Books or collecting Rights to Payment for the Guarantor, are set forth in Part 2 of Schedule 1.

(c) Trade Names and Trade Styles. All trade names and trade styles under which the Guarantor presently conducts its business operations are set forth in Part 3 of Schedule 1.

(d) Ownership of Collateral. The Guarantor is, and, except as permitted by Section 5(i), will continue to be, the sole and complete owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Guarantor acquires rights in such Collateral, will be the sole and complete owner thereof), free from any Lien other than Permitted Liens.

(e) Enforceability; Priority of Security Interest. (i) This Agreement creates a security interest which is enforceable against the Collateral in which the Guarantor now has rights and will create a security interest which is enforceable against the Collateral in which the Guarantor hereafter acquires rights at the time the Guarantor acquires any such rights; and (ii) the Agent has a perfected and first priority security interest in the Collateral covered by the Financing Statements filed in the Filing Offices and any other Financing Statements required hereunder, and will have a perfected security interest in the Collateral, subject only to Permitted Liens, referred to in the Financing Statements filed in the Filing Offices, and any other Financing Statements required hereunder, in which the Guarantor hereafter acquires rights at the time the Guarantor acquires any such rights, in each case securing the payment and performance of the Secured Obligations, and free from any Lien other than Permitted Liens.

(f) Rights to Payment.

(i) The Rights to Payment represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, bona fide transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are and will be genuine, free from Liens, and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Guarantor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5(k) or otherwise occurring in the ordinary course of business;

(ii) all Rights to Payment comply in all material respects with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;

(iii) the Guarantor has not assigned any of its rights under the Rights to Payment except as provided in this Agreement or as set forth in the other Loan Documents; and

(iv) all statements made, all unpaid balances and all other information in the Books and other documentation relating to the Rights to Payment are true and correct in all material respects and in all material respects what they purport to be.

SECTION 5 Covenants. In addition to the covenants of the Guarantor set forth in the Guaranty, which are incorporated herein by this reference, so long as any of the Secured Obligations remain unsatisfied or any Bank shall have any Commitment, the Guarantor agrees that:

(a) Defense of Collateral. The Guarantor will appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or the Agent's right or interest in, any material portion of Collateral.

(b) Preservation of Collateral. The Guarantor will do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect any material Collateral.

(c) Compliance with Laws, Etc. The Guarantor will comply with all laws, regulations and ordinances, and all policies of insurance, relating in a material way to the possession, operation, maintenance and control of the Collateral, except where the failure to do so could not reasonably be expected to have a material adverse effect on the Collateral position of the Agents and the Banks.

(d) Location of Books and Chief Executive Office. The Guarantor will give at least 30 days' prior written notice to the Agent of (A) any changes in any such location where Books pertaining to the Rights to Payment are kept, including any change of name or address of any service bureau, computer or data processing company or other Person preparing or maintaining Books or collecting material Rights to Payment for the Guarantor or (B) any change in the location of the Guarantor's chief executive office or principal place of business.

(e) Location of Collateral. If any Inventory of the Guarantor shall be relocated to, or otherwise be located in, a state of the United States in which a Financing Statement has not already been filed with respect to such Inventory, and the aggregate value of such Inventory equals or exceeds $5,000,000 (as determined by the Guarantor using net book values as determined in accordance with GAAP), the Company will give the Agent prompt notice thereof (and in any event not later than one Business Day after becoming aware thereof).

(f) Change in Name, Identity or Structure. The Guarantor will give at least 30 days' prior written notice to the Agent of (i) any change in its name and (ii) any changes in its

identity or structure in any manner which might make any Financing Statement filed hereunder incorrect or misleading.

(g) Maintenance of Records. The Guarantor will keep Books with respect to the Collateral which are accurate in all material respects.

(h) Invoicing of Sales. The Guarantor will invoice all of its sales and maintain proof of delivery and customer acceptance of goods in accordance with past practices.

(i) Liens. The Guarantor will keep the Collateral free of all Liens except Permitted Liens.

(j) Expenses. The Guarantor will pay all expenses of protecting, storing, warehousing, insuring, handling and shipping the Collateral.

(k) Rights to Payment. The Guarantor will:

(i) with such frequency as the Agent may require upon the occurrence and during the continuance of an Event of Default or after any acceleration of the Secured Obligations (but in no event more than once during any calendar month), furnish to the Agent full and complete reports, in form and substance reasonably satisfactory to the Agent, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Agent shall reasonably request;

(ii) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices, and enforce all Accounts and other Rights to Payment, and during the existence of an Event of Default, take all such action to such end as may from time to time be reasonably requested by the Agent, except that the Guarantor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices;

(iii) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Guarantor, any dispute, setoff, claim, counterclaim or defense exists with respect to an Account or other Right to Payment, disclose such fact in the Books relating to such Account or other Right to Payment;

(iv) to the extent required in accordance with its sound business judgment perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment;

(v) upon the request of the Agent at any time that Loans are outstanding (A) upon the occurrence and during the continuance of an Event of Default, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (B) upon the occurrence and during the continuance of an Event of

Default, notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Agent or to such other Person or location as the Agent shall specify; and

(vi) upon the occurrence and during the continuance of any Event of Default, upon the request of Agent, at any time that Loans are outstanding, establish such lockbox or similar arrangements for the payment of the Accounts and other Rights to Payment as the Agent shall require.

(l) Instruments, Etc. Upon the request of the Agent, the Guarantor will (i) immediately deliver to the Agent, or an agent designated by it, appropriately endorsed or accompanied by appropriate instruments of transfer or assignment, Documents, all letters of credit relating to the Collateral, and all Rights to Payment at any time evidenced by promissory notes, trade acceptances or other instruments, (ii) mark all Documents with such legends as the Agent shall reasonably specify, and (iii) obtain consents from any letter of credit issuers with respect to the assignment to the Agent of any Letter of Credit Proceeds.

(m) Inventory. The Guarantor will:

(i) at such times as the Agent shall request, prepare and deliver to the Agent a report of all Inventory, in form and substance reasonably satisfactory to the Agent; and

(ii) upon the reasonable request of the Agent, take a physical listing of the Inventory (including specification of all locations thereof) and promptly deliver a copy of such physical listing to the Agent.

(n) Notices, Reports and Information. The Guarantor will (i) notify the Agent of any other modifications of or additions to the information contained in Schedule 1; (ii) notify the Agent of any material claim made or asserted against the Collateral by any Person or other event other than market changes which could materially adversely affect the value of the Collateral or the Agent's Lien thereon; (iii) furnish to the Agent such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as the Agent may reasonably request, all in reasonable detail; and (iv) upon the reasonable request of the Agent make such demands and requests for information and reports as the Guarantor is entitled to make in respect of the Collateral.

(o) [reserved]

(p) Insurance. All insurance maintained by the Guarantor, as required under Section 6.06 of the Credit Agreement, with respect to Collateral shall name the Agent as loss payee/mortgagee and/or as additional insured, for the benefit of the Banks, as their interests may appear. Upon request of the Agent or any Bank, the Guarantor shall furnish the Agent, with sufficient copies for each Bank, at reasonable intervals (but not more than once per calendar year) a certificate of a Responsible Officer of the Guarantor (and, if requested by the Agent, any insurance broker of the Guarantor) setting forth the nature and extent of all insurance maintained by the Guarantor and its Subsidiaries in accordance with this Section or any Collateral Documents.

SECTION 6 Rights to Payment.

(a) Collection of Rights to Payment. Until the Agent exercises its rights hereunder to collect Rights to Payment, the Guarantor shall endeavor in the first instance diligently to collect all amounts due or to become due on or with respect to the Rights to Payment unless in its reasonable business judgment it decides not to collect a Right to Payment. At the request of the Agent, upon and after the occurrence and during the continuance of any Event of Default, if Loans are outstanding, all remittances received by the Guarantor shall be held in trust for the Agent and, in accordance with the Agent's instructions, remitted to the Agent or deposited to an account with the Agent in the form received (with any necessary endorsements or instruments of assignment or transfer).

SECTION 7 Authorization; Agent Appointed Attorney-in-Fact. The Agent shall have the right to, in the name of the Guarantor, or in the name of the Agent or otherwise, without notice to or assent by the Guarantor, and the Guarantor hereby constitutes and appoints the Agent (and any of the Agent's officers or employees or agents designated by the Agent) as the Guarantor's true and lawful attorney-in-fact, with full power and authority to:

(i) if the Guarantor fails to do so promptly, sign any of the Financing Statements which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Agent's security interest in the Collateral;

(ii) take possession of and endorse any notes, acceptances, checks, drafts, money orders or other forms of payment or security and collect any Proceeds of any Collateral;

(iii) sign and endorse any invoice or bill of lading relating to any of the Collateral, warehouse or storage receipts, drafts against customers or other obligors, assignments, notices of assignment, verifications and notices to customers or other obligors;

(iv) send requests for verification of Rights to Payment to the customers or other obligors of the Guarantor;

(v) contact, or direct the Guarantor to contact, all account debtors and other obligors on the Rights to Payment and instruct such account debtors and other obligors to make all payments directly to the Agent;

(vi) assert, adjust, sue for, compromise or release any claims under any policies of insurance;

(vii) notify each Person maintaining lockbox or similar arrangements for the payment of the Rights to Payment to remit all amounts representing collections on the Rights to Payment directly to the Agent;

(viii) ask, demand, collect, receive and give acquittances and receipts for any and all Rights to Payment, enforce payment or any other rights in respect of the Rights to Payment and other Collateral, grant consents, agree to any amendments, modifications or waivers of the agreements and documents governing the Rights to Payment and other Collateral, and otherwise

file any claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, as the Agent may deem necessary or desirable to maintain, preserve and protect the Collateral, to collect the Collateral or to enforce the rights of the Agent with respect to the Collateral;

(ix) execute any and all applications, documents, papers and instruments necessary for the Agent to use the Intellectual Property and grant or issue any exclusive or non-exclusive license or sublicense with respect to any Intellectual Property in connection with the exercise of the Agent's rights and remedies under Section 10;

(x) execute any and all endorsements, assignments or other documents and instruments necessary to sell, lease, assign, convey or otherwise transfer title in or dispose of the Collateral; and

(xi) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of the Guarantor, which the Agent may deem necessary or advisable to (A) realize upon the Collateral, and (B) maintain, protect, and preserve the Collateral and the Agent's security interest therein and to accomplish the purposes of this Agreement.

The Agent agrees that, except upon and after the occurrence and during the continuance of an Event of Default and while Loans are outstanding, it shall not exercise the power of attorney, or any rights granted to the Agent, pursuant to clauses (ii) through (x) and (xi)(A). The foregoing power of attorney is coupled with an interest and irrevocable so long as the Banks have any Commitments or the Secured Obligations have not been paid and performed in full. The Guarantor hereby ratifies, to the extent permitted by law, all that the Agent shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

SECTION 8 Agent Performance of Guarantor Obligations. If the Guarantor fails to do so promptly after notice, the Agent may perform or pay any obligation which the Guarantor has agreed to perform or pay under or in connection with this Agreement, and the Guarantor shall reimburse the Agent on demand for any amounts paid by the Agent pursuant to this Section 8.

SECTION 9 Agent's Duties. Notwithstanding any provision contained in this Agreement, the Agent shall have no duty to exercise any of the rights, privileges or powers afforded to it and shall not be responsible to the Guarantor or any other Person for any failure to do so or delay in doing so. Beyond the exercise of reasonable care to assure the safe custody of Collateral in the Agent's possession and the accounting for moneys actually received by the Agent hereunder, the Agent shall have no duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Collateral.

SECTION 10 Remedies.

(a) Remedies. Upon the occurrence and during the continuance of an Event of Default and acceleration of the Secured Obligations under Section 8.02 of the Credit Agreement, the Agent shall have, in addition to all other rights and remedies granted to it in this

Agreement, the Credit Agreement or any other Loan Document, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, the Guarantor agrees that upon the occurrence and during the continuance of an Event of Default and acceleration of the Secured Obligations under Section 8.02 of the Credit Agreement the Agent may exercise the following rights and remedies, in accordance with the direction or consent of the Majority Banks:

(i) The Agent may peaceably and without notice enter any premises of the Guarantor, and using reasonable care, take possession of any Collateral, remove or dispose of all or part of the Collateral on any premises of the Guarantor or elsewhere, or, in the case of Equipment, render it nonfunctional, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Agent may determine.

(ii) The Agent may require the Guarantor to assemble all or any part of the Collateral and make it available to the Agent, at any place and time designated by the Agent.

(iii) The Agent may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law).

(iv) The Agent may sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of the Guarantor's assets, without charge or liability to the Agent therefor, except that Guarantor Intellectual Property may only be used as provided in Subsection (b)) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit or for future delivery without assumption of any credit risk, all as the Agent deems advisable; provided, however, that the Guarantor shall be credited
-------- -------
with the net proceeds of sale only when such proceeds are finally collected by the Agent. The Agent and each of the Banks shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption the Guarantor hereby releases, to the extent permitted by law. The Guarantor hereby agrees that the sending of notice by ordinary mail, postage prepaid, to the address of the Guarantor set forth in the Guaranty, of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, shall be deemed reasonable notice thereof if such notice is sent ten days prior to the date of such sale or other disposition or the date on or after which such sale or other disposition may occur, provided that the Agent may
----
provide the Guarantor shorter notice or no notice, to the extent permitted by the UCC or other applicable law.

(b) License. Solely for the purpose of enabling the Agent to exercise
----
its rights and remedies under this Section 10 or otherwise in connection with the disposition of Inventory in accordance with this Agreement, the Guarantor hereby grants to the Agent an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Guarantor) of the Intellectual Property necessary to sell or otherwise dispose

of Inventory, provided that such license to use such Intellectual Property does not include the right to manufacture Inventory.

(c) Application of Proceeds. The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied as provided in the Credit Agreement. Any surplus thereof which exists after payment and performance in full of the Secured Obligations shall be promptly paid over to the Guarantor or otherwise disposed of in accordance with the UCC or other applicable law. The Guarantor shall remain liable to the Agent and the Banks for any deficiency which exists after any sale or other disposition or collection of Collateral.

SECTION 11 Certain Waivers. The Guarantor waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Secured Obligations; (ii) any right to require the Agent or the Banks (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Secured Obligations, (C) to pursue any remedy in the Agent's or any of the Banks' power, or (D) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; and (iii) all claims, damages, and demands against the Agent or the Banks arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral, other than any resulting from the gross negligence or willful misconduct of such Person.

SECTION 12 Notices. All notices, requests or other communications hereunder shall be given in the manner and to the addresses specified in the Guaranty. All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon receipt by the addressee, or if delivered, upon delivery.

SECTION 13 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

SECTION 14 Costs and Expenses; Indemnification; Other Charges.

(a) Costs and Expenses. The Guarantor shall:

(i) whether or not the transactions contemplated hereby are consummated, pay or reimburse the Agent for all reasonable costs and expenses incurred by it in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated),

this Agreement and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby; and

(ii) pay or reimburse the Agent, the Lead Arranger and each Bank for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

(b) Indemnification. The Guarantor shall indemnify, defend and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Person in favor of any third-party in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or relating to the Collateral, whether or not any Indemnified Person is a party thereto (all of the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Guarantor shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person.

(c) Other Charges. The Guarantor agrees to indemnify the Agent and each of the Banks against and hold each of them harmless from any and all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments and other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of this Agreement.

(d) Interest. Any amounts payable to the Agent or any Bank under this Section 14 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in Section 2.08(c) of the Credit Agreement.

(e) Survival. The agreements in this Section shall survive payment of all other Secured Obligations.

SECTION 15 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Guarantor may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and the Majority Banks.

SECTION 16 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND TO THE EXTENT THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS HEREUNDER, OR THE REMEDIES HEREUNDER, IN RESPECT OF ANY COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN CALIFORNIA.

SECTION 17 Entire Agreement; Amendment. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Guarantor, the Banks and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof and shall not be amended except by the written agreement of the parties as provided in the Credit Agreement.

SECTION 18 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

SECTION 19 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. Each of the parties hereto understands and agrees that this Agreement may be delivered by any party hereto or thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Bank of or the Guarantor shall bind such Bank or the Guarantor, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

SECTION 20 Incorporation of Provisions of the Guaranty. To the extent the Guaranty contains provisions of general applicability to the Guarantor Documents, such provisions are incorporated herein by this reference.

SECTION 21 No Inconsistent Requirements. The Guarantor acknowledges that this Agreement and the other Guarantor Documents may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

SECTION 22 Termination. Upon the termination of the Commitments of the Banks and payment and performance in full of all Secured Obligations, this Agreement shall terminate and the Agent shall promptly execute and deliver to the Guarantor such documents and instruments reasonably requested by the Guarantor as shall be necessary to evidence termination

of all security interests given by the Guarantor to the Agent hereunder; provided, however, that the obligations of the Guarantor under Section 14 shall survive such termination.

SECTION 23 Amendment and Restatement of Existing Security Agreement.

From and after the Closing Date, this Agreement amends and restates the existing Security Agreement dated as of June 16, 1998 between the Agent and the Guarantor.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

THE GUARANTOR

MICRON SEMICONDUCTOR PRODUCTS, INC.

By _____
Title:

THE AGENT

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By _____
Title:

SCHEDULE 1
to the Security Agreement

1. LOCATIONS OF CHIEF EXECUTIVE OFFICE AND OTHER LOCATIONS, INCLUDING OF COLLATERAL

Chief Executive Office and Principal Place of Business:

8000 South Federal Way
Boise, Idaho 83707

2. LOCATIONS OF BOOKS PERTAINING TO RIGHTS TO PAYMENT

8000 South Federal Way
Boise, Idaho 83707

3. TRADE NAMES AND TRADE STYLES; OTHER CORPORATE, TRADE OR FICTITIOUS NAMES; ETC.

EXHIBIT H

FORM OF IDAHO DEED OF TRUST

SEE ATTACHMENT HERETO

EXHIBIT I

FORM OF UTAH DEED OF TRUST

SEE ATTACHMENT HERETO

EXHIBIT J

FORM OF OPINION OF COMPANY'S ASSISTANT GENERAL COUNSEL

SEE ATTACHMENT HERETO.

EXHIBIT K

FORM OF OPINION OF WILSON SONSINI GOODRICH & ROSATI, PC

SEE ATTACHMENT HERETO.

EXHIBIT L

FORM OF OPINION OF HAWLEY, TROXELL, ENNIS & HAWLEY LLP

SEE ATTACHMENT HERETO.

EXHIBIT M

FORM OF OPINION OF PARSONS BEHLE & LATIMER

SEE ATTACHMENT HERETO.

EXHIBIT N

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") dated as of _____, is made between _____ (the "Assignor") and _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as amended, amended and restated, modified, supplemented or renewed, the "Credit Agreement") among Micron Technology, Inc. (the "Company"), the several financial institutions from time to time party thereto (including the Assignor, the "Banks"), and Bank of America National Trust and Savings Association, as agent for the Banks (the "Agent"). Any terms defined in the Credit Agreement and not defined in this Assignment and Acceptance are used herein as defined in the Credit Agreement;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to making Loans (the "Loans") to the Company in an aggregate amount not to exceed $_____ (the "Commitment");

WHEREAS, [the Assignor has made Loans in the aggregate principal amount of $_____ to the Company] [no Loans are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, [together with a corresponding portion of each of its outstanding Loans], in an amount equal to $_____ (the "Assigned Amount"), on the terms and subject to the conditions set forth herein and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) ___% (the "Assignee's Percentage Share") of (A) the Commitment [and the Loans] of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit Agreement and the Loan Documents.

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and

be obligated to perform all of the obligations of a Bank under the Credit Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee; provided, however, that the Assignor shall not relinquish its rights under Sections 10.04 and 10.05 of the Credit Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignee's Commitment will be $_____.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignor's Commitment will be $_____.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to $_____, representing the Assignee's Pro Rata Share of the principal amount of all Loans.

