ROYAL BANK OF CANADA
Form 424B2
March 15, 2017

This pricing supplement amends and restates the pricing supplement filed on February 27, 2017.

RBC Capital Markets® Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-208507

Pricing Supplement Dated February 24, 2017 To the Product Prospectus Supplement ERN-EI-1 Dated January 12, 2016, Prospectus Supplement Dated January 8, 2016, and Prospectus Dated January 8, 2016

$3,127,000
Barrier Booster Notes
Linked to the EURO STOXX 50® Index,
Due March 1, 2022
Royal Bank of Canada

Royal Bank of Canada is offering the Barrier Booster Notes (the "Notes") linked to the performance of the EURO STOXX 50® Index (the "Reference Asset").
The CUSIP number for the Notes is 78012KZZ3. If the Final Level is greater than the Initial Level but the Percentage Change does not exceed the Booster Percentage of 60.00%, the Notes provide a fixed return equal to the Principal Amount plus the Booster Coupon. If the Final Level is greater than the Initial Level and the Percentage Change exceeds the Booster Percentage of 60.00%, the Notes provide a one-for-one positive return based upon the increase in the level of the Reference Asset. If the Final Level is less than the Barrier Level (70.00% of the Initial Level), you will receive an amount at maturity that is proportionate to the decrease in the Reference Asset over the term of the Notes, and you may lose up to 100% of your initial investment. Any payments on the Notes are subject to our credit risk.
Booster Coupon: 60.00%

Non-U.S. holders will not be subject to withholding on dividend equivalent payments under Section 871(m) of the U.S. Internal Revenue Code. Please see the section below, "Supplemental Discussion of U.S. Federal Income Tax Consequences," which applies to the Notes.

Issue Date: February 28, 2017
Maturity Date: March 1, 2022
The Notes do not pay interest. The Notes will not be listed on any securities exchange.

Investing in the Notes involves a number of risks. See "Risk Factors" beginning on page S-1 of the prospectus supplement dated January 8, 2016, "Additional Risk Factors Specific to the Notes" beginning on page PS-4 of the product prospectus supplement dated January 12, 2016, and "Selected Risk Considerations" beginning on page P-7 of this pricing supplement.

The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.
Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Price to public[1]	100.00%	$3,127,000.00
Underwriting discounts and commissions	3.25%	$101,627.50
Proceeds to Royal Bank of Canada	96.75%	$3,025,372.50

[1] Certain dealers who purchase the notes for sale to certain fee-based advisory accounts may forego some or all of their underwriting discount or selling concessions. The public offering price for investors purchasing the notes in these accounts may be between $967.50 and $1,000 per $1,000 in principal amount.

The initial estimated value of the Notes as of the date of this pricing supplement is $930.30 per $1,000 in principal amount, which is less than the price to public. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value in more detail below.

RBC Capital Markets, LLC, which we refer to as RBCCM, acting as agent for Royal Bank of Canada, received a commission of $32.50 per $1,000 in principal amount of the Notes and used a portion of that commission to allow selling concessions to other dealers of up to $32.50 per $1,000 in principal amount of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. See “Supplemental Plan of Distribution (Conflicts of Interest)” below. We may use this pricing supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this pricing supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction.

RBC Capital Markets, LLC

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Linked to the EURO STOXX 50® Index,
Due March 1, 2022

SUMMARY

The information in this "Summary" section is qualified by the more detailed information set forth in this pricing supplement, the product prospectus supplement, the prospectus supplement, and the prospectus.

Issuer:	Royal Bank of Canada ("Royal Bank")
Issue:	Senior Global Medium-Term Notes, Series G
Underwriter:	RBC Capital Markets, LLC ("RBCCM")
Reference Asset:	EURO STOXX 50® Index
Bloomberg Ticker:	SX5E
Currency:	U.S. Dollars
Minimum Investment:	$1,000 and minimum denominations of $1,000 in excess thereof
Pricing Date:	February 24, 2017
Issue Date:	February 28, 2017
CUSIP:	78012KZZ3
Valuation Date:	February 24, 2022
Payment at Maturity (if held to maturity):	If, on the Valuation Date, the Percentage Change is positive, but does not exceed the Booster Percentage, then the investor will receive an amount equal to the principal amount plus the Booster Coupon. If, on the Valuation Date, the Percentage Change is greater than the Booster Percentage, then the investor will receive an amount equal to: Principal Amount + (Principal Amount x Percentage Change) If, on the Valuation Date, the Percentage Change is less than or equal to 0%, but not by more than the Barrier Percentage (that is, the Percentage Change is between zero and -30.00%), then the investor will receive the principal amount only. If, on the Valuation Date, the Percentage Change is negative, by more than the Barrier Percentage (that is, the Percentage Change is between -30.01% and -100%), then the investor will receive a cash payment equal to: Principal Amount + (Principal Amount x Percentage Change) In this case, you will lose all or a portion of the principal amount of the Notes.
Percentage Change:	The Percentage Change, expressed as a percentage, is calculated using the following formula:
Initial Level:	3,304.09, which was the closing level of the Reference Asset on the Pricing Date.
Final Level:	The closing level of the Reference Asset on the Valuation Date.
Booster Percentage:	60.00%
Booster Coupon:	60.00% of the principal amount

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Barrier Percentage:	30.00%
Barrier Level:	2,312.86, which is 70.00% of the Initial Level (rounded to two decimal places)
Maturity Date:	March 1, 2022, subject to extension for market and other disruptions, as described in the product prospectus supplement dated January 12, 2016.
Term:	Approximately five (5) years
Principal at Risk:	The Notes are NOT principal protected. You may lose all or a substantial portion of your principal amount at maturity if there is a percentage decrease from the Initial Level to the Final Level of more than 30.00%.
Calculation Agent:	RBCCM
U.S. Tax Treatment:	By purchasing a Note, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the Note as a pre-paid cash-settled derivative contract for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the Notes are uncertain and the Internal Revenue Service could assert that the Notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the section below, "Supplemental Discussion of U.S. Federal Income Tax Consequences," and the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product prospectus supplement dated January 12, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences," which apply to the Notes.
Secondary Market:	RBCCM (or one of its affiliates), though not obligated to do so, plans to maintain a secondary market in the Notes after the Issue Date. The amount that you may receive upon sale of your Notes prior to maturity may be less than the principal amount of your Notes.
Listing:	The Notes will not be listed on any securities exchange.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under "Description of Debt Securities—Ownership and Book-Entry Issuance" in the prospectus dated January 8, 2016).
Terms Incorporated in the Master Note:	All of the terms appearing above the item captioned "Secondary Market" on pages P-2 and P-3 of this pricing supplement and the terms appearing under the caption "General Terms of the Notes" in the product prospectus supplement dated January 12, 2016, as modified by this pricing supplement.