(b) The [Assignor] [Assignee] further agrees to pay to the Agent a processing fee in the amount specified in Section 10.08 of the Credit Agreement.

3. Reallocation of Payments. Any interest, fees and other payments
----
accrued to the Effective Date with respect to the Commitment [and Loans] shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt. From and after the Effective Date, the Agent shall make all payments with respect to the Commitment [and the Loans] (including payments of interest, principal, fees and other amounts) to the Assignee.

4. Independent Credit Decision. The Assignee (a) acknowledges that it
----
has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements referred to in Section 6.01 of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time,

continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. Effective Date; Notices.

(a) As between the Assignor and the Assignee, the effective date for this Assignment and Acceptance shall be _____ (the "Effective Date"); provided that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by the Assignor and the Assignee;

(ii) the consent of the Company and the Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee under Section 10.08 of the Credit Agreement shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

(iv) the Assignee shall have complied with Section 10.08 of the Credit Agreement (if applicable);

(v) the processing fee referred to in Section 2(b) hereof and in Section 10.08 of the Credit Agreement shall have been paid to the Agent; and

(vi) the Assignor shall have assigned and the Assignee shall have assumed a percentage equal to the Assignee's Percentage Share of the rights and obligations of the Assignor under the Credit Agreement (if such agreement exists).

(b) Promptly following the execution of this Assignment and Acceptance, the Assignor shall deliver to the Company and the Agent for acknowledgement by the Agent, a Notice of Assignment substantially in the form attached hereto as Schedule 1.

6. Agent. The Assignee hereby appoints and authorizes the Assignor to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the Banks pursuant to the terms of the Credit Agreement. [The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Credit Agreement.] [INCLUDE ONLY IF ASSIGNOR IS AGENT]

7. Withholding Tax. The Assignee (a) represents and warrants to the Bank, the Agent and the Company that under applicable law and treaties no tax will be required to be withheld by the Bank with respect to any payments to be made to the Assignee hereunder, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to the Agent and the Company prior to the time that the Agent or Company is required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service

Form 1001 (wherein the Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms 4224 or 1001 upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by the Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Company, or the performance or observance by the Company, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium,

reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances. The Assignor and the Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to the Company or the Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other or further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE CREDIT AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

[Other provisions to be added as may be negotiated between the Assignor and the Assignee, provided that such provisions are not inconsistent with the Credit Agreement.]

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

SCHEDULE 1

NOTICE OF ASSIGNMENT AND ACCEPTANCE

_____

Bank of America National Trust
and Savings Association, as Agent
1455 Market Street, 12th Floor
San Francisco, CA 94103
Attn: Agency Management Services #5596

Micron Technology, Inc.
Mail Stop 157
8000 South Federal Way
Boise, Idaho 83707-0006
Attention: Norman L. Schlachter
Treasurer

Ladies and Gentlemen:

We refer to the Second Amended and Restated Revolving Credit Agreement dated as of September 1, 1998 (as amended, amended and restated, modified, supplemented or renewed from time to time the "Credit Agreement") among Micron Technology, Inc. (the "Company"), the several financial institutions from time to time party thereto (including the Assignor, the "Banks"), and Bank of America National Trust and Savings Association, as agent for the Banks (the "Agent"). Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request your consent to, the assignment by _____ (the "Assignor") to _____ (the "Assignee") of _____% of the right, title and interest of the Assignor in and to the Credit Agreement (including, without limitation, the right, title and interest of the Assignor in and to the Commitments of the Assignor [and all outstanding Loans made by the Assignor]) pursuant to the Assignment and Acceptance Agreement attached hereto (the "Assignment and Acceptance"). Before giving effect to such assignment the Assignor's Commitment is $ _____ and the aggregate amount of its outstanding Loans is $_____.

2. The Assignee agrees that, upon receiving the consent of the Agent and, if applicable, the Company to such assignment, the Assignee will be bound by the terms of the Credit Agreement as fully and to the same extent as if the Assignee were the Bank originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

(A) Notice Address:

Assignee name: _____
Address: _____
_____
_____
Attention: _____
Telephone: (___) _____
Facsimile: (___) _____

(B) Payment Instructions:

Account No.: _____
At: _____
_____
_____
Reference: _____
Attention: _____

4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and Assignee contained in the Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

ACKNOWLEDGED AND ASSIGNMENT
CONSENTED TO:

MICRON TECHNOLOGY, INC.

By: _____
Title:

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Agent

By: _____
Vice President

EXHIBIT 10.136

|==|
| CONFIDENTIAL |
| CERTAIN INFORMATION HAS BEEN REDACTED |
| CONFIDENTIAL TREATMENT REQUESTED. |
|==|

==========

SECURITIES PURCHASE AGREEMENT

MICRON TECHNOLOGY, INC.

INTEL CORPORATION

OCTOBER 15, 1998

==========

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

TABLE OF CONTENTS

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is entered into as of October 15, 1998 by and between Micron Technology, Inc., a Delaware corporation (the "Company" or the "Corporation") and Intel Corporation, a Delaware Corporation ("Intel").

WHEREAS, Intel is willing, pursuant to the terms and conditions of this Agreement, to purchase from the Company for five hundred million dollars ($500,000,000) rights which are exercisable for shares of a new class of common stock convertible into regular common stock of the Company at such time as the new class of common stock has been created and, until such time, for shares of regular common stock of the Company;

WHEREAS, at the closing of the transactions contemplated hereby, the Company and Intel will enter into the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. DEFINITIONS.

1.1 Certain Defined Terms; Interpretation. The following terms shall have the following respective meanings.

"Affiliate" shall mean, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes of this definition, "control" when 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; the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in either Boise, Idaho or San Francisco, California.

"Capital Expenditures" shall mean the sum of all expenditures paid or, with respect to equipment that is in use, accrued that, in accordance with U.S. generally accepted accounting principles, should be included in or reflected by the property, plant or equipment or similar fixed asset account reflected in the balance sheet of the applicable person.

"Certificate of Amendment" shall mean the Certificate of Amendment of the Certificate of Incorporation of the Company authorizing the Class A Common Stock and defining the rights, preferences and privileges with respect thereto substantially in the form attached hereto as Exhibit D.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

"Class A Common Stock" shall mean shares of Class A Common Stock of the Company having the preferences and other rights set forth in the Certificate of Amendment.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"First Minimum Production Milestone". The First Minimum Production Milestone requires that the Company and its subsidiaries build and have available to ship (including those actually shipped) an aggregate number of RDRAM devices in [*] equal to the First Minimum Required Production.

"First Minimum Required Production" shall mean a number of RDRAM units equal to the lower of (i) [*] units of RDRAM; (ii) Intel's Percentage Call on Capacity with respect to the Company's overall output of discrete memory components (measured in accordance with Section 7.0 of the Supply Agreement), regardless of the actual production of RDRAM devices and (iii) the number of units represented by [*]% of the reasonably projected memory requirements for Intel's RDRAM unique chip set production, net of MTH devices (as defined in the Supply Agreement).

"First Production Milestone Date" shall mean [*], unless postponed or waived in accordance with the provisions of Section 7(f) of the Rights Agreement or Section 3.f of the Certificate of Amendment, in which case such date shall be the date established in accordance with such sections, unless waived in its entirety.

"HSR Act" shall mean Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Maximum Adjustment Amount" shall mean $150 million in value.

"Maximum FGI" shall mean [*] RDRAM units.

"Maximum FGI Date" shall mean [*].

"Maximum Percentage" shall mean 19.9% of the total number of shares of Common Stock outstanding at October 19, 1998.

"Maximum Shares" shall mean 31,620,554 shares of Common Stock (appropriately adjusted to reflect the effect of stock splits, reclassifications, stock dividends, recapitalizations, combinations or similar events affecting the Common Stock occurring after October 15, 1998).

"Minimum Qualified Expenditures" shall mean [*] dollars ($[*]).

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

"Qualified Expenditures" shall mean the sum of all expenditures by the Company and its subsidiaries (including any such expenditures subsequent to May 28, 1998 and prior to October 19, 1998 not to exceed $[*]) and all expenditures by any joint ventures from the date the Company is or becomes a party (up to a maximum of $[*] for each of not more than two such joint ventures provided that the Company controls the output of such joint ventures, but in any event including KTI Semiconductor Limited and Tech Semiconductor Singapore Pte. Ltd.), which are Capital Expenditures for the development, creation or expansion of manufacturing capacity for rdram or other devices using 0.18 or smaller micron processes and which capacity is located in facilities which are on the Company's roadmap for conversion to 0.18 micron or smaller processes, or volume manufacturing capacity for RDRAM devices (including assembly and test of such devices) (including equipment initially installed for production at lower density process parameters (e.g., 0.21 micron) which is convertible to 0.18 micron or smaller processes and which is located in facilities which are on the Company's roadmap for conversion to 0.18 micron or smaller processes) or which are necessary research and development expenditures for the development of RDRAM up to a maximum of $[*] which are not otherwise includable as Capital Expenditures. Expenditures for capitalized leases will constitute Qualified Expenditures but only for leases of new equipment (payments with respect to previously leased equipment will not qualify).

"PERSON" shall mean individual, corporation, company, voluntary association, partnership, joint venture, limited liability company, trust, estate, unincorporated organization, governmental authority or other entity.

"Required Qualified Expenditures" shall mean [*] dollars ($[*]).

"RDRAM" means an integrated circuit with a principal function of memory storage which is a dynamic random access memory and which incorporates Rambus' direct RDRAM interface technology licensed to the Company by Rambus, Inc. References to numbers of units or devices of RDRAM or Rambus shall mean the number of RDRAM or Rambus units or devices stated in [*] (regardless of the actual memory levels of the individual units or devices).

"Rights" shall mean the securities issuable pursuant to the Stock Rights Agreement attached to this Agreement as Exhibit A and having the rights, preferences, privileges and restrictions defined therein.

"Rights Agreement" shall mean the Stock Rights Agreement attached to this Agreement as Exhibit A to be executed and delivered by the Company and Intel at or prior to the Closing.

"Rights and Restrictions Agreement" shall mean the Securities Rights and Restrictions Agreement in the form attached hereto as Exhibit B to be executed and delivered by the Company and Intel at or prior to the Closing.

"SEC" shall mean the Securities and Exchange Commission.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Second Minimum Production Milestone. The Second Minimum Production Milestone requires that the Company and its subsidiaries build and have available to ship (including those actually shipped) an aggregate number of RDRAM devices in [*], equal to the Second Minimum Required Production, unless modified in accordance with the provisions of Section 7(e) of the rights Agreement or 3.e of the Certificate of Amendment, in which case such milestone shall be as so modified.

"Second Minimum Required Production" shall mean a number of RDRAM units equal to the lower of (i) [*] units of RDRAM; (ii) Intel's Percentage Call on Capacity (as defined in the Supply Agreement) with respect to the Company's overall output of discrete memory components (measured in accordance with Section 7.0 of the Supply Agreement), regardless of the actual production of RDRAM devices and (iii) the number of units represented by [*]% of the reasonably projected memory requirements for Intel's RDRAM unique chip set production, net of mth devices (as defined in the Supply Agreement), unless modified in accordance with the provisions of Section 3.e of the Certificate of Amendment.

"Second Production Milestone Date" shall mean [*], unless postponed or waived in accordance with the provisions of Section 7(f) of the Rights Agreement or Section 3.f of the Certificate of Amendment, in which case such date shall be the date established in accordance with such sections, unless waived in its entirety.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Supply Agreement" shall mean the Supply Agreement in the form attached to this Agreement as Exhibit C to be executed and delivered by the Company and Intel at or prior to the Closing.

"Volume Production" shall mean the production of [*] per month of RDRAM devices.

1.2 Index of Other Defined Terms. In addition to the terms defined above, the following terms shall have the respective meanings given thereto in the sections indicated below:

Defined Term	Section
"Action"	3.8
"Agreement"	Preamble
"Audited Financial Statements"	3.10(b)
"Balance Sheet Date"	3.10(b)
"Closing"	2.2
"Company"	Preamble
"Confidential Information"	7.2
"Disclosure Letter"	3
"Form 10-K"	3.10(a)
"Form 10-Q's"	3.10(a)

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

"GAAP"	3.10(b)
"Intel"	Preamble
"Material Adverse Effect"	3.1
"SEC Documents"	3.10(a)
"Transaction Agreements"	7.2

2. AGREEMENT TO PURCHASE AND SELL SECURITIES.

2.1 Agreement to Purchase and Sell Securities. The Company hereby agrees to issue to Intel at the Closing (as defined below) and Intel agrees to purchase from the Company at the Closing, Rights representing in the aggregate the right to purchase a number of shares of Class A Common Stock equal to $500 million divided by $31.625, for an aggregate purchase price of $500 million (the "Purchase Price").

2.2 The Closing. The purchase and sale of the Rights shall take place at the offices of Gibson, Dunn & Crutcher, 1530 Page Mill Road, Palo Alto, California 94304, at 10:00 a.m. California time, on October 19, 1998, or at such other time and place as the Company and Intel mutually agree upon (which time and place is referred to in this Agreement as the "Closing"). At the Closing, the Company will deliver to Intel certificates representing the Rights being purchased, against delivery to the Company by Intel of the consideration set forth in Section 2.1 by wire transfer of funds to an account designated by the Company at least two (2) Business Days prior to the Closing.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to Intel that the statements in this Section 3 are true and correct, except as set forth in the Disclosure Letter from the Company dated the date hereof (the "Disclosure Letter") or disclosed in the SEC Documents (as defined below):

3.1 Organization Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to (a) carry on its business as presently conducted, and (b) enter into this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement, to issue the Rights, and to consummate the transactions contemplated hereby and thereby. The Company is qualified to do business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means a material adverse effect, or a group of such effects which are related, on the business, operations, financial condition or results of operations, of the applicable party and its subsidiaries, taken as a whole.

3.2 Capitalization. The authorized and outstanding capital stock of the Company at October 8, 1998, without giving effect to the transactions contemplated by this Agreement, is as set forth in the Disclosure Letter or the SEC Documents. All outstanding shares of capital stock have been duly authorized, and all such issued and outstanding shares have been validly issued

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

and are fully paid and nonassessable. The Disclosure Letter or the SEC Documents include information regarding equity securities reserved for issuance to officers, directors, employees or independent contractors or affiliates of the Company under the Company's employee stock option and purchase plans and upon conversion of convertible securities. Except as set forth in the Disclosure Letter or the SEC Documents, there are no other equity securities, options, warrants, calls, rights, commitments or agreements of any character to which the Company is a party or by which it is bound obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the capital stock of the Company or obligating the Company to grant, extend or enter into any such equity security, option, warrant, call, right, commitment or agreement.

3.3 Due Authorization. The Company has the requisite corporate power and authority to enter into this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement, and performance by the Company of its obligations hereunder and thereunder, have been duly authorized by all necessary corporate action on the part of the Company (including its directors and stockholders), except for stockholder approval of the Certificate of Amendment and the issuance of the Class A Common Stock pursuant thereto. This Agreement constitutes, and the Rights Agreement and the Rights and Restrictions Agreement, when executed and delivered by the parties thereto, will constitute, valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except (a) as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies and (b) as rights to indemnity or contribution may be limited under federal or state securities laws or by principles of public policy thereunder.

3.4 Valid Issuance of Securities.

(a) Valid Issuance and Enforceability of Rights. The Rights have been duly authorized and, when executed in accordance with the provisions of the Rights Agreement and delivered to and paid for Intel in accordance with the provisions of this Agreement, will be valid and binding obligations of the Company, enforceable in accordance with their terms, except (a) as may be limited by (i) applicable bankruptcy, insolvency, reorganization, or other laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of laws governing the availability of equitable remedies and (b) as rights to indemnity or contribution may be limited under federal or state securities laws or by principles of public policy thereunder.

(b) Valid Issuance of Common Stock. The shares of Common Stock issuable upon exchange or exercise of the Rights have been duly authorized and reserved, and when issued upon exchange or exercise of the Rights in accordance with the terms of the Rights Agreement, will be duly and validly issued, fully paid and nonassessable. Upon or prior to filing

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

of the Certificate of Amendment, the shares of Common Stock issuable upon conversion of the Class A Common Stock will have been duly authorized and reserved, and upon conversion of the Class A Common Stock pursuant to the terms of the Certificate of Amendment, will be duly and validly issued, fully paid and nonassessable.

(c) Valid Issuance of Class A Common Stock. The shares of Class A Common Stock issuable upon exchange or exercise of the Rights have been duly authorized by the Board of Directors of the Company. Assuming due authorization by the stockholders of the Company and the filing by the Company of the Certificate of Amendment with the Secretary of State of the State of Delaware, the shares of Class A Common Stock issuable upon exchange or exercise of the Rights will be duly reserved for issuance by the Company, and when issued upon exchange or exercise of the Rights in accordance with the terms of the Rights Agreement, will be duly and validly issued, fully paid and nonassessable.

3.5 Compliance with Securities Laws. Assuming the accuracy of the representations made by Intel in Section 4 hereof, the Rights and the shares of Class A Common Stock or Common Stock issuable upon exercise or exchange of the Rights will be issued to Intel in compliance with applicable exemptions from (i) the registration and prospectus delivery requirements of the Securities Act and (ii) the registration and qualification requirements of all applicable securities laws of the states of the United States.

3.6 Governmental Consents. No consent, approval, order or authorization of, or registration qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except: (i) compliance with the HSR Act which may be required for the exercise of the Rights to acquire Common Stock; (ii) the filing of a report on Form 8-K by the Company with the SEC following the Closing; (iii) the filing of such qualifications or filings under the Securities Act and the regulations thereunder and all applicable state securities laws as may be required in connection with the transactions contemplated by this Agreement; (iv) the listing of the Common Stock issuable upon exercise or exchange of the Rights or conversion of the Class A Common Stock on the New York Stock Exchange; (v) the filing of the Certificate of Amendment with the Secretary of State of the State of Delaware; and (vi) as expressly required or contemplated by the terms of the Rights and Restrictions Agreement. All such qualifications and filings in connection with the initial issuance of the Rights will have been made or be effective on the Closing.

3.7 Non-Contravention. The execution, delivery and performance of this Agreement, the Rights Agreement and the Rights and Restrictions Agreement by the Company, and the consummation by the Company of the transactions contemplated hereby and thereby, do not and will not (i) contravene or conflict with the Certificate of Incorporation or Bylaws of the Company, as amended; (ii) constitute a violation of any provision of any federal, state, local or foreign law binding upon or applicable to the Company; or (iii) constitute a default or require any consent under, give rise to any right of termination, cancellation or acceleration of, or to a loss of any benefit to which the Company is entitled under, or result in the creation or imposition of any

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

lien, claim or encumbrance on any assets of the Company under, any contract to which the Company is a party or any permit, license or similar right relating to the Company or by which the Company may be bound, except in the case of clause (ii) and (iii) as, individually or in the aggregate, would not have a Material Adverse Effect.

3.8 Litigation. There is no action, suit, proceeding, claim, arbitration or investigation ("Action") pending: (a) against the Company, properties or assets or, to the best of the Company's knowledge, against any officer, director or employee of the Company in connection with such officer's, director's or employee's relationship with, or actions taken on behalf of, the Company, which the Company believes is reasonably likely to have a Material Adverse Effect, or (b) that seeks to prevent, enjoin, alter or delay the transactions contemplated by this Agreement. The Company is not a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality which it believes is reasonably likely to have a Material Adverse Effect. No Action by the Company is currently pending nor does the Company intend to initiate any Action which it believes is reasonably likely to have a Material Adverse Effect.

3.9 Compliance with Law and Charter Documents. The Company is not in violation or default of any provisions of its Certificate of Incorporation or Bylaws, both as amended. The Company has complied and is in compliance with all applicable statutes, laws, and regulations and executive orders of the United States of America and all states, foreign countries and other governmental bodies and agencies having jurisdiction over the Company's business or properties, except for any violations that would not, either individually or in the aggregate, have a Material Adverse Effect.

3.10 SEC Documents.

(a) Reports. The Company has furnished or made available to Intel prior to the date hereof copies of its Annual Report on Form 10-K for the fiscal year ended August 28, 1997 ("Form 10-K"), its Quarterly Reports on Form 10-Q for the fiscal quarters ended November 30, 1997, February 28, 1998 and May 28, 1998 (the "Form 10-Q's"), and all other registration statements, reports and proxy statements filed by the Company with the SEC on or after October 31, 1997 (the Form 10-K, the Form 10-Q's and such registration statements, reports and proxy statements are collectively referred to herein as the "SEC Documents"). Each of the SEC Documents, as of the respective date thereof (or if amended or superseded by a filing prior to the closing date of this Agreement, then on the date of such filing), did not, and each of the registration statements, reports and proxy statements filed by the Company with the SEC after the date hereof and prior to the Closing will not, as of the date thereof (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company is not a party to any material contract, agreement or other arrangement which was required to have been filed as an exhibit to the SEC Documents that was not so filed.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(b) Financial Statements. The SEC Documents include the Company's audited financial statements (the "Audited Financial Statements") for the fiscal year ended August 31, 1997, and its unaudited financial statements for the nine-month period ended May 31, 1998 (the "Balance Sheet Date"). Since the Balance Sheet Date, the Company has duly filed with the SEC all registration statements reports and proxy statements required to be filed by it under the Exchange Act and the Securities Act. The audited and unaudited consolidated financial statements of the Company included in the SEC Documents filed prior to the date hereof fairly present, in conformity with generally accepted accounting principles ("GAAP") (except as permitted by Form 10-Q) applied on a consistent basis (except as may be indicated in such financial statements or the notes thereto), the consolidated financial position of the Company and its consolidated subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject to normal year-end audit adjustments in the case of unaudited interim financial statements).

3.11 Absence of Certain Changes Since Balance Sheet . Since the Balance Sheet Date, except as disclosed in or contemplated by the SEC Documents, the business and operations of the Company have been conducted in the ordinary course consistent with past practice, and there has not been:

(a) any declaration, setting aside or payment of any dividend or other distribution of the assets of the Company with respect to any shares of capital stock of the Company or any repurchase, redemption or other acquisition by the Company or any subsidiary of the Company of any outstanding shares of the Company's capital stock;

(b) any damage, destruction or loss, whether or not covered by insurance, except for such occurrences that have not resulted, and are not expected to result, in a Material Adverse Effect;

(c) any waiver by the Company of a valuable right or of a material debt owed to it, except for such waivers that have not resulted and are not expected to result, in a Material Adverse Effect;

(d) any material change or amendment to, or any waiver of any material rights under a material contract or arrangement by which the Company or any of its assets. or properties is bound or subject, except for changes, amendments or waivers that are expressly provided for or disclosed in this Agreement or that have not resulted, and are not expected to result, in a Material Adverse Effect;

(e) any change by the Company in its accounting principles, methods or practices or in the manner it keeps its accounting books and records, except any such change required by a change in GAAP; and

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(f) any other event or condition of any character, except for such events and conditions that have not resulted, either individually or collectively, in a Material Adverse Effect.

3.12 RDRAM Device Specification Modifications. As of the date of this Agreement the Company is not aware of any RDRAM device specification modifications that the Company believes require unreasonable process modifications.

3.13 Full Disclosure. The information contained in this Agreement, the Disclosure Letter and the SEC Documents with respect to the business, operations, results of operations and financial condition of the Company, and the transactions contemplated by this Agreement, taken together, are true and complete in all material respects and do not omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF INTEL.

Intel represents and warrants to the Company as follows:

4.1 Investigation; Economic Risk. Intel has received or has had full access to all of the information it considers necessary or appropriate to make an informed investment decision with respect to the Rights that are convertible or exercisable into Class A Common Stock or Common Stock to be purchased by Intel under this Agreement. Intel further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Rights and the Class A Common Stock or Common Stock into which they are convertible or exercisable and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the investor or to which Intel had access. The foregoing, however, does not in any way limit or modify the representations and warranties made by the Company in Section 3. Intel understands that the purchase of the Rights that are exchangeable or exercisable into Class A Common Stock or Common Stock involves substantial risk. Intel acknowledges that it is able to fend for itself in the transactions contemplated by this Agreement and has the ability to bear the economic risks of its investment pursuant to this Agreement and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Rights and the Class A Common Stock or Common Stock into which they are convertible or exercisable and protecting its own interests in connection with this investment.

4.2 Purchase for Own Account. The Rights, Class A Common Stock and Common Stock which Intel may acquire will be acquired for Intel's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

4.3 Exempt from Registration; Restricted Securities. Intel understands that the sale of the Rights and the issuance of the Class A Common Stock or Common Stock upon exercise or exchange thereof will not be registered under the Securities Act on the ground that the sale

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

provided for in this Agreement is exempt from registration under of the Securities Act, and that the reliance of the Company on such exemption is predicated in part on Intel's representations set forth in this Agreement. Intel understands that the Rights and the Class A Common Stock or Common Stock issuable upon exercise or exchange thereof are restricted securities within the meaning of Rule 144 under the Act, and must be held indefinitely unless they are subsequently registered or an exemption from such registration is available. Intel understands that the Company is under no obligation to register any of the securities sold hereunder except as provided in the Rights and Restrictions Agreement.

4.4 Accredited Investor. Intel is an "accredited investor" as that term is defined in Rule 501(a)(8) of Regulation D as promulgated by the SEC under the Securities Act.

4.5 Legends. Intel agrees that the Rights, Class A Common Stock and the Common Stock issuable upon exercise or conversion thereof will bear legends and be subject to the restrictions on transfer as provided in the Rights and Restrictions Agreement. In addition, Intel agrees that the Company may place stop transfer orders with its transfer agents with respect to such instruments. The appropriate portion of the legend shall be removed in accordance with the provisions of the Rights and Restrictions Agreement and the stop transfer orders shall be removed promptly upon delivery to the Company of such satisfactory evidence as reasonably may be required by the Company that such stop orders are not required to ensure compliance with the Securities Act.

4.6 Organization Good Standing and Qualification. Intel is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to (a) carry on its business as presently conducted, and (b) enter into this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement and to consummate the transactions contemplated hereby and thereby.

4.7 Due Authorization. Intel has the requisite corporate power and authority to enter into this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement, and performance by Intel of its obligations hereunder and thereunder, have been duly authorized by all necessary corporate action on the part of Intel. This Agreement constitutes, and the Rights Agreement and the Rights and Restrictions Agreement, when executed and delivered by the parties thereto, will constitute, valid and legally binding obligations of Intel, enforceable against the Intel in accordance with their respective terms, except (a) as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies and (b) as rights to indemnity or contribution may be limited under federal or state securities laws or by principles of public policy thereunder.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

4.8 Governmental Consents. No consent, approval, order or authorization of, or registration qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of Intel is required in connection with the consummation of the transactions contemplated by this Agreement, except: (i) compliance with the HSR Act which may be required for the exercise of the Rights to acquire Common Stock; and (ii) as expressly required or contemplated by the terms of the Rights and Restrictions Agreement.

4.9 Non-Contravention. The execution, delivery and performance of this Agreement, the Rights Agreement and the Rights and Restrictions Agreement by Intel, and the consummation by Intel of the transactions contemplated hereby and thereby, do not and will not (i) contravene or conflict with the Certificate of Incorporation or Bylaws of Intel, as amended; (ii) constitute a violation of any provision of any federal, state, local or foreign law binding upon or applicable to Intel; or (iii) constitute a default or require any consent under, give rise to any right of termination, cancellation or acceleration of, or to a loss of any benefit to which Intel is entitled under, or result in the creation or imposition of any lien, claim or encumbrance on any assets of Intel under, any contract to which Intel is a party or any permit, license or similar right relating to Intel or by which Intel may be bound, except in the case of clause (ii) and (iii) as, individually or in the aggregate, would not have a Material Adverse Effect.

5. AFFIRMATIVE COVENANTS OF THE COMPANY.

The Company covenants to Intel as follows:

5.1 Use of Proceeds. The Company will use the proceeds from the sale of the Rights pursuant to this Agreement for Qualified Expenditures.

5.2 Authorization of Class A Common Stock. The Company will use reasonable efforts to obtain stockholder approval of an amendment to its Certificate of Incorporation at its next annual stockholders meeting and will promptly thereafter cause a Certificate of Amendment substantially in the form attached hereto as Exhibit D to be filed with the Delaware Secretary of State of the State of Delaware.

5.3 Reports of Qualified Expenditures. The Company shall provide to Intel, in a mutually acceptable form, on a quarterly basis commencing December 31, 1998, a report of Qualified Expenditures made, sufficient to permit an audit of such expenditures pursuant to Section 7(m) of the Rights Agreement.

5.4 Cooperation in HSR Act Filings. In the event of a proposed exercise of Rights to acquire Common Stock or voluntary conversion of the Class A Common Stock which would require a filing by Intel under the HSR Act, the Company will cooperate with Intel and use reasonable efforts to comply with any applicable requirements of the HSR Act; provided, however, that the Company shall not be under any obligation to comply with any request that it reasonably determines is unduly burdensome. Any filing fees under the HSR Act shall be paid by Intel.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

5.5 Audit. The Company will maintain relevant records to support all Qualified Expenditures and Production milestones. Such records will be retained in accordance with the Company's normal record retention policies. Upon written request, the Company will make available to Intel documents and other information that are reasonably necessary to verify the Company's compliance with the terms of the Transaction Agreements; provided that Intel enters into an agreement with the Company to maintain in confidence the Company's confidential information disclosed pursuant to the audit, to the extent that existing agreements do not cover such information. Intel may also request in writing that an audit be performed by an independent auditor with respect to the Qualified Expenditures and Production milestones necessary to verify the Special Conversion Adjustments. If Intel elects to have such an audit performed, the Company will make available to such independent auditor, financial, technical and other information and records relevant to auditing the Qualified Expenditures and Production milestones in order to verify the Special Conversion Adjustments that may be reasonably requested by such independent auditor. The independent auditor selected shall be mutually acceptable to Intel and the Company and compensated by Intel. Prior to beginning such audit or receiving such information, the independent auditor will enter into an agreement with the Company to maintain in confidence the Company's confidential information. The Company shall cooperate with the independent auditor in responding to requests for the Company information and records. The independent auditor will promptly conduct and issue a report to the Company and Intel. If the independent auditor determines that the Company has failed to comply with any of the terms hereof being audited, such independent auditor shall only disclose to Intel and the Company the results of the audit without revealing the Company's confidential information. If the independent auditor determines that a further Special Conversion Adjustment is required hereunder, such auditor shall only disclose in its audit report to the Company and Intel the (i) amount of the additional Special Conversion Adjustment that is required hereunder; and (ii) a calculation as to how such amounts were actually determined, if applicable.

6. CLOSING CONDITIONS.

6.1 Conditions to Intel's Obligations. The obligations of Intel to consummate the transactions contemplated by this Agreement at the Closing are subject to the fulfillment or waiver, on or before the Closing, of each of the following conditions:

(a) Representations and Warranties True. Each of the representations and warranties of the Company contained in Section 3 will be true and correct in all material respects on and as of the date hereof and on and as of the date of the Closing, with the same effect as though such representations and warranties had been made as of the Closing.

(b) Performance. The Company will have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and will have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(c) Compliance Certificate. The Company will have delivered to the Intel at the Closing a certificate signed on its behalf by its Chief Executive Officer or Chief Financial Officer certifying that the conditions specified in Section 6.1(a) and (b) hereof have been fulfilled.

(d) Securities Exemptions. The offer and sale of the Rights to Intel pursuant to this Agreement and the Rights Agreement will be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

(e) Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto will be reasonably satisfactory in form and substance to Intel, and Intel will have received all such counterpart originals and certified or other copies of such documents as it may reasonably request. Such documents shall include (but not be limited to) the following:

(i) Certified Charter Documents. A copy of the Certificate of Incorporation certified as of a recent date by the Secretary of State of Delaware as a complete and correct copy thereof, and the Bylaws of the Company (as amended through the date of the Closing), certified by the Secretary of the Company as true and correct copies thereof as of the Closing.

(ii) Board Resolutions. A copy, certified by the Secretary of the Company, of the resolutions of the Board of Directors of the Company providing for the approval of the transactions contemplated by this Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement and the issuance of the Rights and the Class A Common Stock or Common Stock issuable upon exercise or conversion thereof.

(f) Opinion of Company Counsel. Intel will have received an opinion on behalf of the Company, dated as of the date of the Closing, from counsel to the Company, in form and substance reasonably satisfactory to Intel.

(g) Other Agreements. The Company will have executed and delivered the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement.

6.2 Conditions to the Company's Obligations. The obligations of the Company to consummate the transactions contemplated by this Agreement at the Closing are subject to the fulfillment or waiver on or before the Closing, of each of the following conditions:

(a) Representations and Warranties True. The representations and warranties of Intel contained in Section 4 will be true and correct in all material respects on and as of the date hereof and on and as of the date of the Closing with the same effect as though such representations and warranties had been made as of the Closing.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(b) Performance. Intel will have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and will have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

(c) Payment of Purchase Price. Intel will have delivered to the Company the Purchase Price of the Rights as specified in and in accordance with Section 2.1.

(d) Securities Exemptions. The offer and sale of the Rights to Intel pursuant to this Agreement will be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

(e) Other Agreements. Intel will have executed and delivered the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement.

7. CONFIDENTIALITY OBLIGATIONS.

7.1 Obligations. Except to the extent required by law or judicial order or except as provided herein, each party to this Agreement will hold any of the other's Confidential Information (as defined in the next paragraph) in confidence and will: (i) use the same degree of care to prevent unauthorized disclosure or use of the Confidential Information that the receiving party uses with its own information of like nature (but in no event less than reasonable care), (ii) limit disclosure of the Confidential Information, including any materials regarding the Confidential Information that the receiving party has generated, to such of its employees and contractors as have a need to know the Confidential Information to accomplish the purposes of this Agreement, and (iii) advise its employees, agents and contractors of the confidential nature of the Confidential Information and of the receiving party's obligations under this Agreement and the Corporate Non-Disclosure Agreement #19096.

7.2 Certain Definitions. For purposes of this Agreement, the term "Confidential Information" refers to this Agreement, the Rights Agreement, the Supply Agreement and the Rights and Restrictions Agreement (collectively, the "Transaction Agreements"). Any employee or contractor of the receiving party having access to the Confidential Information will be required to sign a non-disclosure agreement protecting the Confidential Information if not already bound by such a non-disclosure agreement.

7.3 Non-Disclosure of Agreements. Except to the extent required by law or judicial order or except as provided herein, neither party shall disclose the Transaction Agreements or any of their terms without the other's prior written approval, which approval will not be delayed or unreasonably withheld. Either party may disclose the Transaction Agreements to the extent required by law or judicial order, provided that if such disclosure is pursuant to judicial order or proceedings, the disclosing party will notify the other party promptly before such disclosure and will cooperate with the other party to seek confidential treatment with respect to the disclosure if requested by the other party and provided further that if such disclosure is required pursuant to

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

the rules and regulations of any federal, state or local organization, the parties will cooperate to seek confidential treatment of the Transaction Agreements to the maximum extent possible under law.

7.4 Public Announcements. Upon execution of this Agreement, the parties will agree on the content of a joint press release announcing the existence of the transactions contemplated by this Agreement, which press release will be issued as mutually agreed by the parties.

7.5 Third Party Information. Neither party will be required to disclose to the other any confidential information of any third party without having first obtained such third party's prior written consent.

7.6 Other Disclosures. All confidential information exchanged by the parties will be disclosed pursuant to the Intel Corporation/Micron Technology, Inc. Corporate Non-Disclosure Agreement #19096.

8. MISCELLANEOUS.

8.1 Governing Law. This Agreement shall be governed in all respects by and construed in accordance with the laws of the State of Delaware, without regard to provisions regarding choice of laws. Jurisdiction shall be in the courts of the state of domicile of the defending party to the original action.

8.2 Survival. The representations, warranties, covenants and agreements made herein shall survive any investigation made by any party hereto and the closing of the transactions contemplated hereby, provided that the representations and warranties set forth herein shall terminate as of the first anniversary of the date hereof (other than with respect to any claims asserted prior to such date, as to which they shall survive solely for the purpose of resolving such claims until the resolution thereof).

8.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto. This Agreement and the rights and obligations herein may not be assigned by Intel without the prior written consent of the Company, except to a Qualified Subsidiary (as defined in the Rights and Restrictions Agreement). This Agreement and the rights and obligations herein may not be assigned by the Company without the prior written consent of Intel.

8.4 Entire Agreement. This Agreement, the Rights Agreement, the Rights and Restrictions Agreement and the Supply Agreement, and the agreements, exhibits and schedules referred to herein and therein constitute the entire understanding and agreement between the parties with regard to the subjects hereof and thereof; provided, however, that nothing in this Agreement shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements executed by the parties hereto prior to the date hereof, which

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

agreements shall continue in full force and effect until terminated in accordance with their respective terms.

8.5 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be delivered to the other party (a) in person; (b) by facsimile to the address and number set forth below, when promptly followed up by another of the delivery methods permitted by this Section 8.5; (c) by U.S. mail, registered or certified, return receipt requested, postage prepaid and addressed to the other party as set forth below; or (d) by a national-recognized overnight delivery service that keeps records of deliveries and attempted deliveries (such as FedEx), postage prepaid, addressed to the parties as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

To Intel:	To the Company:
Intel Corporation	Micron Technology, Inc.
2200 Mission College Blvd.	8000 S. Federal Way
Santa Clara, CA 95052	P.O. Box 6
Attn: Treasury Portfolio Manager	Boise, Idaho 83707
	Attn: Chief Financial Officer
Fax Number: (408) 765-1859	Fax Number: (208) 308-2900
with copies to:	with copies to:
Intel Corporation	Micron Technology, Inc.
2200 Mission College Blvd.	8000 South Federal Way
Santa Clara, CA 95052	P.O. Box 6
Attn: General Counsel	Boise, Idaho 83716
Fax Number: (408) 765-6038	Attn: General Counsel
	Fax Number: (208) 308-4509

A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 8.5 by giving the other party written notice of the new address in the manner set forth above.

8.6 Amendments. Any term of this Agreement may be amended only with the prior written consent of the Company and Intel.

8.7 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to the Company or to Intel, upon any breach or default of any party hereto under this Agreement, shall impair any such right, power or remedy of the Company or Intel, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of the Company or Intel of any breach or default under this Agreement or any waiver on the part of the Company or Intel of any provisions or conditions of

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to the Company or Intel shall be cumulative and not alternative.

8.8 Legal Fees. In the event of any action at law, suit in equity or arbitration proceeding in relation to this Agreement or any units or securities of the Company issued or to be issued, the prevailing party shall be paid by the other party a reasonable sum for attorney's fees and expenses for such prevailing party.

8.9 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

8.11 Severability. Should any provision of this Agreement be determined to be illegal or unenforceable, such determination shall not affect the remaining provisions of this Agreement.

8.12 Dispute Resolution. The parties agree to negotiate in good faith to resolve any dispute between them regarding this Agreement. If the negotiations do not resolve the dispute to the reasonable satisfaction of both parties, then each party shall nominate one senior officer of the rank of Vice President or higher as its representative. These representatives shall, within thirty (30) days of a written request by either party to call such a meeting, meet in person and alone (except for one assistant for each party) and shall attempt in good faith to resolve the dispute. If the disputes cannot be resolved by such senior managers in such meeting, the parties agree that they shall, if requested in writing by either party, meet within thirty (30) days after such written notification for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty (30) days after the one day mediation, either party may proceed as they see fit. This procedure shall be a prerequisite before taking any additional action hereunder.

8.13 No Third Parties Benefited. This Agreement is made and entered into for the protection and benefit of the parties hereto and their permitted successors and assigns, and, except as expressly provided herein, no other Person shall be a direct or indirect beneficiary of or have any direct or indirect cause of action or claim in connection with this Agreement or any of the documents executed in connection herewith.