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ADDITIONAL TERMS OF YOUR NOTES

You should read this pricing supplement together with the prospectus dated January 8, 2016, as supplemented by the prospectus supplement dated January 8, 2016 and the product prospectus supplement dated January 12, 2016, relating to our Senior Global Medium-Term Notes, Series G, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this pricing supplement carefully.

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in the prospectus supplement dated January 8, 2016 and “Additional Risk Factors Specific to the Notes” in the product prospectus supplement dated January 12, 2016, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the “SEC”) website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008810/j18160424b3.htm
Prospectus Supplement dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008811/p14150424b3.htm
Product Prospectus Supplement ERN-EI-1 dated January 12, 2016:
https://www.sec.gov/Archives/edgar/data/1000275/000114036116047560/form424b5.htm

Our Central Index Key, or CIK, on the SEC website is 1000275. As used in this pricing supplement, “we,” “us,” or “our” refers to Royal Bank of Canada.

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HYPOTHETICAL RETURNS

The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Final Level or the level of the Reference Asset on any trading day prior to the Maturity Date. All examples are based on the Barrier Level of 70% of the Initial Level and the Booster Percentage of 60.00% and assume that a holder purchased Notes with an aggregate principal amount of $1,000 and that no market disruption event occurs on the Valuation Date.

Example 1— Calculation of the Payment at Maturity where the Percentage Change is positive, but less than the Booster Percentage.

Percentage Change: 5%

Payment at Maturity: $1,000 + ($1,000 x 60.00%) = $1,000 + $600.00 = $1,600.00

On a $1,000 investment, a 5% Percentage Change results in a Payment at Maturity of $1,600.00, a 60.00% return on the Notes.

Example 2— Calculation of the Payment at Maturity where the Percentage Change is positive and exceeds the Booster Percentage.

Percentage Change: 65%

Payment at Maturity: $1,000 + ($1,000 x 65%) = $1,000 + $650 = $1,650

On a $1,000 investment, a 65% Percentage Change results in a Payment at Maturity of $1,650, a 65% return on the Notes.

Example 3— Calculation of the Payment at Maturity where the Percentage Change is negative (but not by more than the Barrier Percentage).

Percentage Change:	-10%
Payment at Maturity:	At maturity, if the Percentage Change is negative BUT not by more than the Barrier Percentage, then the Payment at Maturity will equal the principal amount.

On a $1,000 investment, a -10.00% Percentage Change results in a Payment at Maturity of $1,000, a 0% return on the Notes.

Example 4— Calculation of the Payment at Maturity where the Percentage Change is negative (by more than the Barrier Percentage).

Percentage Change: -35%

Payment at Maturity: $1,000 + ($1,000 x -35%) = $1,000 - $350.00 = $650.00

On a $1,000 investment, a -35% Percentage Change results in a Payment at Maturity of $650.00,
a -35% return on the Notes.

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SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Asset. These risks are explained in more detail in the section "Additional Risk Factors Specific to the Notes," beginning on page PS-4 of the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

- Principal at Risk – Investors in the Notes could lose some or all or a substantial portion of their principal amount if the level of the Reference Asset declines by more the Barrier Percentage. You will lose one percent of the principal amount of your Notes for each 1% that the Final Level is less than the Initial Level if the Final Level is less than 30% of the Initial Level.
- The Notes Do Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity – There will be no periodic interest payments on the Notes as there would be on a conventional fixed-rate or floating-rate debt security having the same maturity. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank.
- Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes – The Notes are Royal Bank's senior unsecured debt securities. As a result, your receipt of the amount due on the maturity date is dependent upon Royal Bank's ability to repay its obligations at that time. This will be the case even if the level of the Reference Asset increases after the Pricing Date. No assurance can be given as to what our financial condition will be at the maturity of the Notes.
- There May Not Be an Active Trading Market for the Notes—Sales in the Secondary Market May Result in Significant Losses – There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and other affiliates of Royal Bank may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of Royal Bank may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.
- You Will Not Have Any Rights to the Securities Included in the Reference Asset – As a holder of the Notes, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of securities included in the Reference Asset would have. The Final Level will not reflect any dividends paid on the securities included in the Reference Asset, and accordingly, any positive return on the Notes may be less than the potential positive return on the securities included in the Reference Asset.
- The Initial Estimated Value of the Notes Is Less than the Price to the Public – The initial estimated value set forth on the cover page of this pricing supplement does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the level of the Reference Asset, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to

include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.

- The Initial Estimated Value of the Notes Is an Estimate Only, Calculated as of the Time the Terms of the Notes Were Set –The initial estimated value of the Notes is based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See "Structuring the Notes" below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Pricing Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- An Investment in the Notes Is Subject to Risks Relating to Non-U.S. Securities Markets - Because foreign companies or foreign equity securities included in the Reference Asset are publicly traded in the applicable foreign countries and are denominated in currencies other than U.S. dollars, an investment in the securities involves particular risks. For example, the non-U.S. securities markets may be more volatile than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the foreign issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the foreign issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The securities included in the Reference Asset are issued by companies located within the Eurozone, which is and has been undergoing severe financial stress, and the political, legal and regulatory ramifications are impossible to predict. Changes within the Eurozone could have a material adverse effect on the performance of the Reference Asset and, consequently, on the value of the Notes.

- Market Disruption Events and Adjustments – The payment at maturity and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes—Market Disruption Events" in the product prospectus supplement.