8.14 Meaning of Include and Including. Whenever in this Agreement the word "include" or "including" is used. it shall be deemed to mean "include, without limitation" or "including. without limitation." as the case may be. and the language following "include" or "including" shall not be deemed to set forth an exhaustive list.

8.15 Fees, Costs and Expenses. All fees, costs and expenses (including attorney's' fees and expenses) incurred by either party hereto prior to the Closing in connection with the preparation, negotiation and execution of this Agreement, the Rights Agreement, the Rights and

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Restrictions Agreement and the Supply Agreement and the consummation of the transactions contemplated hereby and thereby (including the costs associated with any filings with, or compliance with any of the requirements of, any governmental authorities), shall be the sole and exclusive responsibility of such party.

8.16 Competition. Nothing set forth herein shall be deemed to preclude, limit or restrict the Company's or Intel's and their respective Affiliates' ability to compete with the other.

IN WITNESS WHEREOF, the parties have executed this Securities Purchase Agreement as of the date first written above.

INTEL CORPORATION.	MICRON TECHNOLOGY, INC.
By:_____	By:_____
Name:	Name:
Title:	Title:

{Signature Page to Securities Purchase Agreement}

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

EXHIBIT A
(Rights Agreement)

EXHIBIT B
(Rights and Restrictions Agreement)

EXHIBIT C
(Supply Agreement)

EXHIBIT D
(Form of Certificate of Amendment)

SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT

Between

MICRON TECHNOLOGY, INC.

and

INTEL CORPORATION

DATED AS OF OCTOBER 19, 1998

TABLE OF CONTENTS

TABLE OF CONTENTS

(continued)

SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT

THIS SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT (this "AGREEMENT") is made as of October 19, 1998, between MICRON TECHNOLOGY, INC., a Delaware corporation ("MICRON"), and INTEL CORPORATION, a Delaware corporation ("INTEL").

RECITALS

A. Intel has agreed to purchase from Micron, and Micron has agreed to sell to Intel, Class A Common Stock ("CLASS A COMMON STOCK") or, pending authorization and creation of the Class A Common Stock, stock rights (the "RIGHTS") to be issued by the Company pursuant to that certain Stock Rights Agreement, dated of even date herewith (the "STOCK RIGHTS AGREEMENT"), on the terms and conditions set forth in that certain Securities Purchase Agreement, dated October 15, 1998, by and between Micron and Intel (the "SECURITIES PURCHASE AGREEMENT"). The Rights are exchangeable for Class A Common Stock or Common Stock (the "COMMON STOCK") of the Company, and the Class A Common Stock is convertible into Common Stock of the Company.

B. The Securities Purchase Agreement provides for the execution and delivery of this Agreement at the closing of the transactions contemplated thereby.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and conditions herein and in the Securities Purchase Agreement, the parties hereto hereby agree as follows:

SECTION 1

DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

(a) "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes of this definition, "CONTROL" when 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; the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing. Notwithstanding the above, unless expressly provided to the contrary herein, the term Affiliate shall exclude officers, directors and any employee benefit plan or pension plan of a Person.

(b) "BENEFICIAL OWNERSHIP" or "beneficial owner" has the meaning provided in Rule 13d-3 promulgated under the Exchange Act. References to ownership of Voting Securities hereunder mean beneficial ownership.

(c) "CLASS A COMMON STOCK" has the meaning set forth in paragraph A of the Recitals hereto.

(d) "COMMON STOCK" has the meaning set forth in paragraph A of the Recitals hereto.

(e) "CHANGE IN CONTROL OF MICRON" shall mean a merger, consolidation or other business combination or the sale of all or substantially all of the assets of Micron (other than a transaction pursuant to which the holders of the voting stock of Micron outstanding immediately prior to such transaction have the entitlement to exercise, directly or indirectly, fifty percent (50%) or more of the Total Voting Power of the continuing, surviving entity or transferee immediately after such transaction).

(f) "DEMAND REGISTRATION STATEMENT" has the meaning set forth in Section 4.1(a).

(g) "DEMAND REQUEST" has the meaning set forth in Section 4.1(a).

(h) "DEMAND/TRANCHE MANAGING UNDERWRITERS" has the meaning set forth in Section 4.4(c).

(i) "DEMAND/TRANCHE MARKET CUT-BACK" has the meaning set forth in Section 4.4(d).

(j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(k) "GROUP" or "GROUP" shall have the meaning provided in Section 13(d)(3) of the Exchange Act and the rules and regulations promulgated thereunder, but shall exclude any institutional underwriter purchasing Voting Securities of Micron in connection with an underwritten registered offering for purposes of a distribution of such securities.

(l) "HEDGING TRANSACTIONS" means engaging in short sales and the purchase and sale of puts and calls and other derivative securities, so long as Intel retains beneficial ownership of the Shares.

(m) "INDEMNIFIED PARTY" has the meaning set forth in Section 4.6(c).

(n) "INDEMNIFYING PARTY" has the meaning set forth in Section 4.6(c).

(o) "INTEL POOLING TRANSACTION LOCK-UP" has the meaning set forth in Section 4.9(a).

(p) "INTEL PUBLIC OFFERING LOCK-UP" has the meaning set forth in Section 4.9(a).

(q) "MICRON PUBLIC OFFERING LOCK-UP" has the meaning set forth in Section 4.9(b).

(r) "PERSON" shall mean any person, individual, corporation, partnership, trust or other nongovernmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise).

(s) "PIGGYBACK MARKET CUT-BACK" has the meaning set forth in Section 4.3(c).

(t) "PIGGYBACK REGISTRABLE SECURITIES" has the meaning set forth in Section 4.3(a).

(u) "PIGGYBACK REGISTRATION STATEMENT" has the meaning set forth in Section 4.3(a).

(v) "PIGGYBACK REQUEST" has the meaning set forth in Section 4.3(a).

(w) "PIGGYBACK UNDERWRITING AGREEMENT" has the meaning set forth in Section 4.3(b).

(x) "QUALIFIED SUBSIDIARY" shall mean a corporation or other Person at least 90% of the outstanding Voting Securities of which are owned, directly or indirectly, by Intel.

(y) "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.

(z) "REGISTRABLE SECURITIES" means (i) the (1) all the shares of Common Stock of the Company issued or issuable upon exercise or conversion of the Rights or the Class A Common Stock and (2) any shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, any such securities described in clause (1) of this subsection (w). Notwithstanding the foregoing, Registrable Securities shall exclude any Registrable Securities sold by a person in a transaction in which rights under this Section 4 are not assigned in accordance with this Agreement or any Registrable Securities sold in a public offering, whether sold pursuant to Rule 144 promulgated under the Securities Act, in a registered offering, or otherwise.

(aa) "REGISTRATION EXPENSES" has the meaning set forth in Section 4.5(a).

(bb) "RESTRICTED SECURITIES" has the meaning set forth in Section 3.3(a).

(cc) "RIGHTS" has the meaning set forth in paragraph A of the recitals hereto.

(dd) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(ee) "SECURITIES PURCHASE AGREEMENT" has the meaning set forth in paragraph A of the Recitals hereto.

(ff) "SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(gg) "SHARES" means the shares of Common Stock of the Company issued or issuable upon exercise or conversion of the Rights or the Class A Common Stock.

(hh) "SHELF REGISTRABLE SECURITIES" has the meaning set forth in Section 4.2(a).

(ii) "SHELF REGISTRATION STATEMENT" has the meaning set forth in Section 4.2(a).

(jj) "SHELF REQUEST" has the meaning set forth in Section 4.2(a).

(kk) "STOCK RIGHTS AGREEMENT" has the meaning set forth in paragraph A of the Recitals hereto.

(ll) "SUSPENSION CONDITION" has the meaning set forth in Section 4.4(f).

(mm) "TRANCHE REGISTRABLE SECURITIES" has the meaning set forth in Section 4.2(b).

(nn) "TRANCHE REQUEST" has the meaning set forth in Section 4.2(b).

(oo) "TRANSACTION RELATED SECURITIES" means (i) Shares, (ii) shares of Class A Common Stock issued or issuable upon exercise or conversion of the Rights, (iii) the Rights and (iv) shares of Common Stock and other securities of the Company issued as (or issuable upon conversion or exercise of any warrant, right or other security as) a dividend or other distribution with respect to or in exchange for or in replacement of, or upon conversion or exercise of any such securities.

(pp) "VOTING SECURITIES" means (i) all securities of Micron, entitled, in the ordinary course, to vote in the election of directors of Micron and (ii) for the purposes of this Agreement only, all securities of Micron, directly or indirectly, convertible into or exchangeable or exercisable for shares of Common Stock (including the Rights), the Voting Power of which shall be deemed equal to the number of shares of Common Stock, directly or indirectly, issuable upon the conversion, exchange or exercise of such securities. Voting Securities shall not include stockholder rights or other comparable securities having Voting Power only upon the happening of a trigger event or comparable contingency and which can only be transferred together with the Voting Securities to which they attach. References herein to meetings of holders of Voting Securities shall include meetings of any class or type thereof,

(qq) "VOTING POWER" or "TOTAL VOTING POWER" of Micron (or any other corporation) refer to the votes or total number of votes which at the time of calculation may be cast

in the election of directors of Micron (or such corporation) at any meeting of stockholders of Micron (or such corporation) if all securities entitled to vote in the election of directors of Micron (or such corporation) were present and voted at such meeting; provided that for purposes of references herein made to any Person's "Voting Power" or percentage beneficial ownership of "Total Voting Power," any rights (other than rights referred to in any rights plan of Micron (or any such other corporation) or a successor to such rights plan so long as such rights can only be transferred together with the Voting Securities to which they attach) of such Person to acquire Voting Securities (whether or not the exercise of any such right shall be conditioned upon the passage of time or any other contingency) shall be deemed to have been exercised in full.

(rr) "180-DAY LIMITATION" has the meaning set forth in Section 4.4(a).

All capitalized terms used and not defined herein shall have the respective meanings assigned to such terms in the Securities Purchase Agreement.

SECTION 2

STANDSTILL AND RELATED COVENANTS

2.1 Intel Ownership of Micron Securities. On the date hereof, and without giving effect to the transactions contemplated by the Securities Purchase Agreement, neither Intel nor any Affiliate of Intel beneficially owns any Voting Securities of Micron, other than Voting Securities held in equity index funds or by employee benefit plans or pension plans.

2.2 Standstill Provisions.

(a) Intel shall not acquire, directly or indirectly, and shall not cause or permit any Affiliate of Intel to acquire, directly or indirectly (through market purchases or otherwise), record or beneficial ownership of any Voting Securities of Micron representing, when taken together with all securities owned by such Persons, in excess of a percentage greater than nineteen and ninety nine hundredths (19.99%) (the "STANDSTILL PERCENTAGE") of the Total Voting Power of Micron without the prior written consent of Micron's Board of Directors; provided, however, that the prior written consent of the Board of Directors of Micron shall not be required for the acquisition of any Voting Securities of Micron pursuant to the conversion of any of the shares of Class A Common Stock or the exercise of any of the Rights or resulting from a stock split, stock dividend or similar recapitalization by Micron. Nothing contained in this Section 2.2 shall adversely affect any right of Intel to acquire record or beneficial ownership of Voting Securities of Micron pursuant to any rights plan instituted by Micron. Ownership of Voting Securities by employee benefit plans or pension plans shall not be beneficial ownership by Intel for purposes of this Section 2.2.

(b) Intel and its Affiliates will not be obliged to dispose of any Voting Securities to the extent that the aggregate percentage of the Total Voting Power of Micron represented by Voting Securities beneficially owned by Intel and its Affiliates or which Intel and its Affiliates has a

right to acquire is increased beyond the Standstill Percentage (i) as a result of a recapitalization of Micron or a repurchase or exchange of securities by Micron or its Affiliates; (ii) as a result of an equity index transaction, provided that Intel and its Affiliates shall not vote such shares; (iii) by way of stock dividends or other distributions or rights or offerings made available to holders of shares of Voting Securities generally; or (iv) with the prior written consent of Micron's Board of Directors.

2.3 Voting Trust. Intel shall not, and shall not cause or permit any Affiliate of Intel to, deposit any Voting Securities of Micron in a voting trust or, except as otherwise provided herein, subject any Voting Securities of Micron to any arrangement or agreement with respect to the voting of such Voting Securities of Micron.

2.4 Solicitation of Proxies. Without the prior written consent of Micron's Board of Directors, Intel shall not, and shall not cause or permit any Affiliate of Intel to, directly or indirectly (i) initiate, propose or otherwise solicit Micron stockholders for the approval of one or more stockholder proposals with respect to Micron or induce or attempt to induce any other Person to initiate any stockholder proposal, (ii) make, or in any way participate in, any "SOLICITATION" of "PROXIES" (as such terms are defined or used in Regulation 14a-1 under the Exchange Act) with respect to any Voting Securities of Micron, or become a "PARTICIPANT" in any "ELECTION CONTEST" (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act), with respect to Micron or (iii) call or seek to have called any meeting of the holders of Voting Securities of Micron.

2.5 Acts in Concert with Others. Except as contemplated herein, Intel shall not, and shall not cause or permit any Affiliate of Intel to, participate in the formation of any Person which owns or seeks to acquire beneficial ownership of, or otherwise acts in concert in respect of the voting or disposition of, Voting Securities of Micron. Without limiting the generality of the foregoing, and except as contemplated herein, Intel shall not, and shall not cause or permit any Affiliate of Intel to: (i) join a partnership, limited partnership, syndicate or other group, or otherwise act in concert with any third person, for the purpose of acquiring, holding, or disposing of Voting Securities of Micron; (ii) seek election to or seek to place a representative on the Board of Directors of Micron; (iii) seek the removal of any member of the Board of Directors of Micron; (iv) otherwise seek control of the management, Board of Directors or policies of Micron; (v) solicit, propose or seek to effect any form of business combination transaction with Micron or any Affiliate thereof, or any restructuring, recapitalization or similar transaction with respect to Micron or any Affiliate thereof; (vi) solicit, make or propose or announce an intent to make, any tender offer or exchange offer for any Voting Securities of Micron; (vii) disclose an intent, purpose, plan or proposal with respect to Micron or any Voting Securities of Micron inconsistent with the provisions of this Agreement, including an intent, purpose, plan or proposal that is conditioned on or would require Micron to waive the benefit of or amend any provision of this Agreement; or (vii) assist, participate in, or solicit any effort or attempt by any Person to do or seek to do any of the foregoing. Intel shall not, and shall not cause or permit any Affiliate of Intel to, make any recommendation or proposal to any Person to engage in any of the actions covered by Section 2.4 and this Section 2.5 hereof.

2.6 Termination. The provisions of this Section 2 shall terminate upon the earlier to occur of: (i) such time as Intel (together with all Affiliates of Intel) beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron; or (ii) the closing or other completion of a Change in Control of Micron.

SECTION 3

RESTRICTIONS ON TRANSFER OF SECURITIES; COMPLIANCE WITH SECURITIES LAWS

3.1 Restrictions on Transfer of Voting Securities of Micron. Intel shall not, and shall not cause or permit any Affiliate of Intel to, 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 Transaction Related Securities of Micron, now or hereafter acquired, or with respect to which Intel (or any Affiliate of Intel) has or hereafter acquires the power of disposition (or enter into any agreement or understanding with respect to the foregoing), except, in the case of the Shares and shares of Class A Common Stock, as set forth in the following clauses (a) through (g), and, in the case of the Rights, as set forth in clause (a) and (b):

(a) to Micron, or any Person or group approved in writing in advance by Micron's Board of Directors;

(b) to any Qualified Subsidiary of Intel, so long as such subsidiary agrees in writing (in form reasonably acceptable to counsel for Micron) to hold such Voting Securities of Micron subject to all the provisions of this Agreement, and also agrees to transfer such Voting Securities of Micron to Intel or another Qualified Subsidiary of Intel if it ceases to be a Qualified Subsidiary of Intel;

(c) pursuant to a public offering of Voting Securities of Micron registered under the Securities Act; provided, however, that such offering is structured to distribute such securities in accordance with procedures reasonably designed to ensure that beneficial ownership of the Voting Securities of Micron with aggregate Voting Power of more than five percent (5%) of the Total Voting Power of Micron then in effect shall not be transferred during such distribution to any single Person or group;

(d) through a sale of Voting Securities of Micron pursuant to Rule 144 under the Securities Act; provided, however, that any such sale (i) complies with the manner of sale provisions under paragraph (f) of Rule 144 or (ii) is of securities with Voting Power aggregating less than five percent (5%) of the Total Voting Power of Micron and is not made knowingly directly or indirectly to: (A) any Person or group which has theretofore filed a Schedule 13D with the SEC with respect to any class of "EQUITY SECURITY" (as defined in Rule 13a11-1 under the Exchange Act) of Micron and which, at the time of such sale, continues to reflect beneficial ownership in excess of five percent (5%) of the Total Voting Power of Micron; (B) any Person or group known to Intel (without inquiry

or investigation) to beneficially own in excess of five percent (5%) of any Voting Securities of Micron or to be accumulating stock on behalf of or acting in concert with any such Person or group or a Person or group contemplated by clause (A) above; or (C) any Person or group that has announced or commenced an unsolicited offer for any Voting Securities of Micron or publicly initiated, proposed or otherwise solicited Micron stockholders for the approval of one or more stockholder proposals with respect to Micron or publicly made, or in any way participated in, any "SOLICITATION" of "PROXIES" (as such terms are defined or used in Regulation 14A under the Exchange Act) with respect to any Voting Securities of Micron, or become a "PARTICIPANT" in any "ELECTION CONTEST" (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act);

(e) pursuant to any private sale of Voting Securities of Micron exempt from the registration requirements under the Securities Act, provided that no such sale may be made to any Person or group which, after giving effect to such sale, will beneficially own or have the right to acquire Voting Securities of Micron with aggregate Voting Power of more than five percent (5%) of the Total Voting Power of Micron unless such Person or group is an institutional investor that acquires such Voting Securities solely for investment, in which case the total number of Voting Securities that may be sold to such Person or group shall be limited so that such Person or group shall not own or have the right to acquire more than ten percent (10%) of the Total Voting Power of Micron after giving effect to the proposed sale; and, provided, further, that, if such securities are "restricted securities" as defined in Rule 144, any such purchaser (and any transferee of such purchaser) shall agree to take and hold such securities subject to the provisions and upon the conditions specified in this Section 3, and it will be a condition precedent to the effectiveness of any such transfer that Intel shall have delivered to Micron a written agreement of such purchaser to that effect in form and substance reasonably satisfactory to Micron (which may contain a representation by such purchaser as to the beneficial ownership of Voting Securities of Micron, which may be relied upon by Intel (absent actual knowledge to the contrary) for purposes of compliance with the applicable requirements of this Section 3.1(e));

(f) in response to an offer to purchase or exchange for cash or other consideration any Voting Securities, in any case which is not opposed by the Board of Directors of Micron within the time such Board is required, pursuant to regulations under the Exchange Act, to advise the stockholders of Micron of such Board's position with respect to such offer, or, if no such regulations are applicable, within ten (10) business days of the commencement of such offer, or pursuant to a merger, consolidation or other business combination involving Micron approved by the Board of Directors of Micron; or

(g) subject to Micron's prior consent (which shall not be unreasonably withheld), pursuant to bona fide pledges of such Voting Securities to institutional lenders (provided that the number of such lenders to which, or for the benefit of which, such pledges may be made, shall not exceed twenty (20) in the aggregate), to secure a loan, guarantee, letter of credit facility or other indebtedness or financial support; provided that each such lender to which, or for the benefit of which, such pledge is made agrees in writing to hold such Voting Securities subject to all provisions

of this Agreement, including the limitations on any sale or other disposition of such Voting Securities.

Nothing in this Section 3.1 shall be construed to prohibit Hedging Transactions with respect to securities of Micron provided that such transactions do not result in non-compliance with the foregoing restrictions insofar such provisions relate to, and are limited in their application to, the Transaction Related Securities.

3.2 Restrictive Legends.

(a) The certificate or certificates representing the (i) the Shares, (ii) the Rights, (iii) any shares of Class A Common Stock issued or issuable upon exercise or conversion of the Rights and (iv) any securities issued in respect of the foregoing as a result of any stock split, stock dividend, recapitalization, reclassification or similar transaction (collectively, the "RESTRICTED SECURITIES") 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 SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER AS TO THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION.

(b) The certificate or certificates representing the Restricted Securities also shall be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER, INCLUDING ANY SALE, PLEDGE OR OTHER HYPOTHECATION, SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND INTEL CORPORATION, A COPY OF WHICH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

(c) The certificate or certificates representing the Rights also shall be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO PROVISIONS OF THE STOCK RIGHTS AGREEMENT WHICH CONTAINS CERTAIN RESTRICTIONS ON TRANSFER AND OTHER RIGHTS AND OBLIGATIONS. COPIES OF THE STOCK RIGHTS AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER

OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

(d) The certificate or certificates representing shares of Class A Common Stock also shall be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO PROVISIONS OF THE COMPANY'S CERTIFICATE OF INCORPORATION WHICH CONTAINS CERTAIN RESTRICTIONS ON TRANSFER AND OTHER RIGHTS AND OBLIGATIONS. COPIES OF THE CERTIFICATE OF INCORPORATION MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

3.3 Procedures for Certain Transfers.

(a) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 3.

(b) Prior to any proposed transfer of any Restricted Securities pursuant to Sections 3.1(a), (b), (e) and (g) hereof, Intel shall give written notice to Micron of its 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 either: (i) a written opinion of legal counsel (including in-house counsel), who shall be reasonably satisfactory to Micron, addressed to Micron and reasonably satisfactory in form and substance to Micron's counsel, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act; or (ii) a "no action" letter from the SEC and a copy of any request by Intel (together with all supplements or amendments thereto), which shall have been provided to Micron at or prior to the time of first delivery to the SEC's staff, to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto, whereupon Intel shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by Intel to Micron.

(c) In connection with any proposed transfer of Restricted Securities pursuant to Section 3.1(d) hereof, Intel shall comply with all applicable requirements of Rule 144 under the Securities Act and the reasonable requirements of Micron's transfer agent with respect to sales of Restricted Securities pursuant to Rule 144.

(d) Each certificate evidencing the Restricted Securities transferred as herein provided (other than a transfer pursuant to Section 3.1(c)) shall bear the appropriate restrictive legend set forth (or described) in Section 3.3(a) above, except that such certificate shall not bear such restrictive legend if: (i) in the opinion of counsel for Micron, such legend is not required in order to establish compliance with any provisions of the Securities Act; (ii) the Restricted Securities have

been held by the holder for more than two years, and the holder represents to counsel for Micron that it has not been an "AFFILIATE" (as such term is defined for purposes of Rule 144) of Micron during the three-month period prior to the sale and shall not become an affiliate (as such term is defined for purposes of Rule 144) of Micron without resubmitting the Restricted Securities for reimposition of the legend; or (iii) the Restricted Securities have been sold pursuant to Rule 144 and in compliance with Section 3.1(d). In addition, each certificate evidencing the Restricted Securities transferred pursuant to this Section 3 (other than transfers pursuant to Sections 3.1(c) and 3.1(d) hereof) shall bear the legend set forth in Section 3.2(b) above.

3.4 Covenant Regarding Exchange Act Filings. With a view to making available to Intel the benefits of Rule 144 promulgated under the Securities Act, and any other rules or regulations of the SEC which may at any time permit Intel to sell any Restricted Securities without registration, until the date of termination of this Agreement, Micron agrees to use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required to be filed under the Exchange Act.

3.5 Termination. The provisions of this Section 3 (other than Sections 3.2 and 3.3) shall terminate upon the later to occur of: (i) the fifth anniversary date of this Agreement and (ii) such time as Intel (together with all Affiliates of Intel) beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron or upon the closing or other completion of a Change in Control of Micron.

SECTION 4

REGISTRATION RIGHTS

4.1 Demand Registration.

(a) If at any time after March 31, 1999, Micron shall receive from Intel a written request (a "DEMAND REQUEST") that Micron register on Form S-3 under the Securities Act (or if such form is not available, any registration statement form then available to Micron) Registrable Securities equal to at least the lesser of two percent (2%) of the Voting Securities outstanding on the date of such Demand Request and securities having an aggregate market value of in excess of $100 million on such date, then Micron shall use commercially reasonable efforts to cause the Registrable Securities specified in such Demand Request (THE "DEMAND REGISTRABLE SECURITIES") to be registered as soon as reasonably practicable so as to permit the offering and sale thereof and, in connection therewith, shall prepare and file with the SEC as soon as practicable after receipt of such Demand Request, a registration statement (a "DEMAND REGISTRATION STATEMENT") to effect such registration; provided, however, that each such Demand Request shall: (i) specify the number of Demand Registrable Securities intended to be offered and sold by Intel pursuant thereto (which number of Demand Registrable Securities shall not be less than the lesser of two percent (2%) of the Registrable Securities outstanding on the date of such Demand Request and securities having an aggregate market value of in excess of $100 million on such date); (ii) express the present intention

of Intel to offer or cause the offering of such Demand Registrable Securities pursuant to such Demand Registration Statement, (iii) describe the nature or method of distribution of such Demand Registrable Securities pursuant to such Demand Registration Statement (including, in particular, whether Intel plans to effect such distribution by means of an underwritten offering or other method); and (iv) contain the undertaking of Intel to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder, and to obtain any desired acceleration of the effective date of such Demand Registration Statement.

(b) The procedures to be followed by Micron and Intel, and the respective rights and obligations of Micron and Intel, with respect to the preparation, filing and effectiveness of Demand Registration Statements and the distribution of Demand Registrable Securities pursuant to Demand Registration Statements under this Section 4.1 are set forth in Section 4.4 hereof.

4.2 Shelf Registration.

(a) If at any time after March 31, 1999, Micron shall receive from Intel a written request (a "SHELF REQUEST") that Micron register pursuant to Rule 415(a)(1)(i) under the Securities Act (or any successor rule with similar effect) a delayed offering of all Registrable Securities held by Intel, then Micron shall use commercially reasonable efforts to cause the Registrable Securities specified in such Shelf Request (the "SHELF REGISTRABLE SECURITIES") to be registered as soon as reasonably practicable so as to permit the sale thereof and, in connection therewith, shall (i) prepare and file with the SEC as soon as practicable after receipt of such Shelf Request, a shelf registration statement on Form S-3 relating to such Shelf Registrable Securities, if such Form S-3 is available for use by Micron (or any successor form of registration statement to such Form S-3), to effect such registration (a "SHELF REGISTRATION STATEMENT"), to enable the distribution of such Shelf Registrable Securities; provided, however, that each such Shelf Request shall: (i) express the intention of Intel to offer or cause the offering of such Shelf Registrable Securities pursuant to such Shelf Registration Statement on a delayed basis in the future; (ii) describe the nature or method of the proposed offer and sale of such Shelf Registrable Securities pursuant to such Shelf Registration Statement (including, in particular, whether Intel plans to effect such distribution by means of an underwritten offering or other method); and (iii) contain the undertaking of Intel to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder, and to obtain any desired acceleration of the effective date of such Shelf Registration Statement. Intel shall not be entitled to make more than one Shelf Request during any three hundred sixty-five (365) day period.

(b) It is expressly agreed by the parties that the sole purpose of Micron filing and maintaining an effective a Shelf Registration Statement for the delayed offering of Shelf Registrable Securities by Intel is to make the process of distributing Registrable Securities by Intel more convenient for both parties by reducing or eliminating the need to file a new Demand Registration

Statement each time that Intel decides to sell Registrable Securities. After a Shelf Registration Statement has been declared effective under the Securities Act by the SEC, then, upon the written request of Intel (a "TRANCHE REQUEST"), Micron shall prepare such amendments to such Shelf Registration Statement (including post-effective amendments), if any, and such amendments or supplements to the prospectus relating to the Registrable Securities to be offered thereunder pursuant to such Tranche Request (the "TRANCHE REGISTRABLE SECURITIES"), as is necessary to facilitate the distribution of such Tranche Registrable Securities pursuant to such Tranche Request; provided, however, that such Tranche Request shall: (i) specify the number of Tranche Registrable Securities intended to be offered and sold by Intel pursuant thereto (which number of Tranche Registrable Securities shall not be less than the lesser of two percent (2%) of the Voting Securities outstanding on the date of such Tranche Request and securities having an aggregate market value of in excess of $100 million on such date); (ii) express the present intention of Intel to offer or cause the offering of such Tranche Registrable Securities pursuant to the Shelf Registration Statement, (iii) describe the nature or method of distribution of such Tranche Registrable Securities pursuant to the Shelf Registration Statement (including, in particular, whether Intel plans to effect such distribution by means of an underwritten offering or other method); and (iv) contain the undertaking of Intel to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder.

(c) The procedures to be followed by Micron and Intel, and the respective rights and obligations of Micron and Intel, with respect to the preparation, filing and effectiveness of Shelf Registration Statements and the distribution of Tranche Registrable Securities pursuant to Shelf Registration Statements under this Section 4.2 are set forth in Section 4.4 hereof.

4.3 Piggyback Registration.

(a) If at any time after March 31, 1999, Micron shall determine to register any of its equity or equity-linked securities (other than registration statements relating to (i) employee, consultant or distributor compensation or incentive arrangements (including employee benefit plans), (ii) acquisitions or any transaction or transactions under Rule 145 under the Securities Act (or any successor rule with similar effect), (iii) distributions by principal stockholders, their Affiliates or transferees (unless consented to by such principal stockholders, Affiliates or transferees), or (iv) pursuant to Rule 415 under the Securities Act), then Micron will promptly give Intel written notice thereof and include in such Micron-initiated, non-shelf, registration statement (a "PIGGYBACK REGISTRATION STATEMENT"), and in any underwriting involved therein, all Registrable Securities (the "PIGGYBACK REGISTRABLE SECURITIES") specified in a written request made by Intel (a "PIGGYBACK REQUEST") within five (5) business days after receipt of such written notice from Micron; provided, however, that nothing in this Section 4.3(a), or any other provision of this Agreement, shall be construed to limit the absolute right of Micron, for any reason and in its sole discretion: (i) to delay, suspend or terminate the filing of any Piggyback Registration Statement; (ii) to delay the effectiveness of any Piggyback Registration Statement; (iii) to terminate or reduce the number of Piggyback Registrable Securities to be distributed pursuant to any Piggyback Registration Statement

(including, without limitation, pursuant to Section 4.3(c) hereof); or (iv) to withdraw such Piggyback Registration Statement.

(b) If the Piggyback Registration Statement of which Micron gives notice is for an underwritten offering, Micron shall so advise Intel as a part of the written notice given pursuant to Section 4.3(a). In such event, the right of Intel to registration pursuant to this Section 4.3 shall be conditioned upon the agreement of Intel to participate in such underwriting and in the inclusion of such Piggyback Registrable Securities in the underwriting to the extent provided herein. Intel shall (together with Micron and any other holders distributing securities in such Piggyback Registration Statement, if any) enter into an underwriting agreement (the "PIGGYBACK UNDERWRITING AGREEMENT") in customary form with the underwriter or underwriters selected for such underwriting by Micron.

(c) Notwithstanding any other provision of this Agreement, if the managing underwriters of any underwritten offering pursuant to a Piggyback Request determine, in their sole discretion that, after including all the shares to be offered by Micron and all the shares of any other Persons entitled to registration rights with respect to such Piggyback Registration Statement (pursuant to other agreements with Micron), marketing factors require a limitation of the number of Piggyback Registrable Securities to be underwritten, the managing underwriters of such offering may exclude any and all of the Piggyback Registrable Securities, provided that such cut-back is made pro rata with respect to any other securities proposed to be included in such registration statement pursuant to "piggy-back" registration rights (a "PIGGYBACK MARKET CUT-BACK"). If Intel disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to Micron and the managing underwriters. Any Piggyback Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from such Piggyback Registration Statement.

(d) Except to the extent specifically provided in this Section 4.3 hereof, the procedures to be followed by Micron and Intel, and the respective rights and obligations of Micron and Intel, with respect to the distribution of any Piggyback Registrable Securities by Intel pursuant to any Piggyback Registration Statement filed by Micron shall be as set forth in the Piggyback Underwriting Agreement, or any other agreement or agreements governing the distribution of such Piggyback Registrable Securities pursuant to such Piggyback Registration Statement.

4.4 Demand and Shelf Registration Procedures, Rights and Obligations. The procedures to be followed by Micron and Intel, and the respective rights and obligations of Micron and Intel, with respect to the preparation, filing and effectiveness of Demand Registration Statements and Shelf Registration Statements, respectively, and the distribution of Demand Registrable Securities and Tranche Registrable Securities, respectively, pursuant thereto, are as follows:

(a) Intel shall not be entitled to make more than one Demand Request or Tranche Request during any one hundred eighty (180) day period (the "180-DAY LIMITATION"); provided, however, that (i) any Demand Request that: (A) does not result in the corresponding Demand Registration Statement being declared effective by the SEC; (B) is withdrawn by Intel following the

imposition of a stop order by the SEC with respect to the corresponding Demand Registration Statement; (C) is withdrawn by Intel as a result of the exercise by Micron of its suspension rights pursuant to Sections 4.4(e) or (f) hereof; or (D) is withdrawn by Intel as a result of a Demand/Tranche Market Cut-Back (as defined in Section 4.4(d) hereof); and (ii) any Tranche Request that: (A) is withdrawn by Intel following the imposition of a stop order by the SEC with respect to the corresponding Shelf Registration Statement; (B) is withdrawn by Intel as a result of the exercise by Micron of its suspension rights pursuant to Sections 4.4(e) or (f) hereof; or (C) s withdrawn by Intel as a result of a Demand/Tranche Market Cut-Back, shall not count for the purposes of determining compliance with the 180-Day Limitation. Any Demand Request or Tranche Request that is withdrawn by Intel for any reason other than as set forth in the previous sentence shall count for purposes of determining compliance with the 180-Day Limitation. Piggyback Requests shall not count for purposes of determining compliance with the 180-Day Limitation regardless of whether a Piggyback Registration Statement is filed, declared effective or withdrawn or whether any distribution of Piggyback Registrable Securities is effected, terminated or cut-back (pursuant to Section 4.3(c) hereof, or otherwise). Intel shall not be entitled to offer or sell any securities pursuant to a Demand Registration Statement or Shelf Registration Statement unless and until, following a Demand Request or a Tranche Request, as applicable, Micron has made all required filings with the SEC with respect to the distribution of Registrable Securities contemplated by such Demand Request or Tranche Request, as applicable, such filings have become effective and Micron has notified Intel of the foregoing and that no Suspension Condition then exists.

(b) Micron shall use commercially reasonable efforts to cause each Demand Registration Statement and Shelf Registration Statement to be declared effective promptly and to keep such Demand Registration Statement and Shelf Registration Statement continuously effective until the earlier to occur of: (i) the sale or other disposition of the Registrable Securities so registered; (ii) (X) in the case of a firmly committed, underwritten offering, sixty (60) days after (A) if pursuant to a Demand Registration Statement, the effective date of any Demand Registration Statement or (B) if pursuant to a Tranche Request, the date of the final prospectus used to confirm sales in connection with the underwritten offering of Tranche Registrable Securities, and (Y) in the case of all other plans of distribution, (A) if pursuant to a Demand Registration Statement, fifteen (15) business days after the effective date of such Demand Registration Statement or (B) if pursuant to a Tranche Request, fifteen (15) business days after the earlier of the effectiveness of the amendment to the Shelf Registration Statement or the filing of the amendment or supplement to the prospectus included in such registration statement required to facilitate such distribution and the date of the notice required by the last sentence of Section 4.4(a) hereof if no such amendment or supplement is so required; and (iii) the termination of Intel's registration rights pursuant to Section 4.10 hereof. Micron shall prepare and file with the SEC such amendments and supplements to each Demand Registration Statement and Shelf Registration Statement and each prospectus used in connection therewith as may be necessary to make and to keep such Demand Registration Statement and Shelf Registration Statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities proposed to be distributed pursuant to such Demand Registration Statement and Shelf Registration Statement until the earlier to occur of: (i) the sale or other disposition of the Registrable Securities so

registered; (ii) (X) in the case of a firmly committed, underwritten offering, sixty (60) days after (A) if pursuant to a Demand Registration Statement, the effective date of any Demand Registration Statement or (B) if pursuant to a Tranche Request, the date of the final prospectus used to confirm sales in connection with the underwritten offering of Tranche Registrable Securities, and (Y) in the case of all other plans of distribution, (A) if pursuant to a Demand Registration Statement, fifteen (15) business days after the effective date of such Demand Registration Statement or (B) if pursuant to a Tranche Request, fifteen (15) business days after the earlier of the effectiveness of the amendment to the Shelf Registration Statement or the filing of the amendment or supplement to the prospectus included in such registration statement required to facilitate such distribution and the date of the notice required by the last sentence of Section 4.4(a) hereof if no such amendment or supplement is so required; and (iii) the termination of Intel's registration rights pursuant to Section 4.10 hereof.

(c) In connection with any underwritten offering pursuant to a Demand Registration Statement or a Shelf Registration Statement which Intel has requested be underwritten, Micron, on the one hand, and Intel, 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 Intel, which approval shall not be unreasonably withheld, and the co-manager selected by Intel 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 Intel are hereinafter collectively referred to as the "DEMAND/TRANCHE MANAGING UNDERWRITERS." The Demand/Tranche Underwriter selected by Intel shall be the lead Demand/Tranche Managing Underwriter, whose responsibilities shall include running the "books" for any offering. Micron shall, together with Intel, enter into an underwriting agreement with the Demand/Tranche Managing Underwriters, which agreement shall contain representations, warranties, indemnities and agreements then customarily included by an issuer in underwriting agreements with respect to secondary distributions under demand registration statements or shelf registration statements, as the case may be, and shall stipulate that the Demand/Tranche Managing Underwriters will receive equal commissions and fees and other remuneration in connection with the distribution of any Demand Registrable Securities or Tranche Registrable Securities thereunder.

(d) Notwithstanding any other provision of this Agreement, in connection with any underwritten offering, the number of Demand Registrable Securities or Registrable Securities proposed to be distributed by Intel pursuant to any Demand Request or Tranche Request may be limited by the Demand/Tranche Managing Underwriters if such Demand/Tranche Managing Underwriters determine that the sale of such Demand Registrable Securities or Tranche Registrable Securities would significantly and adversely affect the market price of the Common Stock (a "DEMAND/TRANCHE MARKET CUT-BACK"). If Intel disapproves of the terms of any proposed underwritten offering under a Demand Registration Statement or a Shelf Registration Statement (including, without limitation, any reduction in the number of Demand Registrable Securities or Tranche Registrable Securities, as the case may be, to be sold by Intel thereunder pursuant to this Section 4.4(d)), Intel may elect to withdraw therefrom by written notice to Micron and the Demand/Tranche Managing Underwriters. Any Demand Registrable Securities excluded or

withdrawn from such underwriting shall also be withdrawn from any applicable Demand Registration Statement.

(e) Notwithstanding any other provisions of this Agreement, in the event that Micron receives a Demand Request, Shelf Request or Tranche Request at a time when Micron (i) shall have filed, or has a bona fide intention to file, a registration statement with respect to a proposed public offering of equity or equity-linked securities or (ii) has commenced, or has a bona fide intention to commence, a public offering of equity or equity-linked securities pursuant to an existing effective shelf or other registration statement, then Micron shall be entitled to suspend, for a period of up to ninety (90) days after the receipt by Micron of such Demand Request, Shelf Request or Tranche Request, the filing of any Demand Registration Statement or Shelf Registration Statement or the implementation of any Tranche Request.