INFORMATION REGARDING THE REFERENCE ASSET

All disclosures contained in this pricing supplement regarding the Reference Asset, including, without limitation, its make up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, STOXX Limited, as the sponsor of the Reference Asset ("STOXX"). STOXX, which owns the copyright and all other rights to the Reference Asset, has no obligation to continue to publish, and may discontinue publication of, the Reference Asset. The consequences of STOXX discontinuing publication of the Reference Asset are discussed in the section of the product prospectus supplement entitled "General Terms of the Notes—Unavailability of the Level of the Reference Asset on a Valuation Date." Neither we nor RBCCM accepts any responsibility for the calculation, maintenance or publication of the Reference Asset or any successor index.

The Reference Asset was created by STOXX, a subsidiary of Deutsche Börse AG. Publication of the Reference Asset began in February 1998, based on an initial index level of 1,000 at December 31, 1991.

Composition and Maintenance

The Reference Asset is composed of 50 component stocks of market sector leaders from within the 19 EURO STOXX® Supersector indices, which represent the Eurozone portion of the STOXX Europe 600® Supersector indices. The composition of the Reference Asset is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced on the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the Reference Asset are made to ensure that the Reference Asset includes the 50 market sector leaders from within the Reference Asset.

The free float factors for each component stock used to calculate the Reference Asset, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The Reference Asset is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the Reference Asset composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

Calculation of the Reference Asset

The Reference Asset is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the Reference Asset value can be expressed as follows:

$$\text{Reference Asset} = \frac{\text{Free float market capitalization of the Reference Asset}}{\text{Adjusted base date market capitalization of the Reference Asset}} \times 1{,}000$$

The "free float market capitalization of the Reference Asset" is equal to the sum of the products of the closing price, market capitalization, and free float factor for each component stock as of the time the Reference Asset is being calculated.

The Reference Asset is also subject to a divisor, which is adjusted to maintain the continuity of the Reference Asset values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends, and stock splits.

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License Agreement

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the Reference Asset) in connection with certain securities, including the Notes offered hereby.

The license agreement between us and STOXX requires that the following language be stated in this document:

STOXX has no relationship to us, other than the licensing of the Reference Asset and the related trademarks for use in connection with the Notes. STOXX does not:

- sponsor, endorse, sell, or promote the Notes;
- recommend that any person invest in the Notes offered hereby or any other securities;
- have any responsibility or liability for or make any decisions about the timing, amount, or pricing of the Notes;
- have any responsibility or liability for the administration, management, or marketing of the Notes; or
- consider the needs of the Notes or the holders of the Notes in determining, composing, or calculating the Reference Asset, or have any obligation to do so.

STOXX will not have any liability in connection with the Notes. Specifically:

- STOXX does not make any warranty, express or implied, and disclaims any and all warranty concerning:
- the results to be obtained by the Notes, the holders of the Notes or any other person in connection with the use of the Reference Asset and the data included in the Reference Asset;
- the accuracy or completeness of the Reference Asset and its data;
- the merchantability and the fitness for a particular purpose or use of the Reference Asset and its data;
- STOXX will have no liability for any errors, omissions, or interruptions in the Reference Asset or its data; and
- Under no circumstances will STOXX be liable for any lost profits or indirect, punitive, special, or consequential damages or losses, even if STOXX knows that they might occur.

The licensing agreement between us and STOXX is solely for their benefit and our benefit, and not for the benefit of the holders of the Notes or any other third parties.

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Historical Information

The graph below sets forth the information relating to the historical performance of the Reference Asset. In addition, below the graph is a table setting forth the intra-day high, intra-day low and period-end closing levels of the Reference Asset. The information provided in this table is for the four calendar quarters of 2012, 2013, 2014, 2015, and 2016, and for the period from January 1, 2017 through February 24, 2017.

We obtained the information regarding the historical performance of the Reference Asset in the chart below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Final Level of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

EURO STOXX 50® Index (“SX5E”)

Period Start Date	Period End Date	High Intra-Day Level	Low Intra-Day Level	Period-End Closing Level
1/1/2012	3/31/2012	2,611.42	2,279.73	2,477.28
4/1/2012	6/30/2012	2,509.93	2,050.16	2,264.72
7/1/2012	9/30/2012	2,604.77	2,142.46	2,454.26
10/1/2012	12/31/2012	2,668.23	2,427.32	2,635.93
1/1/2013	3/31/2013	2,754.80	2,563.64	2,624.02
4/1/2013	6/30/2013	2,851.48	2,494.54	2,602.59
7/1/2013	9/30/2013	2,955.47	2,539.15	2,893.15
10/1/2013	12/31/2013	3,116.23	2,891.39	3,109.00
1/1/2014	3/31/2014	3,185.68	2,944.13	3,161.60
4/1/2014	6/30/2014	3,325.50	3,083.43	3,228.24
7/1/2014	9/30/2014	3,301.15	2,977.52	3,225.93
10/1/2014	12/31/2014	3,278.97	2,789.63	3,146.43
1/1/2015	3/31/2015	3,742.42	2,998.53	3,697.38
4/1/2015	6/30/2015	3,836.28	3,374.18	3,424.30
7/1/2015	9/30/2015	3,714.26	2,973.16	3,100.67
10/1/2015	12/31/2015	3,524.04	3,036.17	3,267.52
1/1/2016	3/31/2016	3,266.01	2,672.73	3,004.93
4/1/2016	6/30/2016	3,156.86	2,678.27	2,864.74
7/1/2016	9/30/2016	3,101.75	2,742.66	3,002.24
10/1/2016	12/31/2016	3,290.52	2,937.98	3,290.52
1/1/2017	2/24/2017	3,355.40	3,214.31	3,304.09

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 12, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences."

A "dividend equivalent" payment is treated as a dividend from sources within the United States and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2018. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Asset or the Notes (for example, upon the Reference Asset rebalancing), and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Asset or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable paying agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Delivery of the Notes will be made against payment for the Notes on February 28, 2017, which is the second (2nd) business day following the Pricing Date (this settlement cycle being referred to as "T+2"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution - Conflicts of Interest" in the prospectus dated January 8, 2016.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately twelve months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period is initially expected to be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

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

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

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

The downturn in the worldwide economy, including a continuing downturn in the semiconductor memory industry, had an adverse effect on our business. Adverse economic conditions affect consumer demand for devices that incorporate our products, such as personal computers, mobile phones, Flash memory cards and USB devices. Reduced demand for our products could result in continued market oversupply and significant decreases in our average selling prices. A continuation of current negative conditions in worldwide credit markets would limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses on our accounts receivables due to credit defaults. As a result, our business, results of operations or financial condition could be materially adversely affected.