(f) Notwithstanding any other provision of this Agreement, in the event that Micron determines that: (i) non-public material information regarding Micron exists, the immediate disclosure of which would be significantly disadvantageous to Micron; (ii) the prospectus constituting a part of any Demand Registration Statement or Shelf Registration Statement covering the distribution of any Demand Registrable Securities or Tranche Securities contains 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, in the light of the circumstances under which they were made, not misleading; or (iii) an offering of Demand Registrable Securities or Tranche Registrable Securities would materially interfere with any proposed material acquisition, disposition or other similar corporate transaction or event involving Micron (each of the events or conditions referred to in clauses (i), (ii) and (iii) of this sentence is hereinafter referred to as a "SUSPENSION CONDITION"), then Micron shall have the right to suspend the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or to suspend any distribution of Demand Registrable Securities or Tranche Registrable Securities pursuant to any effective Demand Registration Statement or Shelf Registration Statement for so long as such Suspension Condition exists. Micron will as promptly as practicable provide written notice to Intel when a Suspension Condition arises and when it ceases to exist. Upon receipt of notice from Micron of the existence of any Suspension Condition, Intel shall forthwith discontinue efforts to: (i) file or cause any Demand Registration Statement or Shelf Registration Statement to be declared effective by the SEC (in the event that such Demand Registration Statement or Shelf Registration Statement has not been filed, or has been filed but not declared effective, at the time Intel receives notice that a Suspension Condition has arisen); or (ii) offer or sell Demand Registrable Securities or Tranche Registrable Securities (in the event that such Demand Registration Statement or Shelf Registration Statement has been declared effective at the time Intel receives notice that a Suspension Condition has arisen). In the event that Intel had previously commenced or was about to commence the distribution of Demand Registrable Securities or Tranche Registrable Securities pursuant to a prospectus under an effective Demand Registration Statement or Shelf Registration Statement, then Micron shall, as promptly as practicable after the Suspension Condition ceases to exist, make available to Intel (and to each underwriter, if any, participating in such distribution) an amendment or supplement to such prospectus. If so directed by Micron, Intel shall deliver to Micron all copies, other than permanent file copies then in Intel's

possession, of the most recent prospectus covering such Demand Registrable Securities or Tranche Registrable Securities at the time of receipt of such notice.

(g) Notwithstanding any other provision of this Agreement, Micron shall not be permitted to postpone (i) the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or (ii) the distribution of any Demand Registrable Securities or Tranche Registrable Securities pursuant to an effective Demand Registration Statement or an effective Shelf Registration Statement pursuant to Sections 4.4(e), 4.4(f) or 4.9(a) hereof for an aggregate of more than one hundred thirty-five (135) days in any one hundred eighty day (180) day period (including any market standoff periods applicable to Intel pursuant to Section 4.9(a) hereof); provided, however, that in the event that any Intel Pooling Transaction Lock-Up (as defined in Section 4.9(a) hereof) would expire by its terms on a date that would extend beyond the one hundred thirty-five (135) day limitation, then Micron shall have the right to (i) postpone the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or (ii) the distribution of any Demand Registrable Securities or Tranche Registrable Securities pursuant to an effective Demand Registration Statement or an effective Shelf Registration Statement until such time as such Intel Pooling Transaction Lock-Up expires.

(h) Micron shall promptly notify Intel of any stop order issued or, to Micron's knowledge, threatened to be issued by the SEC with respect to any Demand Registration Statement or Shelf Registration Statement as to which a Tranche Request is pending, and will use its best efforts to prevent the entry of such stop order or to remove it if entered at the earliest possible date.

(i) Micron shall furnish to Intel (and any underwriters in connection with any underwritten offering) such number of copies of any prospectus (including any preliminary prospectus and any amended or supplemented prospectus), in conformity with the requirements of the Securities Act, as Intel (and such underwriters) shall reasonably request in order to effect the offering and sale of any Demand Registrable Securities or Tranche Registrable Securities to be offered and sold, but only while Micron shall be required under the provisions hereof to cause the Demand Registration Statement or Shelf Registration Statement pursuant to which such Demand Registrable Securities or Tranche Registrable Securities are intended to be distributed to remain current.

(j) Micron shall use commercially reasonable efforts to register or qualify the Demand Registrable Securities and Tranche Registrable Securities covered by each Demand Registration Statement and Shelf Registration Statement, respectively, under the state securities or "blue sky" laws of such states as Intel shall reasonably request, maintain any such registration or qualification current, until the earlier to occur of: (i) the sale or other disposition of the Registrable Securities so registered; (ii) (X) in the case of a firmly committed, underwritten offering, sixty (60) days after (A) if pursuant to a Demand Registration Statement, the effective date of any Demand Registration Statement or (B) if pursuant to a Tranche Request, the date of the final prospectus used to confirm sales in connection with the underwritten offering of Tranche Registrable Securities, and (Y) in the case of all other plans of distribution, (A) if pursuant to a Demand Registration Statement,

fifteen (15) business days after the effective date of such Demand Registration Statement or (B) if pursuant to a Tranche Request, fifteen (15) business days after the earlier of the effectiveness of the amendment to the Shelf Registration Statement or the filing of the amendment or supplement to the prospectus included in such registration statement required to facilitate such distribution and the date of the notice required by the last sentence of Section 4.4(a) hereof if no such amendment or supplement is so required; and (iii) the termination of Intel's registration rights pursuant to Section 4.10 hereof; provided, however, that Micron shall not be required to take any action that would subject it to the general jurisdiction of the courts of any jurisdiction in which it is not so subject or to qualify as a foreign corporation in any jurisdiction where Micron is not so qualified.

(k) Micron shall furnish to Intel and to each underwriter engaged in an underwritten offering of Demand Registrable Securities or Tranche Registrable Securities, a signed counterpart, addressed to Intel or such underwriter, of (i) an opinion or opinions of counsel to Micron (with respect to Micron and securities law compliance by Micron) and (ii) a comfort letter or comfort letters from Micron's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as Intel or the managing underwriters may reasonably request.

(l) Micron shall use commercially reasonable efforts to make appropriate members of its management reasonably available for due diligence purposes, "road show" presentations and analyst presentations in connection with any distributions of Demand Registrable Securities or Tranche Registrable Securities pursuant to a Demand Registration Statement or a Shelf Registration Statement.

(m) Micron shall use commercially reasonable efforts to cause all Demand Registrable Securities and Tranche Registrable Securities to be listed on each securities exchange on which similar securities of Micron are then listed.

(n) Micron shall make generally available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning three months after the effective date of any Demand Registration Statement relating to the distribution of Demand Registrable Securities or the date of any final prospectus used to confirm sales in connection with any offering of Tranche Registrable Securities, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

(o) Micron shall take all such other actions either reasonably necessary or desirable to permit the Registrable Securities held by Intel to be registered and disposed of in accordance with the methods of disposition described herein.

4.5 Expenses.

(a) All of the out-of-pocket costs and expenses incurred by Micron in connection with any registration pursuant to Sections 4.1 and 4.2 (up to $100,000 in the case of a Demand Registration Statement, $75,000 in the case of a Shelf Registration Statement and $50,000 in the

case of any amendments or supplements required in connection with a Tranche Request, plus, in all instances, the actual amount of any filing fees) shall (subject to Section 4.7) be borne by Intel; provided that Intel 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 Section 4 with respect to such registration (collectively, the "REGISTRATION EXPENSES").

(b) Micron shall pay all Registration Expenses incurred by Micron in connection with any registration statements that are initiated pursuant to Section 4.3 of this Agreement, other than incremental filing fees associated with the inclusion of the Registrable Securities in the registration statement. Intel shall pay all expenses incurred on its behalf with respect to any registration pursuant to Section 4.3, including, without limitation, any counsel for Intel and all underwriting discounts and selling commissions with respect to the Registrable Securities sold by it pursuant to such registration statement.

4.6 Indemnification.

(a) In the case of any offering registered pursuant to this Section 4, Micron hereby indemnifies and agrees to hold harmless Intel (and its officers and directors), any underwriter (as defined in the Securities Act) of Registrable Securities offered by Intel, and each Person, if any, who controls Intel or any such underwriter within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which any such Persons may be subject, under the Securities Act or otherwise, and to reimburse any of such Persons for any legal or other expenses reasonably incurred by them in connection with investigating any claims or defending against any actions, insofar as such losses, claims, damages or liabilities arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Section 4, the prospectus contained therein (during the period that Micron is required to keep such prospectus current), or any amendment or supplement thereto, or the omission or alleged omission to state therein (if so used) a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading or (b) any violation or alleged violation by Micron of the Securities Act, the Exchange Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law in connection with the offering covered by such registration statement, except insofar as such losses, claims, damages or liabilities

arise out of or are (i) based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon information furnished to Micron in writing by Intel or any underwriter for Intel specifically for use therein, or (ii) made in any preliminary prospectus, and the prospectus contained in the registration statement as declared effective or in the form filed by Micron with the SEC pursuant to Rule 424 under the Securities Act shall have corrected such statement or omission and a copy of such prospectus shall not have been sent or otherwise delivered to such Person at or prior to the confirmation of such sale to such Person.

(b) By requesting registration under this Section 4, Intel agrees, if Registrable Securities held by Intel are included in the securities as to which such registration is being effected, and each underwriter shall agree, in substantially the same manner and to substantially the same extent as set forth in the preceding paragraph, to indemnify and to hold harmless Micron and its directors and officers and each Person, if any, who controls Micron within the meaning of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which any of such Persons may be subject under the Securities Act or otherwise, and to reimburse any of such Persons for any legal or other expenses incurred in connection with investigating or defending against any such losses, claims, damages or liabilities, but only to the extent it arises out of or is based upon (a) an untrue statement or alleged untrue statement or omission or alleged omission of a material fact in any registration statement under which the Registrable Securities were registered under the Securities Act pursuant to this Section 4, any prospectus contained therein, or any amendment or supplement thereto, which was based upon and made in conformity with information furnished to Micron in writing by Intel or such underwriter expressly for use therein or (b) any violation or alleged violation by Intel of the Securities Act, the Exchange Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law in connection with the offering covered by such registration statement.

(c) Each party entitled to indemnification under this Section 4.6 (the "INDEMNIFIED PARTY") shall give notice to the party required to provide indemnification (the "INDEMNIFYING PARTY") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own expense, provided, that that an Indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnifying Party, to the extent that representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential conflict of interests between such Indemnified Party and any other party represented by such counsel in such proceeding], and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 4 unless such failure resulted in actual material detriment to the Indemnifying Party. No Indemnifying Party, (i) in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, which consent

shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation, or (ii) shall be liable for amounts paid in any settlement if such settlement is effected without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act or the Exchange Act in any case in which either (i) any Person exercising rights under this Agreement, or any controlling person of any such Person, makes a claim for indemnification pursuant to this Section 4 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 4 provides for indemnification in such case, or (ii) contribution under the Securities Act or the Exchange Act may be required on the part of any such selling Person or any such controlling Person in circumstances for which indemnification is provided under this Section 4; then, and in each such case, Micron and such Person will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such Person is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and Micron and other selling Persons are responsible for the remaining portion; provided, however, -------- -------
that, in any such case: (A) no such Person will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Person pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

4.7 Issuances by Micron or Other Holders. As to each registration or ----------
distribution referred to in Sections 4.1 and 4.2, additional shares of the Common Stock to be sold for the account of Micron or other holders may be included therein, provided that the inclusion of such securities in such registration or distribution may be conditioned or restricted if, in the opinion of the Demand/Tranche Managing Underwriters, marketing factors require a limitation of the number of shares to be underwritten. The Registration Expenses incurred by Micron, Intel and any other holders participating in such registration or distribution shall be borne by Micron, Intel and any other holders participating in such registration or distribution in proportion to the aggregate number of shares to be sold by Micron, Intel and such other holders.

4.8 Information by Intel. Intel shall furnish to Micron such ----------
information regarding Intel in the distribution of Registrable Securities proposed by Intel as Micron may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Section 4.

4.9 Market Standoff Agreements.

(a) In connection with the public offering by Micron of any of its securities, Intel agrees that, upon the request the underwriters managing any underwritten offering of Micron's securities, Intel shall agree in writing (the "INTEL PUBLIC OFFERING LOCK-UP") that neither Intel (nor any Affiliate of Intel) 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 or hereafter acquired by Intel (or any Affiliate of Intel) or with respect to which Intel (or any Affiliate of Intel) 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 delivered to the underwriters for use in confirming sales in such offering) as may be requested by Micron and the underwriters, except that Intel and its Affiliates shall be permitted to enter into transactions that have the effect of maintaining or continuing pre-existing Hedging Transaction positions by continuing, renewing or replacing any such positions on substantially equivalent terms; provided, however, that in no event shall Intel (or any Affiliate of Intel) be required to enter into such an agreement more than once during any twelve (12) month period. Furthermore, if Intel is an Affiliate of Micron, Intel agrees that, at the request of Micron, Intel shall agree in writing (the "INTEL POOLING TRANSACTION LOCK-UP") that, except for transactions that have the effect of maintaining or continuing pre-existing Hedging Transactions positions which transactions Micron's independent accountants determine (which determination shall be conclusive) may be permitted without affecting the accounting of a proposed business combination as a pooling of interests, neither Intel (nor any Affiliate of Intel) shall, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, pledge or grant any options or rights with respect to, any securities of Micron now or hereafter acquired directly by Intel (or any Affiliate of Intel) or with respect to which Intel (or any Affiliate of Intel) has or hereafter acquires the power of disposition without the prior written consent of Micron for such period of time as shall be necessary for Micron to complete any business combination transaction in the form of a pooling of interests; provided that Micron's independent accountants shall have concluded, after reasonable inquiry, that, at the relevant time with respect to such proposed pooling of interests transaction, Intel is or was an "affiliate" of Micron for purposes of the accounting rules governing pooling of interests transactions. Intel agrees that Micron may instruct its transfer agent to place stop-transfer notations in its records to enforce the provisions of the Intel Public Offering Lock-Up and the Intel Pooling Transaction Lock-Up contained in this Section 4.9(a).

(b) In connection with any proposed public offering by Intel of any Registrable Securities, Micron agrees that, upon the request of Intel or the underwriters managing any underwritten offering of Intel's securities, Micron shall agree in writing (the "MICRON PUBLIC OFFERING LOCK-UP") that neither Micron (nor any 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 Intel 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 delivered to the underwriters for use in confirming sales in such offering) as may be requested by Intel and the underwriters; provided, however, that neither Micron (nor any Affiliate of Micron) shall bound by such Micron Public Offering Lock-Up more than once during any 180-day period.

4.10 Termination. The provisions of this Section 4 (other than Sections 4.5 and 4.6) shall terminate upon the earlier to occur of: (i) the fifth anniversary date of this Agreement, (ii) such time as Intel (and any Affiliates of Intel) beneficially own in the aggregate less than 5,000,000 shares of Common Stock (including all Shares issuable upon exercise or conversion of Rights or Class A Common Stock), and (iii) in the case of Sections 4.1 through 4.4, Section 4.7 and Section 4.8, such time as Intel may sell all securities of Micron acquired pursuant to the Securities Purchase Agreement which it which it continues to own within a ninety (90) day period under Rule 144.

SECTION 5

BOARD REPRESENTATION

5.1 Board of Directors. Upon the written request of Intel, Micron shall use reasonable efforts to cause one person designated by Intel and reasonably acceptable to the Chief Executive Officer of Micron to be elected to the Micron Board of Directors (either by creating a vacancy on the Board of Directors or including such Person on the slate at Micron's next annual meeting of stockholders). For purposes of this Section 6.1, reasonable bases for rejecting a proposed nominee include, among others, concerns about competence, failure to have significant and direct experience in or with the semiconductor memory business, business or personal conflicts (actual or potential), and evidence of business or personal relationships with existing or former directors or executive officers, evidencing an inability to function on a congenial basis with any existing directors. Any nominee who is an employee or officer of Intel or of any Affiliate of Intel will be an officer of Intel holding the position of corporate vice president or higher.

5.2 Termination. The provisions of this Section 5 shall terminate on the earlier of (i) the fifth anniversary of the date of this Agreement; (ii) at such time as Intel (together with all Affiliates of Intel) beneficially owns in the aggregate Transaction Related Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron or upon the closing or other completion of a Change in Control of Micron, or (iii) upon exercise of the Conversion Adjustment in accordance with Section 4.b.3 of the Certificate of Amendment or Section 7 of the Stock Rights Agreement (notwithstanding settlement of any such adjustment with cash).

SECTION 6

MISCELLANEOUS

6.1 Governing Law. This Agreement shall be governed in all respects by the laws of the State of Delaware as applied to contracts entered into solely between residents of, and to be performed entirely within, such state.

6.2 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by a party without the prior written consent of the other party; provided that, without the consent of Micron, Intel may assign this Agreement (and the rights and obligations hereunder) to any Qualified Subsidiary in connection with a transfer of Voting Securities of Micron to such Affiliate of Intel pursuant to Section 3.1(b), and without the consent of Intel, Micron may assign all or part of this Agreement (and the rights and obligations hereunder) to the successor or an assignee of all or substantially all of Micron's business; provided that, in each case, such assignee expressly assumes the relevant obligations of this Agreement (by a written instrument delivered to the other party, in form and substance reasonably acceptable to it) and, notwithstanding such assignment, the parties hereto shall each continue to be bound by all of their respective obligations hereunder. This Agreement is not intended and shall not be construed to create any rights or remedies in any parties other than Intel and Micron and no Person shall assert any rights as third party beneficiary hereunder.

6.3 Entire Agreement; Amendment. This Agreement 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. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

6.4 Notices and Dates.

(a) All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be delivered personally (including by courier) or given by facsimile transmission to the parties at the following addresses (or to such other address as a party may have specified by notice given to the other pursuant to this provision) and shall be deemed given when so received:

if to Micron, to:

Micron, Inc.
8000 South Federal Way
Boise, Idaho 83716-9632
Attention: Roderic W. Lewis, Esq.

General Counsel
Telephone: (208) 368-4517
Facsimile: (208) 368-4540

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: John A. Fore, Esq.
Telephone: (650) 493-9300
Facsimile: (650) 493-6811

if to Intel, to:

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95052
Attention: Treasury Portfolio Manager
Facsimile: (408) 765-1859

with a copy to:

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95052
Attention: General Counsel
Facsimile: (408) 765-6038

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt. Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 6.4 by giving the other party written notice of the new address in the manner set forth above.

(b) In the event that any date provided for in this Agreement falls on a Saturday, Sunday or legal holiday, such date shall be deemed extended to the next business day.

6.5 Language Interpretation. In the interpretation of this Agreement, unless the context otherwise requires, (a) words importing the singular shall be deemed to import the plural and vice

versa, (b) words denoting gender shall include all genders, (c) references to persons shall include corporations or other entities and vice versa, and (d) references to parties, sections, schedules, paragraphs and exhibits shall mean the parties, sections, schedules, paragraphs and exhibits of and to this Agreement, unless otherwise indicated by the context.

6.6 Table of Contents; Titles; Headings. The table of contents and section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement. All references herein to Sections, unless otherwise identified, are to Sections of this Agreement.

6.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed by each party and delivered to the other party.

6.8 Severability. If any provision of this Agreement or portion thereof is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

6.9 Injunctive Relief. Intel, on the one hand, and Micron, on the other, acknowledge and agree that irreparable damage may 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 seek an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specific performance of the terms and provisions hereof in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which they may be entitled at law or equity.

6.10 Dispute Resolution. The parties agree to negotiate in good faith to resolve any dispute between them regarding this Agreement. If the negotiations do not resolve the dispute to the reasonable satisfaction of both parties, then each party shall nominate one senior officer of the rank of Vice President or higher as its representative. These representatives shall, within thirty (30) days of a written request by either party to call such a meeting, meet in person and alone (except for one assistant for each party) and shall attempt in good faith to resolve the dispute. If the disputes cannot be resolved by such senior managers in such meeting, the parties agree that they shall, if requested in writing by either party, meet within thirty (30) days after such written notification for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty (30) days after the one day mediation, either party may begin litigation proceedings. This procedure shall be a prerequisite before taking any additional action hereunder.