The semiconductor memory industry is highly competitive.

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

Our joint ventures and strategic partnerships involve numerous risks.

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

- our interests could diverge from our partners in the future or we may not be able to agree with partners on ongoing manufacturing and operational activities, or on the amount, timing or nature of further investments in our joint venture;
- recognition of our share of potential Inotera and Aptina losses in our results of operation;
- due to financial constraints, our partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- the terms of our arrangements may turn out to be unfavorable;
- cash flows may be inadequate to fund increased capital requirements;

- we may experience difficulties in transferring technology to joint ventures;
- we may experience difficulties and delays in ramping production at joint ventures;
- these operations may be less cost-efficient as a result of underutilized capacity; and
- political or economic instability may occur in the countries where our joint ventures and/or partners are located.

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

Our ownership interest in Inotera Memories, Inc. involves numerous risks.

In the first quarter of 2009, we acquired a 35.5% ownership interest in Inotera Memories, Inc., a publicly traded Taiwanese DRAM memory manufacturer, from Qimonda, AG. In August 2009, our ownership interest in Inotera was reduced to 29.8% as a result of Inotera's issuance of common stock in a public offering for approximately $310 million. In connection with our interest in Inotera, we also have rights and obligations to purchase up to 50% of the wafer production of Inotera. Our acquisition of an interest in Inotera involves numerous risks including the following:

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

Pursuant to our obligations under a supply agreement with Inotera, we recorded $95 million of charges in cost of goods sold in 2009 related to underutilized capacity and purchased $46 million of trench DRAM products from Inotera.

We may incur additional restructure charges in future periods.

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

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

On January 13, 2006, Rambus, Inc. (“Rambus”) filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLDRAM, and RLDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving the Company and Rambus and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, Judge Robinson entered an opinion in favor of us holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against the Company. Rambus subsequently appealed the Delaware Court’s decision to the U.S. Court of Appeals for the Federal Circuit. Subsequently, the Northern District of California Court stayed a trial of on the patent phase of the Northern District of California case pending the outcome of the appeal of the Delaware Court’s spoliation decision or further order of the California Court. (See “Item 3. Legal Proceedings” for additional details on this lawsuit and other Rambus matters pending in the U.S. and Europe.)

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

On March 24, 2009, Accolade Systems LLC filed suit against the Company and Aptina in the U.S. District Court for the Eastern District of Texas alleging that certain of the Company and Aptina’s image sensor products infringe one Accolade Systems U.S. patent. The complaint seeks injunctive relief, damages, attorneys’ fees, and costs. Accolade Systems never served the complaint, and on October 15, 2009, filed a motion to dismiss the complaint against the Company and Aptina without prejudice.

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

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

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

A number of purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers. Numerous cases have been filed in various state and federal courts asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege violations of the various jurisdictions’ antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek joint and several damages, trebled, restitution, costs, interest and attorneys’ fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated pre-trial proceedings. On January 29, 2008, the

Northern District of California Court granted in part and denied in part our motion to dismiss the plaintiff's second amended consolidated complaint. The District Court subsequently certified the decision for interlocutory appeal. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs' interlocutory appeal. (See "Item 3. Legal Proceedings" for additional details on these cases and related matters.)

Various states, through their Attorneys General, have filed suit against us and other DRAM manufacturers alleging violations of state and federal competition laws. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seeks damages, and injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. (See "Item 3. Legal Proceedings" for additional details on these cases and related matters.)

Three purported class action lawsuits alleging price-fixing of Flash products have been filed against us in Canada asserting violations of the Canadian Competition Act. These cases assert claims on behalf of a purported class of individuals and entities that purchased Flash memory directly and indirectly from various Flash memory suppliers. (See “Item 3. Legal Proceedings” for additional details on these cases and related matters.)

On May 5, 2004, Rambus filed a lawsuit in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers. The complaint alleges various causes of action under California state law including conspiracy to restrict output and fix prices of Rambus DRAM ("RDRAM"), and unfair competition. The complaint seeks joint and several damages, trebled, punitive damages, attorneys’ fees, costs, and a permanent injunction enjoining the defendants from the conduct alleged in the complaint. Trial is currently scheduled to begin in January 2010. (See “Item 3. Legal Proceedings” for additional details on this case and other Rambus matters pending in the U.S. and Europe.)

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

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

On February 24, 2006, a number of purported class action complaints were filed against us and certain of our officers in the U.S. District Court for the District of Idaho alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The cases purport to be brought on behalf of a class of purchasers of our stock during the period February 24, 2001 to February 13, 2003. The five lawsuits have been consolidated and a consolidated amended class action complaint was filed on July 24, 2006. The complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding alleged illegal price-fixing conduct. The complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. On December 19, 2007, the Court issued an order certifying the class but reducing the class period to purchasers of our stock during the period from February 24, 2001 to September 18, 2002. (See “Item 3. Legal Proceedings” for additional details on these cases and related matters.)

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

Our debt level is higher than compared to historical periods.

We currently have a higher level of debt compared to historical periods. As of September 3, 2009 we had $3.1 billion of debt. We may need to incur additional debt in the future. Our debt level could adversely impact us. For example it could:

- make it more difficult for us to make payments on our debt;
- require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service;
- limit our future ability to raise funds for capital expenditures, acquisitions, research and development and other general corporate requirements;
- increase our vulnerability to adverse economic and semiconductor memory industry conditions;

- expose us to fluctuations in interest rates with respect to that portion of our debt which is at a variable rate of interest; and
- require us to make additional investments in joint ventures to maintain compliance with financial covenants.

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

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

Our ability to comply with the financial and other covenants contained in our debt may be affected by economic or business conditions or other events. As of September 3, 2009, our 85% owned TECH Semiconductor Singapore Pte. Ltd., ("TECH") subsidiary, had $548 million outstanding under a credit facility with covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios for TECH and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. If TECH does not comply with these debt covenants and restrictions, this debt may be deemed to be in default and the debt declared payable. There can be no assurance that TECH will be able to comply with its covenants. Additionally, if TECH is unable to repay its borrowings when due, the lenders under TECH's credit facility could proceed against substantially all of TECH's assets. In the first quarter of 2010, TECH modified its debt covenants. In connection with the modification, our guarantee of TECH's debt increased from approximately 73% to approximately 85% of the outstanding amount borrowed under TECH's credit facility. Our guarantee could increase up to 100% of the outstanding amount borrowed under the facility based on further increases in our ownership interest in TECH and other conditions. If TECH's debt is accelerated, we may not have sufficient assets to repay amounts due. Existing covenant restrictions may limit our ability to obtain additional debt financing. To avoid covenant defaults we may be required to repay debt obligations and/or make additional contributions to TECH, all of which could adversely affect our liquidity and financial condition.

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

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

- difficulties in integrating the operations, technologies and products of acquired or newly formed entities;
- increasing capital expenditures to upgrade and maintain facilities;
- increasing debt to finance any acquisition or formation of a new business;
- difficulties in protecting our intellectual property as we enter into a greater number of licensing arrangements;
- diverting management's attention from normal daily operations;
- managing larger or more complex operations and facilities and employees in separate geographic areas; and
- hiring and retaining key employees.

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

New product development may be unsuccessful.

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

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

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

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

Depressed pricing for semiconductor memory products may lead to future losses and inventory write-downs.

As a result of the significant decreases in average selling prices for our semiconductor memory products, we recorded charges of $603 million in aggregate for 2009, $282 million in aggregate for 2008 and $20 million in 2007 to write down inventories to their estimated market value. Differences in forecasted average selling prices used in calculating lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated market value of our semiconductor memory inventory by approximately $75 million at September 3, 2009. If the estimated market values of products held in finished goods and work in process inventories at a quarter-end date are below the manufacturing cost of these products, we will recognize charges to cost of goods sold to write down the carrying value of our inventories to market value.

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

Since 1998, we have participated in TECH, a semiconductor memory manufacturing joint venture in Singapore among the Company, Canon Inc. ("Canon") and Hewlett-Packard Company ("HP"). As of September 3, 2009, the ownership of TECH was held approximately 85% by us, approximately 11% by Canon and approximately 4% by HP. The financial results of TECH are included in our consolidated financial statements. In 2009, TECH accounted for 20% of our total DRAM gigabit production. The shareholders' agreement for TECH expires in April 2011. In the first quarter of 2010, TECH received a notice from HP that it does not intend to extend the TECH joint venture beyond April 2011. We are working with HP and Canon to reach a resolution of the matter. The parties' inability to reach a resolution of this matter prior to April 2011 could result in the dissolution of TECH and have a significant adverse impact on our DRAM production and results of operation.

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

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations or financial condition.

Because the design and production process for semiconductor memory is highly complex, it is possible that we may produce products that do not comply with customer specifications, contain defects or are otherwise incompatible with end uses. If, despite design review, quality control and product qualification procedures, problems with nonconforming, defective or incompatible products occur after we have shipped such products, we could be adversely affected in several ways, including the following:

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

- we may encounter adverse publicity, which could cause a decrease in sales of our products.

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

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

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

Sales to customers outside the United States approximated 81% of our consolidated net sales for 2009. In addition, we have manufacturing operations in China, Italy, Japan, Puerto Rico and Singapore. Our international sales and operations are subject to a variety of risks, including:

- currency exchange rate fluctuations;
- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- political and economic instability;
- problems with the transportation or delivery of our products;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade, technical standards and other laws in a variety of jurisdictions;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's corporate headquarters are located in Boise, Idaho. The following is a summary of the principal facilities owned by the Company:

Location	Principal Operations
Boise, Idaho	R&D including wafer fabrication and reticle manufacturing
Lehi, Utah	Wafer fabrication
Manassas, Virginia	Wafer fabrication
Singapore	Two wafer fabrication facilities and a test, assembly and module assembly facility
Nishiwaki City, Japan	Wafer fabrication
Avezzano, Italy	Wafer fabrication
Nampa, Idaho	Test
Aguadilla, Puerto Rico	Module assembly and test
Xi'an, China	Test

The Company also owns and leases a number of other facilities in locations throughout the world that are used for design, research and development, and sales and marketing activities. The Company's facility in Lehi is owned and operated by its IM Flash joint venture with Intel. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – NAND Flash Joint Ventures with Intel.") One of the Company's wafer fabrication facilities in Singapore is owned by its TECH joint venture and collateralizes, in part, TECH's $548 million credit facility. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – TECH Semiconductor Singapore Pte. Ltd.") The Company's other wafer fabrication facility in Singapore is owned by its IM Flash Singapore joint venture. The IM Flash Singapore facility was substantially completed in the first quarter of 2009 but has not been equipped. In October 2008, the Company and Intel agreed to suspend tooling and the ramp of production at IM Flash's Singapore wafer fabrication plant. Utilization of the facility is dependent on market conditions.

In the first quarter of 2009, the Company acquired a 35.5% ownership interest in Inotera. As a result of this acquisition, the Company has rights and obligations to purchase up to 50% of the wafer production of Inotera. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments – DRAM joint ventures with Nanya .")

The Company believes that its existing facilities are suitable and adequate for its present purposes. The Company does not identify or allocate assets by operating segment. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Geographic Information.")

Item 3. Legal Proceedings

Patent Matters

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

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

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

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

On March 24, 2009, Accolade Systems LLC filed suit against the Company and Aptina in the U.S. District Court for the Eastern District of Texas alleging that certain of the Company and Aptina's image sensor products infringe one Accolade Systems U.S. patent. The complaint seeks injunctive relief, damages, attorneys' fees, and costs. Accolade Systems never served the complaint, and on October 15, 2009, filed a motion to dismiss the complaint against the Company and Aptina without prejudice.