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

MICRON TECHNOLOGY, INC.,
a Delaware corporation

By:_____

Name:_____

Title:_____

INTEL CORPORATION,
a Delaware corporation

By:_____

Name:_____

Title:_____

[Signature Page to Securities Rights and Restrictions Agreement]

EXHIBIT 10.138

|=====================================|
| CONFIDENTIAL |
| CERTAIN INFORMATION HAS BEEN |
| REDACTED. |
| CONFIDENTIAL TREATMENT REQUIRED. |
|=====================================|

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER AS TO THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION. THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFER, INCLUDING ANY SALE, PLEDGE OR OTHER HYPOTHECATION, SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND INTEL CORPORATION, A COPY OF WHICH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS INSTRUMENT TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

STOCK RIGHTS AGREEMENT

This STOCK RIGHTS AGREEMENT is dated as of October 19, 1998 (this "Agreement") and entered into by and between Micron Technology, Inc., a Delaware corporation (the "Company"), and Intel Corporation, a Delaware corporation ("Intel"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Securities Purchase Agreement (as hereinafter defined).

WHEREAS, pursuant to a Securities Purchase Agreement, dated as of October 15, 1998 (the "Securities Purchase Agreement"), by and between the Company and Intel, the Company is issuing and selling to Intel, in consideration of the payment of five hundred million dollars ($500 million), certain stock rights, which provide Intel the right to acquire, for no additional consideration, shares of Class A Common Stock or Common Stock of the Company;

WHEREAS, the Company proposes to issue to Intel certain rights (the "Rights") to purchase up to an aggregate of 15,810,277 shares (subject to adjustment) of Class A Common Stock or Common Stock (the shares of Class A Common Stock, Common Stock and other securities issuable upon exercise of the Rights being referred to herein as the "Rights Shares"); and

WHEREAS, the Company and Intel are concurrently entering into a Securities Rights and Restrictions Agreement, dated as of the date hereof (the "Rights and Restrictions Agreement"), pursuant to which the Company and Intel have agreed, among other things, to certain rights and restrictions with respect to the transfer of the Rights and Rights Shares.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SECTION 1. Rights Certificates. The Company will issue and deliver to Intel a certificate or certificates evidencing the Rights (the "Rights Certificates") pursuant to and in accordance with the terms of the Securities Purchase Agreement. Such certificate or certificates shall be substantially in the form set forth as Exhibit A attached hereto. Rights Certificates shall be dated the date of issuance by the Company.

SECTION 2. Execution of Rights Certificates. Rights Certificates shall be signed on behalf of the Company by its Chief Executive Officer, President or a Vice President and attested by its Secretary or an Assistant Secretary.

SECTION 3. Registration. The Company shall number and register the Rights Certificates in a register (the "Rights Register") as they are issued. The Company may deem and treat the registered holder(s) from time to time of the Rights Certificates (the "Holders") as the absolute owner(s) thereof (notwithstanding any notation of ownership or other writing thereon made by anyone) for all purposes and shall not be affected by any notice to the contrary. The Rights shall be registered initially in such name or names as Intel shall designate.

SECTION 4. Restrictions on Transfer; Registration of Transfers and Exchanges. Subject to any applicable conditions to transfer contained in the Securities Purchase Agreement or the Rights and Restrictions Agreement, the Company shall from time to time register the transfer of any outstanding Rights Certificates in the Rights Register to be maintained by the Company upon surrender of the Rights Certificates accompanied by a written instrument or instruments of transfer in form reasonably satisfactory to the Company, duly executed by the registered holders thereof, the duly appointed legal representative thereof or a duly authorized attorney. Upon any such registration of transfer, a new Rights Certificate shall be issued to the transferee holder(s) and the surrendered Rights Certificate shall be canceled and disposed of by the Company.

No person or entity holding Rights may transfer, sell, assign, devise or bequeath any of such holder's interest in his or its Rights, and the Company shall not register the transfer of such Rights, whether by sale, assignment, gift, devise, bequest, appointment or otherwise, except to a Permitted Transferee (as defined below) of such holder. For purposes of this Section 4, the term "Permitted Transferee" shall mean (i) the Company, (ii) a Qualified Subsidiary(provided that if at any time such Qualified Subsidiary ceases to be a Qualified Subsidiary such Rights will automatically convert into Common Stock) or (iii) Intel. Each Right shall automatically be exchanged for shares of Common Stock at the then effective Exchange Ratio upon the transfer by any holder of a Right to a person or entity who is not a Permitted Transferee. Notwithstanding anything to the contrary set forth herein, the transfer agent shall not be required to register the transfer of such Rights or the Common Stock into which they are automatically exchanged unless concurrently with such transfer the certificate representing such Rights to be so transferred shall be surrendered and exchanged for a certificate representing the applicable number of shares of Common Stock into which such Rights are automatically exchanged by virtue of such transfer.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SECTION 5. Exercise of Rights. Subject to the terms of this Agreement, each holder of a Rights Certificate shall have the right, which may be exercised commencing the date hereof and until 5:00 p.m., California time, on December 31, 2058 (the "Expiration Date") to receive from the Company the number of fully paid and nonassessable Rights Shares (and such other consideration) which the holder may at the time be entitled to receive on exercise of such Rights. Any Rights not exercised prior to 5:00 p.m., California time, on the Expiration Date shall become void and all rights thereunder and all rights in respect thereof under this Agreement shall cease as of such time. The amounts payable to the Company under the Securities Purchase Agreement shall be the exercise price of the Rights, and no additional consideration is payable upon exercise of the Rights.

Rights may be exercised upon surrender to the Company at its office designated for such purpose (as provided in Section 13 hereof) of the Rights Certificate or Certificates to be exercised with the exercise notice attached thereto duly filled in and signed.

Subject to the provisions of Section 8 hereof, upon such surrender of Rights Certificates in accordance with the terms hereof, the Company shall issue and cause to be delivered, as promptly as practicable, to or upon the written order of the holder and in such name or names as such holder may designate a certificate or certificates for the number of full Rights Shares issuable upon the exercise of such Rights (and such other consideration as may be deliverable upon exercise of such Rights) and cash for fractional Rights Shares as provided in Section 7 hereof. The certificate or certificates for such Rights Shares shall be deemed to have been issued and the person so named therein shall be deemed to have become a holder of record of such Rights Shares as of the date of the surrender of such Rights, irrespective of the date of delivery of such certificate or certificates for Rights Shares (the "Exercise Date").

Each Rights Certificate shall be exercisable, at the election of the holder thereof, either in full or from time to time in part. In the event that a Rights Certificate is exercised in respect of fewer than all of the Rights Shares issuable on such exercise at any time prior to the date of expiration of the Rights, a new certificate evidencing the remaining Rights will be issued and delivered pursuant to the provisions of this Section 5 and Section 2 hereof.

All Rights Certificates surrendered upon exercise of Rights shall be canceled and disposed of by the Company. The Company shall keep copies of this Agreement and any notices given or received hereunder available for inspection by the holders during normal business hours at its office.

Notwithstanding the above, Rights may not be exercised for Common Stock unless and until the holder shall submit to the Company either evidence of compliance with the filing requirements of the HSR Act or a certificate of an officer of the holder to the effect that the acquisition of Common Stock upon exercise of the Rights does not require any filing under the HSR Act.

In the event that a Qualified Subsidiary that is a holder of Rights ceases at any time to be a Qualified Subsidiary, the Rights so held shall represent only the right to receive the

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Common Stock in to which they are exchangeable, and the Company shall deliver the shares of Common Stock issuable upon exchange thereof upon (i) surrender of the Rights Certificates to the Company, (ii) if required, the holder furnishing appropriate endorsements and transfer documents, and (iii) if required by Section 8, payment of all transfer and similar taxes if the shares of Common Stock are not being issued to the holder.

SECTION 6. Automatic Exchange of Rights.

Upon creation of the Class A Common Stock and approval of the issuance of the shares of Class A Common Stock by the Board of Directors of the Company, and without any further action by the Company or Intel, the Rights shall become exchangeable for and shall only represent the right to receive shares of Class A Common Stock at the Exchange Ratio (as defined below) then in effect. The Company shall provide written notice to Intel when the conditions set forth in the previous sentence have been satisfied (the date of such notice is hereinafter referred to as the "Exchange Date"). On the Exchange Date, the Rights shall represent only the right to receive the Class A Common Stock into which they are exchangeable, and the Company shall deliver the shares of Class A Common Stock issuable upon exchange thereof upon (i) surrender of the Rights Certificates to the Company, (ii) if required, the holder furnishing appropriate endorsements and transfer documents, and (iii) if required by Section 8, payment of all transfer or similar taxes, if the shares being issued are not being issued to the holder or a Qualified Subsidiary.

SECTION 7. Number of Rights; Adjustments to Rights; Dividends; Fractional Rights Shares.

(a) Exchange Ratio. Each Right represents the right to receive one share of Class A Common Stock or Common Stock, as adjusted in the manner provided below ("Exchange Ratio").

(b) Fractional Shares. No fractional shares of Class A Common Stock or Common Stock shall be issued upon conversion or exercise of Rights. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay cash equal to such fraction multiplied by the then fair market value of one share of Common Stock, as determined in good faith by the Board of Directors. The Company shall, as soon as practicable thereafter, cause its transfer agent to issue and deliver at such office to such holder of Rights Certificates or to such holder's nominee or nominees, a certificate or certificates for the number of shares of Class A Common Stock or Common Stock, as the case may be, to which such holder or such holder's nominee shall be entitled as aforesaid, together with cash in lieu of any fraction of a share. The person or persons entitled to receive the shares of Class A Common Stock or Common Stock issuable upon exchange or exercise of Rights shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock or Common Stock on the Exercise Date or the Exchange Date, as the case may be.

(c) Adjustment for Stock Splits, etc. In case of any subdivision (by stock split, stock dividend or otherwise) of the Common Stock or any combination of the Class A Common

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Stock (by reverse stock split or otherwise), the Exchange Ratio shall be proportionately increased, and conversely in the case of combination of the Common Stock (by reverse stock split or otherwise) or any subdivision of the Class A Common Stock (by stock split, stock dividend or otherwise), the Exchange Ratio shall be proportionately decreased, with such adjustment to the Exchange Ratio to be effective immediately after the opening of business on the day following the day which such subdivision or combination, as the case may be, becomes effective. In case of any reorganization, reclassification or change of shares of the Class A Common Stock or Common Stock (other than a change in par value or from par value to no par value as a result of a subdivision or combination), or in the case of any consolidation of the Company with one or more corporations or a merger of the Company with another corporation (other than a consolidation or merger in which the Company is the resulting or surviving corporation and which does not result in any reclassification or change of outstanding shares of Class A Common Stock or Common Stock), provision shall be made so that each holder of a Right shall have the right at any time thereafter as nearly as practicable, so long as the exercise or exchange rights hereunder with respect thereto would exist had such event not occurred, to exercise or exchange such Right into the kind and amount of shares of stock and other securities and properties (including cash) receivable upon such reorganization, reclassification, change, consolidation or merger by a holder of the number of shares of Class A Common Stock or Common Stock into which the Rights might have been converted immediately prior to such reorganization, reclassification, change, consolidation or merger. In the event of such a reorganization, reclassification, change, consolidation or merger, effective provision shall be made in the certificate of incorporation of the resulting or surviving corporation or otherwise for the protection of the exercise or exchange rights of the holders of Rights that shall be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property (including cash) deliverable upon exercise or exchange of the Rights that might have been issued immediately prior to such event.

(d) Dividends. In the event that the Company declares a dividend or other distribution in respect of its Common Stock (other than a dividend payable in shares of Common Stock), the holders of Rights hereunder shall be entitled to receive such dividend or distribution as if the Rights had been exercised or converted immediately prior to the record date for such dividend or distribution.

(e) Special Conversion Adjustments. The number of shares of Class A Common Stock or Common Stock receivable upon exercise or exchange of a Right shall be adjusted in the event that the Company fails to achieve any one or more of the Qualified Expenditures Milestone, the First Minimum Production Milestone or the Second Minimum Production Milestone on the applicable milestone dates in the manner described below. On or prior to twenty five (25) days after an applicable milestone date, the Company shall deliver to Intel a certificate of an executive officer of the Company certifying whether the applicable milestone has been achieved, and if such milestone has not been achieved, such additional data (including, but not limited to the amount of Qualified Expenditures made and actual RDRAM production during the applicable period) required to calculate the appropriate conversion adjustment. Upon receipt of such certificate with the required information, Intel shall have thirty (30) days in which

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

to notify the Company in writing of its irrevocable election to exercise a Special Conversion Adjustment. If Intel has not provided an irrevocable written notice electing to exercise a Special Conversion Adjustment within the such period, then no there shall be no Special Conversion Adjustment with respect to the applicable milestone. Except as specifically provided herein, the failure to exercise a Special Conversion Adjustment with respect to one milestone shall not impair Intel's ability to exercise a Special Conversion Adjustment with respect to the failure to achieve a different milestone.

(f) Postponement of Milestone Dates; Modification of Milestones. (i) In the event that the Company's ability to achieve the Qualified Expenditure Milestone by the Qualified Expenditures Milestone Date is significantly impaired by events or circumstances outside of its control, such as Force Majeure or limited availability of required equipment or materials, the milestone date will be appropriately postponed.

(ii) In the event that (A) the Company fails to achieve either the First Minimum Production Milestone or the Second Minimum Production Milestone as a result of [*], the First Minimum Production Milestone or the Second Minimum Production Milestone shall be either postponed or waived, respectively, as appropriate. In addition, if on the Maximum FGI Date, the RDRAM device finished goods inventory of the Company and its subsidiaries exceeds the Maximum FGI, the Second Minimum Production Milestone will be modified, as appropriate.

(iii) In the event of the occurrence of any of the foregoing events or circumstances, as a result of which either a milestone date or milestone is to be postponed, waived or modified, no Special Conversion Adjustment shall occur as a result of the failure to achieve the applicable milestone by the applicable milestone date, unless and until the Company and Intel shall have agreed upon the appropriate postponement, waiver or modification. Notwithstanding the above, upon such agreement, the Special Conversion Adjustment shall be applied as of the agreed upon date, notwithstanding that such agreement is reached after such date. If no agreement can be reached, the dispute will be settled in accordance with Section 8.12 of the Securities Purchase Agreement.

(g) Failure to Achieve Qualified Expenditures Milestone. Subject to the provisions hereof;

(i) If the Company fails to make at least the Minimum Qualified Expenditures on or prior to the Qualified Expenditures Milestone Date, the Exchange Ratio shall be adjusted by multiplying the current Exchange Ratio by a fraction, the numerator of which shall be the Initial Purchase Price and the denominator of which shall be the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the Qualified Expenditures Milestone Date, or (ii) 50% of the Initial Purchase Price.

(ii) If the Company makes Qualified Expenditures of more than the Minimum Qualified Expenditures but less than the Required Qualified Expenditures on or prior to the

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Qualified Expenditures Milestone Date, the Exchange Ratio shall be increased. The amount of the increase in the Exchange Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be (A) the Required Qualified Expenditures minus (B) the amount of Qualified Expenditures and the denominator of which shall be the Required Qualified Expenditures, and (z) dividing the result by 2. The new Exchange Ratio shall then be the result of the above calculation plus the prior Exchange Ratio.

(h) Failure to Achieve First Minimum Production Milestone. Subject to the provisions hereof, if the Company fails to achieve the First Minimum Production Milestones the increase in the Exchange Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be the First Minimum Required Production for the quarter minus the actual RDRAM production achieved during the quarter and the denominator of which shall be the First Minimum Required Production for the quarter, and (z) dividing the result by 2. The new Exchange Ratio shall then be the result of the above calculation plus the prior Exchange Ratio.

(i) Failure to Achieve Second Minimum Production Milestone. Subject to the provisions hereof, if the Company fails to achieve the Second Minimum Production Milestone the increase in the Exchange Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by greater of (A) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be the Second Minimum Required Production for the quarter minus the actual RDRAM production achieved during the quarter and the denominator of which shall be the Second Minimum Required Production for the quarter and (z) dividing the result by 2. The new Exchange Ratio shall then be the result of the above calculation plus the prior Exchange Ratio.

(j) Multiple Special Conversion Adjustments. If more than one Special Conversion Adjustment occurs, subsequent Special Conversion Adjustments shall be calculated as provided herein, but only the number of additional shares in excess of the number issuable using the initial Exchange Ratio (appropriately adjusted for stock splits, reclassifications, stock dividends, recapitalizations, combinations, or other similar events affecting the Common Stock after October 15, 1998) shall be issuable in respect of such subsequent Special Conversion Adjustment upon exercise of the Rights.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(k) Cash Option. In lieu of all or a portion of a Special Conversion Adjustment, the Company may elect to make a cash payment in respect of all or a portion of the dollar amount of the Special Conversion Adjustment (such election to be made within five (5) business days of Intel's Special Conversion Adjustment election, and such amount shall be paid within five (5) business days of the Company's election). The dollar amount in respect of any Special Conversion Adjustment to be paid in cash shall be calculated by multiplying the additional shares issuable to Intel upon exercise of the Rights following the Special Conversion Adjustment by the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date.

(l) Limitations on Special Conversion Adjustments. Anything in Sections 7(h) and (j) to the contrary notwithstanding, no Special Conversion Adjustment will be made for failure to achieve the First Minimum Production Milestone or Second Minimum Production Milestone if a Special Conversion Adjustment election pursuant to Section 7(g)(i) above is made by Intel. In addition, anything in Section 3(e) through 3(j) notwithstanding, Special Conversion Adjustments will be limited, and not given effect, to the extent required to ensure (1) that the value of additional shares of Common Stock and other securities or property and any related payments (including payments in lieu of adjustments pursuant to Section 7(k) hereof) issued or issuable or payable as a result of such adjustments does not exceed the Maximum Adjustment Amount (with the value of such additional shares, securities and property measured as of the milestone date with respect to the applicable Special Conversion Adjustments resulting in such additional shares, securities or property and any related payments, which, in the case of the Common Stock, shall be based on the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the milestone date corresponding to such Special Conversion Adjustment); and (2) the aggregate conversion price adjustments and any related payments does not exceed the lesser of (i) the Maximum Percentage or (ii) the Maximum Shares.

(m) Audit. The Company will maintain relevant records to support all Qualified Expenditures and Production milestones. Such records will be retained in accordance with the Company's normal record retention policies. Upon written request, the Company will make available to Intel documents and other information that are reasonably necessary to verify the Company's compliance with the terms of this Agreement; provided that Intel enters into an agreement with the Company to maintain in confidence the Company's confidential information disclosed pursuant to the audit, to the extent that existing agreements do not cover such information. Intel may also request in writing that an audit be performed by an independent auditor with respect to the Qualified Expenditures and Production milestones necessary to verify the Special Conversion Adjustments. If Intel elects to have such an audit performed, the Company will make available to such independent auditor, financial, technical and other information and records relevant to auditing the Qualified Expenditures and Production milestones in order to verify the Special Conversion Adjustments that may be reasonably requested by such independent auditor. The independent auditor selected shall be mutually acceptable to Intel and the Company and compensated by Intel. Prior to beginning such audit or receiving such information, the independent auditor will enter into an agreement with the

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Company to maintain in confidence the Company's confidential information. The Company shall cooperate with the independent auditor in responding to requests for the Company information and records. The independent auditor will promptly conduct and issue a report to the Company and Intel. If the independent auditor determines that the Company has failed to comply with any of the terms hereof being audited, such independent auditor shall only disclose to Intel and the Company the results of the audit without revealing the Company's confidential information. If the independent auditor determines that a further Special Conversion Adjustment is required hereunder, such auditor shall only disclose in its audit report to the Company and Intel the (i) amount of the additional Special Conversion Adjustment that is required hereunder; and (ii) a calculation as to how such amounts were actually determined, if applicable.

(n) Rights Certificates Following Adjustments. Irrespective of any adjustments in the number or kind of shares issuable upon the exercise or conversion of the Rights, Rights theretofore or thereafter issued may continue to express the same number and kind of shares as are stated in the Rights Certificate initially issuable pursuant to this Agreement.