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

Antitrust Matters

A number of purported class action price-fixing lawsuits have been filed against the Company and other DRAM suppliers. Four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege price fixing in violation of federal antitrust laws and various state antitrust and unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys' fees. In addition, at least sixty-four cases have been filed in various state courts asserting claims on behalf of a purported class of indirect purchasers of DRAM. Cases have been filed in the following states: Arkansas, Arizona, California, Florida, Hawaii, Iowa, Kansas, Massachusetts, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Virginia, Wisconsin, and West Virginia, and also in the District of Columbia and Puerto Rico. The complaints purport to be on behalf of a class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM in the respective jurisdictions during various time periods ranging from April 1999 through at least June 2002. The complaints allege violations of the various jurisdictions' antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek joint and several damages, trebled, as well as restitution, costs, interest and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated pre-trial proceedings. On January 29, 2008, the Northern District of California Court granted in part and denied in part the Company's motion to dismiss plaintiff's second amended consolidated complaint. Plaintiffs subsequently filed a motion seeking certification for interlocutory appeal of the decision. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs' interlocutory appeal.

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

In addition, various states, through their Attorneys General, have filed suit against the Company and other DRAM manufacturers. On July 14, 2006, and on September 8, 2006 in an amended complaint, the following Attorneys General filed suit in the U.S. District Court for the Northern District of California: Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and the Commonwealth of the Northern Mariana Islands. Thereafter, three states, Ohio, New Hampshire, and Texas, voluntarily dismissed their claims. The remaining states filed a third amended complaint on October 1, 2007. Alaska, Delaware, Kentucky, and Vermont subsequently voluntarily dismissed their claims. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seeks joint and several damages, trebled, as well as injunctive and other relief. Additionally, on July 13, 2006, the State of New York filed a similar suit in the U.S. District Court for the Southern District of New York. That case was subsequently transferred to the U.S. District Court for the Northern District of California for pre-trial purposes. The State of New York filed an amended complaint on October 1, 2007. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law.

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

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

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

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against the Company and other DRAM suppliers. The complaint alleges various causes of action under California state law including a conspiracy to restrict output and fix prices of Rambus DRAM ("RDRAM") and unfair competition. Trial is currently scheduled to begin in January 2010. The complaint seeks joint and several damages, trebled, punitive damages, attorneys' fees, costs, and a permanent injunction enjoining the defendants from the conduct alleged in the complaint.

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

Securities Matters

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

In addition, on March 23, 2006, a shareholder derivative action was filed in the Fourth District Court for the State of Idaho (Ada County), allegedly on behalf of and for the benefit of the Company, against certain of the Company's current and former officers and directors. The Company also was named as a nominal defendant. An amended complaint was filed on August 23, 2006 and was subsequently dismissed by the Court. Another amended complaint was filed on September 6, 2007. The amended complaint was based on the same allegations of fact as in the securities class actions filed in the U.S. District Court for the District of Idaho and alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, and insider trading. The amended complaint sought unspecified damages, restitution, disgorgement of profits, equitable and injunctive relief, attorneys' fees, costs, and expenses. The amended complaint was derivative in nature and did not seek monetary damages from the Company. On January 25, 2008, the Court granted the Company's motion to dismiss the second amended complaint without leave to amend. On March 10, 2008, plaintiffs filed a notice of appeal to the Idaho Supreme Court. On July 16, 2009, the Idaho Supreme Court issued an opinion upholding the lower court's dismissal of the complaint.

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

(See “Item 1A. Risk Factors.”)

Item 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 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock

The Company'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 2009 and 2008, as reported by Bloomberg L.P.

	High	Low
2009:		
4th quarter	$7.56	$4.70
3rd quarter	5.50	2.58
2nd quarter	4.32	1.85
1st quarter	5.13	1.69
2008:		
4th quarter	$8.53	$4.24
3rd quarter	8.84	5.46
2nd quarter	9.26	5.75
1st quarter	11.79	7.94

Holders of Record

As of October 20, 2009, there were 3,147 shareholders of record of the Company's common stock.

Dividends

The Company has not declared or paid cash dividends since 1996 and does not intend to pay cash dividends on its common stock for the foreseeable future.

Equity Compensation Plan Information

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

Issuer Sales of Unregistered Securities

On August 11, 2009, the Company issued 1.8 million unregistered shares of common stock to DT FLCO, Inc. as noncash consideration of $12 million paid for a business acquired for cash and stock. These shares were exempt from registration under Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

During the fourth quarter of 2009, the Company acquired, as payment of withholding taxes in connection with the vesting of restricted stock and restricted stock unit awards, 26,177 shares of its common stock at an average price of $6.12 per share. In the fourth quarter of 2009, the Company retired the 26,177 shares acquired in the fourth quarter of 2009.

Period			(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
June 5, 2009	–	July 9, 2009	14,622	$ 5.43	N/A	N/A
July 10, 2009	–	August 6, 2009	939	5.21	N/A	N/A
August 7, 2009	–	September 3, 2009	10,616	7.15	N/A	N/A
			26,177	6.12		

Performance Graph

The following graph illustrates a five-year comparison of cumulative total returns for the Company's Common Stock, the S&P 500 Composite Index and the Philadelphia Semiconductor Index (SOX) from August 31, 2004, through August 31, 2009.

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

The Company operates on a 52 or 53 week fiscal year which ends on the Thursday closest to August 31. Accordingly, the last day of the Company's fiscal year varies. For consistent presentation and comparison to the industry indices shown herein, the Company has calculated its stock performance graph assuming an August 31 year end. The performance graph assumes $100 invested on August 31, 2004 in Common Stock of Micron Technology, Inc., the S&P 500 Composite Index and the Philadelphia Semiconductor Index (SOX). Any dividends paid during the period presented are assumed to be reinvested. The performance was plotted using the following data:

Performance Graph Data

	2004	2005	2006	2007	2008	2009
Micron Technology, Inc.	$ 100	$ 103	$ 150	$ 99	$ 37	$ 64
S&P 500 Composite Index	100	113	123	141	125	102
Philadelphia Semiconductor Index (SOX)	100	128	122	137	98	87

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Item 6. Selected Financial Data

	2009	2008	2007	2006	2005
			(in millions)		
Net sales	$4,803	$5,841	$5,688	$5,272	$4,880
Gross margin	(439)	(55)	1,078	1,200	1,146
Operating income (loss)	(1,675)	(1,595)	(280)	350	217
Net income (loss)	(1,835)	(1,619)	(320)	408	188
Diluted earnings (loss) per share	(2.29)	(2.10)	(0.42)	0.57	0.29
Cash and short-term investments	1,485	1,362	2,616	3,079	1,290
Total current assets	3,344	3,779	5,234	5,101	2,926
Property, plant and equipment, net	7,081	8,811	8,279	5,888	4,684
Total assets	11,455	13,430	14,818	12,221	8,006
Total current liabilities	1,892	1,598	2,026	1,661	979
Long-term debt	2,674	2,451	1,987	405	1,020
Noncontrolling interests in subsidiaries	1,986	2,865	2,607	1,568	--
Total shareholders' equity	4,654	6,178	7,752	8,114	5,847

In the first quarter of 2009, the Company acquired a 35.5% ownership interest in Inotera Memories, Inc. ("Inotera"), a publicly-traded DRAM manufacturer in Taiwan. In connection with the acquisition of the shares in Inotera, the Company and Nanya entered into a supply agreement with Inotera pursuant to which Inotera sells trench and stack DRAM products to the Company and the Company's DRAM joint venture partner, Nanya Technology Corporation. On August 3, 2009, Inotera issued shares in a public offering, decreasing the Company's interest in Inotera to 29.8%. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – DRAM joint ventures with Nanya.")

On July 10, 2009, the Company sold a 65% interest in Aptina Imaging Corporation ("Aptina"), a wholly-owned subsidiary of the Company. The Company continues to manufacture products for Aptina under a wafer supply agreement. The Company accounts for its remaining interest in Aptina under the equity method. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Equity Method Investments – Aptina.")

The Company formed two joint ventures (collectively "IM Flash") with Intel Corporation to manufacture NAND Flash memory products for the exclusive benefit of the partners: IM Flash Technologies, LLC, which began operations in the second quarter of 2006, and IM Flash Singapore LLP, which began operations in the third quarter of 2007. The Company owns 51% and Intel owns 49% of IM Flash. The financial results of IM Flash are included in the consolidated financial statements of the Company. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Consolidated Variable Interest Entities – NAND Flash joint venture with Intel.")

The Company began consolidating the financial results of its TECH Semiconductor joint venture ("TECH") as of the beginning of the third quarter of 2006. In the third quarter of 2007, the Company acquired all of the shares of TECH common stock held by Singapore Economic Development Board, which increased the Company's ownership interest in TECH from approximately 43% to approximately 73%. As a result of the purchases of TECH shares in 2009, the Company's ownership interest in TECH was increased from to approximately 73% as of August 28, 2008 to approximately 85% in August 2009. (See "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – TECH Semiconductor Singapore Pte. Ltd.")

In the fourth quarter of 2006, the Company acquired Lexar Media, Inc., a designer, developer, manufacturer and marketer of Flash memory products, in a stock-for-stock merger.

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those made in "Overview" regarding Inotera's transition to the Company's stack process technology and anticipated margins and operating expenses for the Imaging segment in future periods; in "Net Sales" regarding DRAM production received from Inotera in 2010, future increases in NAND Flash production, and future Imaging revenue under an imaging wafer supply agreement with Aptina; in "Gross Margin" regarding future charges from Inotera for underutilized capacity, future charges for inventory write-downs, gross margins from the Company's imaging wafer supply agreement with Aptina; in "Selling, General and Administrative" regarding future legal expenses; in "Research and Development" regarding reductions of future research and development expenses in connection with the sale of a majority interest in Aptina; in "Restructure" regarding future levels of employees; in "Stock-based Compensation" regarding future costs to be recognized; in "Liquidity and Capital Resources" regarding capital spending in 2010, future distributions from IM Flash to Intel and capital contributions to TECH; and in "Recently Issued Accounting Standards" regarding the impact from the adoption of new accounting standards. The Company's actual results could differ materially from the Company's historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 1A. Risk Factors." This discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the year ended September 3, 2009. All period references are to the Company's fiscal periods unless otherwise indicated. The Company's fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. All tabular dollar amounts are in millions. The Company's fiscal 2009, which ended on September 3, 2009, contained 53 weeks and its fiscal 2008 and fiscal 2007 both contained 52 weeks. All production data includes production of the Company and its consolidated joint ventures and the Company's supply from Inotera.

Overview

The Company is a global manufacturer and marketer of semiconductor devices, principally DRAM and NAND Flash memory. In addition the Company manufactures CMOS image sensor products under a wafer foundry arrangement. The Company operates in two reportable segments: Memory and Imaging. Its products are used in a broad range of electronic applications including personal computers, workstations, network servers, mobile phones and other consumer applications including Flash memory cards, USB storage devices, digital still cameras, MP3/4 players and in automotive applications. The Company markets its products through its internal sales force, independent sales representatives and distributors primarily to original equipment manufacturers and retailers located around the world. The Company's success is largely dependent on the market acceptance of a diversified portfolio of semiconductor products, efficient utilization of the Company's manufacturing infrastructure, successful ongoing development of advanced process technologies and generation of sufficient return on research and development investments.

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

The semiconductor memory industry is experiencing a severe downturn due to a significant oversupply of products. The downturn has been exacerbated by global economic conditions which have adversely affected demand for semiconductor memory products. Average selling prices per gigabit for the Company's DRAM and NAND Flash products declined 52% and 56%, respectively, for 2009 as compared to 2008, after declining 51% and 67%, respectively, for 2008 as compared to 2007, and declining 23% and 56%, respectively, for 2007 as compared to 2006. These declines significantly outpaced the long-term historical pricing trend. As a result of these market conditions, the Company and other semiconductor memory manufacturers reported substantial losses in recent periods. The Company reported a net loss of $1.8 billion for 2009 after reporting net losses of $1.6 billion for 2008 and $320 million for 2007.

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In response to adverse market conditions, the Company initiated restructure plans in 2009, primarily within the Company's Memory segment. In the first quarter of 2009, IM Flash, a joint venture between the Company and Intel Corporation, terminated its agreement with the Company to obtain NAND Flash memory supply from the Company's Boise facility, reducing the Company's NAND Flash production by approximately 35,000 200mm wafers per month. The Company and Intel also agreed to suspend tooling and the ramp of NAND Flash production at IM Flash's Singapore wafer fabrication facility. In addition, the Company phased out all remaining 200mm DRAM wafer manufacturing operations at its Boise, Idaho, facility in the second half of 2009.