SECTION 8. Payment of Taxes. The Company will pay all documentary stamp taxes and other governmental charges (excluding all foreign, federal or state income, franchise, property, estate, inheritance, gift or similar taxes) in connection with the issuance or delivery of the Rights hereunder, as well as all such taxes attributable to the initial issuance or delivery of Rights Shares upon the exercise or exchange of Rights. The Company shall not, however, be required to pay any tax that may be payable in respect of any subsequent transfer of the Rights or any transfer involved in the issuance and delivery of Rights Shares in a name other than that in which the Rights to which such issuance relates were registered, and, if any such tax would otherwise be payable by the Company, no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Company the amount of any such tax, or it is established to the reasonable satisfaction of the Company that any such tax has been paid.

SECTION 9. No Redemption. The Rights shall not be redeemable.

SECTION 10. Mutilated or Missing Rights Certificates. If a mutilated Rights Certificate is surrendered to the Company, or if the holder of a Rights Certificate claims and submits an affidavit or other evidence satisfactory to the Company to the effect that the Rights Certificate has been lost, destroyed or wrongfully taken, the Company shall issue a replacement Rights Certificate. If required by the Company, such holder must provide an indemnity bond, or other form of indemnity, sufficient in the judgment of the Company to protect the Company from any loss which it may suffer if a Rights Certificate is replaced. If Intel or any other institutional holder (or nominee thereof) is the owner of any such lost, stolen or destroyed Rights Certificate, then the affidavit of an authorized officer of such owner, setting forth the fact of loss, theft or destruction and of its ownership of the Rights Certificate at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof, and no further indemnity shall be required as a condition to the execution and delivery of a new Rights Certificate other than the unsecured written agreement of such owner to indemnify the Company from any loss which it may suffer if a Rights Certificate is replaced.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SECTION 11. Reservation of Rights Shares. The Company shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Class A Common Stock (when authorized for issuance in the Company's Certificate of Incorporation) and Common Stock, for the purpose of enabling it to satisfy any obligation to issue Rights Shares upon exercise or exchange of Rights, the maximum number of shares of Class A Common Stock or Common Stock which may then be deliverable upon the exercise or exchange of all outstanding Rights. To the extent that the Rights Shares are listed on any national securities exchange, the Company shall use commercially reasonable efforts to cause all such securities issued or reserved for issuance to be listed on such exchange upon official notice of issuance.

The Company or, if appointed, the transfer agent for the Common Stock and each transfer agent for any shares of the Company's capital stock issuable upon the exercise or exchange of any of the Rights (collectively, the "Transfer Agent") will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company shall keep a copy of this Agreement on file with any such Transfer Agent. The Company will supply any such Transfer Agent with duly executed certificates for such purposes and will provide or otherwise make available all other consideration that may be deliverable upon exercise or exchange of the Rights. The Company will furnish any such Transfer Agent a copy of all notices of adjustments and certificates related thereto, transmitted to each holder pursuant to Section 12 or Section 13 hereof.

The Company covenants that all Rights Shares and other capital stock issued upon exercise of Rights will, upon issuance thereof, be validly authorized and issued, fully paid, nonassessable, free of preemptive rights and free, subject to Section 8 hereof, from all taxes, liens, charges and security interests with respect to the issue thereof.

SECTION 12. Notices to Rights Holders. Upon any event affecting the number of shares of Class A Common Stock or Common Stock receivable upon exercise or exchange of Rights, the Company shall promptly thereafter give to each of the holders at its address appearing on the Rights Register written notice of such events and the effect thereof on the Rights and the Rights Shares in accordance with the provisions of this Section 12. Where appropriate, such notice may be given in advance and included as a part of the notice required to be mailed under the other provisions of this Section 12. The Company shall also provide notice to the holders of Rights of record dates or events with respect to which notice is given to other stockholders of the Company. Such notice shall be given at the same time as notice is given to other stockholders. The failure to give the notice required by this Section 12 or any defect therein shall not affect the legality or validity of any distribution, right, option, rights, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up or the vote on any action.

Nothing contained in this Agreement or in any Rights Certificate shall be construed as conferring upon the holders (prior to the exercise or exchange of such Rights) the right to vote, to consent or to receive notice as a stockholder in respect of the meetings of stockholders or the election of Directors of the Company or any other matter, or any rights

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

whatsoever as stockholders of the Company; provided, however, that nothing in the foregoing provision is intended to detract from any rights explicitly granted to any holder hereunder.

SECTION 13. Notices to the Company and Rights Holders. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be delivered to the other party (a) in person; (b) by facsimile to the address and number set below, when promptly followed up by another of the delivery methods permitted by this Section 13; (c) by U.S. mail, registered or certified, return receipt requested, postage prepaid and addressed to the other party as set forth below; or (d) by a national-recognized overnight delivery service that keeps records of deliveries and attempted deliveries (such as FedEx), postage prepaid, addressed to the parties as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

To Intel:	To the Company:
Intel Corporation	Micron Technology, Inc.
2200 Mission College Blvd.	8000 S. Federal Way
Santa Clara, CA 95052	P.O. Box 6
Attn: Treasury Portfolio Manager	Boise, Idaho 83716
	Attn: General Counsel
Fax Number: (408) 765-1859	Fax Number: (208) 308-4509

with copies to:

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95052
Attn: General Counsel
Fax Number: (408) 765-6038

A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 13 by giving the other party written notice of the new address in the manner set forth above.

SECTION 14. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company shall bind and inure to the benefit of its respective successors and assigns hereunder.

SECTION 15. Termination. This Agreement shall terminate on the Exchange Date, other than with respect to resolution of any audit performed pursuant to Section 7(m) of this Agreement relating to a milestone date occurring prior to the Exchange Date and the finalization of any related Special Conversion Adjustment, and the exchange of Rights Certificates for Rights Shares.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SECTION 16. Governing Law. This Agreement shall be governed in all respects by and construed in accordance with the laws of the State of Delaware without regard to provisions regarding choice of laws.

SECTION 17. Benefits of This Agreement; No Impairment. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and the holders any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company and the holders. The Company shall not take any action which would have the effect of materially impairing the rights, privileges and preferences of the holders of the Rights set forth herein.

SECTION 18. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 19. Amendments and Waivers. No provision of this Agreement may be amended or waived except by an instrument in writing signed by the party sought to be bound; provided, that any amendment or waiver sought from the holders of any provision of this Agreement which affects holders generally shall be given by holders of at least a majority of the Rights outstanding (or, in the case of amendments or waivers affecting holders of Rights Shares generally, by holders of at least a majority of the Rights and Rights Shares, taken as one class, with each Right and each Rights Share representing the right to one vote). Any amendment or waiver so given shall be binding on all holders. No failure or delay by any party in exercising any right or remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver of the same right or remedy on any subsequent occasion.

SECTION 20. Legal Fees. In the event of any action at law, suit in equity or arbitration proceeding in relation to this Agreement or any units or securities of the Company issued or to be issued, the prevailing party, shall be paid by the other party a reasonable sum for attorney's fees and expenses for such prevailing party.

SECTION 21. Dispute Resolution. The parties agree to negotiate in good faith to resolve any dispute between them regarding this Agreement. If the negotiations do not resolve the dispute to the reasonable satisfaction of both parties, then each party shall nominate one senior officer of the rank of Vice President or higher as its representative. These representatives shall, within thirty (30) days of a written request by either party to call such a meeting, meet in person and alone (except for one assistant for each party) and shall attempt in good faith to resolve the dispute. If the disputes cannot be resolved by such senior managers in such meeting, the parties agree that they shall, if requested in writing by either party, meet within thirty (30) days after such written notification for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty (30) days after the one day mediation, either party may begin litigation proceedings. This procedure shall be a prerequisite before taking any additional action hereunder.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SECTION 22. Certain Definitions.

For purposes of this Agreement the following terms shall have the meanings set forth below.

Capital Expenditures. Capital Expenditures shall mean the sum of all expenditures paid or, with respect to equipment that is in use, accrued that, in accordance with U.S. generally accepted accounting principles, should be included in or reflected by the property, plant or equipment or similar fixed asset account reflected in the balance sheet of the applicable person.

First Minimum Production Milestone. The First Minimum Production Milestone shall have the meaning ascribed to such term in the Securities Purchase Agreement.

First Minimum Required Production. First Minimum Required Production shall have the meaning ascribed to such term in the Securities Purchase Agreement.

First Production Milestone Date. The First Production Milestone Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Force Majeure. Force Majeure shall mean an act of God, fire, flood, accident, riot war, government intervention, embargoes, strikes, labor difficulties, equipment failure, late delivery of supplies, supplier shortages or other difficulties which are beyond the reasonable control and without the fault or negligence of a party whose performance has been affected.

Initial Purchase Price. Initial Purchase Price shall mean $31.625, appropriately adjusted to reflect the effect of any stock splits, reclassifications, stock dividends, recapitalizations, combinations or other similar events affecting the Common Stock occurring after October 19, 1998.

Maximum Adjustment Amount. Maximum Adjustment Amount shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Maximum FGI. Maximum FGI shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Maximum FGI Date. Maximum FGI Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Maximum Percentage. Maximum Percentage shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Maximum Shares. Maximum Shares shall have the meaning ascribed to such term in the Securities Purchase Agreement.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Minimum Qualified Expenditures. Minimum Qualified Expenditures shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Qualified Expenditures. Qualified Expenditures shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Qualified Expenditures Milestone. The Qualified Expenditures Milestone means the expenditure of at least the Required Qualified Expenditures on or before the Qualified Expenditures Milestone Date.

Qualified Expenditures Milestone Date. The Qualified Expenditures Milestone Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Percentage Call on Capacity. Percentage Call on Capacity shall have the meaning ascribed to such term in the Supply Agreement.

Qualified Subsidiary. Qualified Subsidiary shall have the meaning ascribed to such term in the Securities Rights and Restrictions Agreement.

Rambus. Rambus means Rambus, Inc. , a Delaware corporation, and any successor to all or substantially all of Rambus Corporation's business (by acquisition or otherwise).

RDRAM. RDRAM shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Required Qualified Expenditures. Required Qualified Expenditures shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Rights. Rights shall have the meaning ascribed to such term in the Stock Rights Agreement.

Second Minimum Production Milestone. The Second Minimum Production Milestone shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Second Minimum Required Production. Second Minimum Required Production shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Second Production Milestone Date. The Second Production Milestone Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Securities Purchase Agreement. Securities Purchase Agreement shall mean that certain Securities Purchase Agreement, dated October 15, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Securities Rights and Restrictions Agreement. Securities Rights and Restrictions Agreement shall mean that certain Securities Rights and Restrictions Agreement, dated as of October 19, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Special Conversion Adjustment. A Special Conversion Adjustment shall mean an adjustment to the number of shares of Common Stock receivable upon conversion of Class A Common Stock, as provided in Section 7 hereof.

Supply Agreement. Supply Agreement shall mean that certain Supply Agreement, dated as of October 19, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Volume Production. Volume Production shall have the meaning ascribed to such term in the Securities Purchase Agreement.

SECTION 23. Conversion Adjustment Examples. For purposes of clarity of the Conversion Adjustment provisions of this Agreement, the parties have attached to this Agreement as Exhibit B several illustrative examples of the manner in which the Conversion Adjustment provisions of this Agreement will be applied to the specific examples presented.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

INTEL CORPORATION	MICRON TECHNOLOGY, INC.
By:_____	By:_____
Name:	Name:
Title:	Title:

{Signature Page to Stock Rights Agreement}

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL

EXHIBIT A

[Form of Rights Certificate]

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER AS TO THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION. THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFER, INCLUDING ANY SALE, PLEDGE OR OTHER HYPOTHECATION, SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND INTEL CORPORATION, A COPY OF WHICH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS INSTRUMENT TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

No. __ _____ Rights

RIGHTS CERTIFICATE

MICRON TECHNOLOGY, INC.

This Rights Certificate certifies that _____, or registered assigns, is the registered holder of the number of Rights (the "Rights") set forth above to receive Class A Common Stock, $.10 par value per share (the "Class A Common Stock") or Common Stock, $.10 par value per share (the "Common Stock"), of Micron Technology, Inc., a Delaware corporation (the "Company"). Each Right entitles the holder upon exercise or exchange to receive from the Company one fully paid and nonassessable share (subject to adjustment as provided in the Rights Agreement referred to below) of either Class A Common Stock or Common Stock (a "Rights Share"), upon surrender of this Rights Certificate at the office of the Company designated for such purpose, but only subject to the conditions set forth herein and in the Rights Agreement referred to below. The number of Rights Shares issuable upon exercise or exchange of the

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Rights are subject to adjustment upon the occurrence of certain events, as set forth in the Rights Agreement. The Rights are exercisable or exchangeable at any time prior to 5:00 p.m., California time, on December 31, 2058.

The Rights evidenced by this Rights Certificate are part of a duly authorized issue of Rights, and are issued or to be issued pursuant to a Rights Agreement dated as of October 19, 1998 (the "Rights Agreement"), duly executed and delivered by the Company, which Rights Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Rights. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Rights Agreement. A copy of the Rights Agreement may be obtained by the holder hereof upon written request to the Company.

The holder of Rights evidenced by this Rights Certificate may exercise or exchange such Rights under and pursuant to the terms and conditions of the Rights Agreement by surrendering this Rights Certificate, with the form of notice of exercise properly completed and executed at the office of the Company designated for such purpose. Notwithstanding the above, Rights may not be exercised or exchanged for Common Stock unless and until the holder shall submit to the Company either evidence of compliance with the filing requirements of the HSR Act or a certificate of an officer of the holder to the effect that the acquisition of Common Stock upon exercise of the Rights does not require any filing under the HSR Act.

If upon any exercise of Rights evidenced hereby the number of Rights exercised shall be less than the total number of Rights evidenced hereby, the Company shall issue to the holder hereof or its registered assignee a new Rights Certificate evidencing the number of Rights not exercised.

The Rights Agreement provides for automatic exchange of the Rights represented hereby into Class A Common Stock of the Company upon the occurrence of certain events as specified in the Rights Agreement.

The Rights Agreement provides that upon the occurrence of certain events the number of Rights Shares issuable upon exercise or exchange of the Rights set forth on the face hereof may, subject to certain conditions, be adjusted.

The holder hereof will have certain registration rights and other rights and obligations with respect to the Rights Shares as provided in the Securities Rights and Restrictions Agreement, dated as of October 19, 1998, by and between the Company and the persons party thereto (the "Rights and Restrictions Agreement"). Copies of the Rights and Restrictions Agreement may be obtained by the holder hereof upon written request to the Company.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Rights Certificates, when surrendered at the office of the Company by the registered holder thereof in person or by a legal representative or attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Rights Agreement, but without payment of any service charge, for another Rights Certificate or Rights Certificates of like tenor and evidencing in the aggregate a like number of Rights.

Subject to the terms and conditions of the Rights Agreement, upon due presentation for registration of transfer of this Rights Certificate at the office of the Company, a new Rights Certificate or Rights Certificates of like tenor and evidencing in the aggregate a like number of Rights shall be issued to the transferee(s) in exchange for this Rights Certificate, subject to the limitations provided in the Agreement, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company may deem and treat the registered holder(s) hereof as the absolute owner(s) of this Rights Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof and of any distribution to the holder hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary. Neither the Rights nor this Rights Certificate entitles any holder hereof to any rights of a stockholder of the Company, except as specifically provided in the Rights Agreement with respect to dividends and distributions to stockholders.

IN WITNESS WHEREOF, Micron Technology, Inc. has caused this Rights Certificate to be signed by its Chairman of the Board, Chief Executive Officer, President or a Vice President and by its Secretary or an Assistant Secretary and has caused its corporate seal to be affixed hereunto or imprinted hereon.

Dated: October ____, 1998

MICRON TECHNOLOGY, INC.

By: _____

Name: _____

Title: _____

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL

FORM OF NOTICE OF EXERCISE OR EXCHANGE

[To Be Executed Upon Exercise or Exchange of Rights]

The undersigned hereby irrevocably elects to exercise the right, represented by this Rights Certificate, to:

(Check Applicable Box)

[_] receive _____ shares of Class A Common Stock in accordance with the terms hereof.

[_] receive _____ shares of Common Stock in accordance with the terms hereof. Evidence of compliance with or exemption from the requirements of the HSR Act must be provided.

The undersigned requests that a certificate for such shares be registered in the name of _____, whose address is _____ and that such shares be delivered to _____, whose address is _____ .

If said number of shares is less than all of the shares of Class A Common Stock or Common Stock receivable hereunder, the undersigned requests that a new Rights Certificate representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Rights Certificate be delivered to _____, whose address is _____.

Signature(s): _____

NOTE: The above signature(s) must correspond with the name written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatever. If the Rights are held of record by two or more joint owners, all such owners must sign.

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Dated: _____

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

FORM OF ASSIGNMENT

[To be signed only upon assignment of Rights Certificate]

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ whose address is _____ and whose social security number or other identifying number is _____, the within Rights Certificate, together with all right, title and interest therein and to the Rights represented thereby, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Rights Certificate on the books of the within-named Company, with full power of substitution in the premises.

Signature(s): _____

NOTE: The above signature(s) must correspond with the name written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatever. If the Rights are held of record by two or more joint owners, all such owners must sign.

Dated: _____

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

EXHIBIT B

[Special Conversion Adjustment Illustrative Examples]

The following are illustrative examples of the manner in which the Special Conversion Adjustments will be applied.

[*]

[*] CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATEMNT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

EXHIBIT 21.1

MICRON TECHNOLOGY, INC.

SUBSIDIARIES OF THE REGISTRANT

NAME	STATE (OR JURISDICTION) IN WHICH INCORPORATED
Bear Technology Company, L.L.C	Delaware
Maximum Video Systems, Inc	Arizona
Micron Communications, Inc	Idaho
Micron Electronics, Inc	Minnesota
MEI California, Inc	California
Micron Commercial Systems, Inc	Delaware
Micron Electronics (H.K.) Limited	Hong Kong
Micron Electronics Japan K.K	Japan
Micron Government Systems, Inc	Delaware
Micron Electronics Overseas Trading, Inc	Barbados
Micron PC, Inc	Delaware
Micron Services, Inc	Delaware
Micron Europe Limited	United Kingdom
Micron International Sales, Inc	Barbados
Micron Semiconductor Asia Pte. Ltd	Singapore
Micron Semiconductor Asia Pacific Pte. Ltd	Singapore
Micron Semiconductor Asia Pacific, Inc	Idaho
Micron Semiconductor (Deutschland) GmbH	Germany
Micron Semiconductor Products, Inc	Idaho
Micron Technology Asia Pacific, Inc	Idaho
Micron Technology Italia S.r.l	Italy
Micron Technology Japan, K.K	Japan
Micron Technology Services, Inc	Idaho
Micron Technology Texas, LLC	Idaho

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 as amended (File No. 333-18441) and Forms S-8 (File Nos. 33-3686, 33-16832, 33-27078, 33-38665, 33-38926, 33-65050, 33-52653, 33-57887, 333-07283, 333-17073, 333-50353 and 333-65449) of Micron Technology, Inc. and subsidiaries of our report dated September 28, 1998 except the Subsequent Events Note which is as of October 19, 1998 appearing on page 51 of this Form 10-K.

PricewaterhouseCoopers LLP
Boise, Idaho
October 30, 1998

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

YEAR	YEAR
AUG-28-1997	SEP-3-1998
AUG-29-1996	SEP-4-1997
AUG-28-1997	SEP-3-1998
620	559
368	91
497	506
38	17
454	291
1,972	1,499
3,951	4,672
1,190	1,641
4,851	4,688
750	740
0	0
0	0
0	0
21	21
2,862	2,672
4,851	4,688
3,516	3,012
3,516	3,012
2,539	2,732
3,113	3,506
0	0
0	0
(1)	0
599	(353)
267	(119)
0	0
0	0
0	0
0	0
332	(234)
1.58	(1.10)
1.55	(1.10)