Inotera Memories, Inc. ("Inotera"): In the first quarter of 2009, the Company acquired a 35.5% ownership interest in Inotera, a publicly-traded entity in Taiwan, from Qimonda AG ("Qimonda") for $398 million. The interest in Inotera was acquired for cash, a portion of which was funded from loan proceeds of $200 million received from Nan Ya Plastics Corporation and $85 million received from Inotera. Nan Ya Plastics is an affiliate of Nanya Technology Corporation ("Nanya"), a then 35.6% shareholder in Inotera. The loans were recorded at their fair values which reflect an aggregate discount of $31 million from their face amounts. This aggregate discount was recorded as a reduction of the Company's basis in its investment in Inotera. The Company also capitalized $10 million of costs and other fees incurred in connection with the acquisition. As a result of the above transactions, the initial carrying value of the Company's investment in Inotera was $377 million. On August 3, 2009, Inotera issued shares in a public offering for approximately $310 million that reduced the Company and Nanya's ownership in Inotera to 29.8% and 29.9%, respectively. As a result of Inotera's public offering, the Company will recognize a gain of $59 million in the first quarter of 2010.

In connection with the acquisition of the shares in Inotera, the Company and Nanya entered into a supply agreement with Inotera (the "Inotera Supply Agreement") pursuant to which Inotera will sell trench and stack DRAM products to the Company and Nanya. The Company has rights and obligations to purchase up to 50% of Inotera's wafer production capacity. Inotera's actual wafer production will vary from time to time based on market and other conditions. Inotera's trench production is expected to transition to the Company's stack process technology. Inotera charges the Company and Nanya for a portion of the costs associated with its underutilized capacity, if any. The cost to the Company of wafers purchased under the Inotera Supply Agreement is based on a margin sharing formula among the Company, Nanya and Inotera. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as the Company's and Nanya's selling prices for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers from Inotera. Under the Inotera Supply Agreement. The Company's purchase obligation includes purchasing Inotera's trench DRAM capacity (less any trench DRAM products sold to Qimonda pursuant to a separate supply agreement between Inotera and Qimonda (the "Qimonda Supply Agreement")). Under the Qimonda Supply Agreement, Qimonda was obligated to purchase trench DRAM products resulting from wafers started for it by Inotera through July 2009 in accordance with a ramp down schedule specified in the Qimonda Supply Agreement. In the second quarter of 2009, Qimonda filed for bankruptcy protection and defaulted on its obligations to purchase products from Inotera. Pursuant to the Company's obligations under the Inotera Supply Agreement, the Company recorded $95 million of charges to cost of goods sold in 2009 for underutilized capacity.

The Company's results of operations for 2009 also include losses of $130 million for the Company's share of Inotera's losses from the acquisition date through the second calendar quarter of 2009. The Company accounts for its interest in Inotera under the equity method and does not consolidate Inotera. The Company recognizes its share of earnings or losses from Inotera for a period that lags the Company's fiscal periods by two months. As of September 3, 2009, the Company had recorded $3 million to accumulated other comprehensive income in the accompanying consolidated balance sheet for cumulative translation adjustments for its investment in Inotera. During the third quarter of 2009, the Company received $50 million from Inotera pursuant to the terms of a technology transfer agreement. As of September 3, 2009, the carrying value of the Company's equity investment in Inotera was $229 million.

(See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments – DRAM joint ventures with Nanya")

Aptina Imaging Corporation ("Aptina"): On July 10, 2009, the Company sold a 65% interest in Aptina, previously a wholly-owned subsidiary of the Company and a significant component of the Company's Imaging segment, to Riverwood Capital ("Riverwood") and TPG Capital ("TPG"). In connection with the transaction, the Company received approximately $35 million in cash and retained a 35% interest in Aptina. A portion of the 65% interest held by Riverwood and TPG are convertible preferred shares and have a liquidation preference over the common shares. As a result, the Company's interest represents 64% of Aptina's common stock. The Company also retained all cash held by Aptina and its subsidiaries. The Company recorded a loss of $41 million in connection with the sale. Under the equity method, the Company will recognize its share of Aptina's results of operations based on its 64% share of Aptina's common stock on a two-month lag beginning in 2010. As of September 3, 2009, the Company's investment in Aptina was $44 million. The Company's Imaging segment continues to manufacture products for Aptina under a wafer supply agreement. The Company anticipates that pricing under the Aptina wafer supply agreement will generally result in lower gross margins than historically realized on sales of Imaging products to end customers. The Company also anticipates that the sale of majority interest in Aptina will significantly reduce the Imaging segment's research and development costs and other operating expenses. (See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments - Aptina")

Inventory write-downs: The Company's results of operations for the second and first quarters of 2009 included charges of $234 million and $369 million, respectively, to write down the carrying value of work in process and finished goods inventories of memory products (both DRAM and NAND Flash) to their estimated market values. For the fourth, second and first quarters of 2008, the Company recorded inventory charges of $205 million, $15 million and $62 million, respectively.

Results of Operations

	2009		2008		2007	
	(in millions and as a percent of net sales)					
Net sales:						
Memory	$ 4,290	89 %	$ 5,188	89 %	$ 5,001	88 %
Imaging	513	11 %	653	11 %	687	12 %
	$ 4,803	100 %	$ 5,841	100 %	$ 5,688	100 %
Gross margin:						
Memory	$ (521)	(12) %	$ (241)	(5) %	$ 845	17 %
Imaging	82	16 %	186	28 %	233	34 %
	$ (439)	(9) %	$ (55)	(1) %	$ 1,078	19 %
Selling, general and administrative	$ 354	7 %	$ 455	8 %	$ 610	11 %
Research and development	647	13 %	680	12 %	805	14 %
Restructure	70	1 %	33	1 %	19	0 %
Goodwill impairment	58	1 %	463	8 %	--	--
Other operating (income) expense, net	107	2 %	(91)	(2) %	(76)	(1) %
Net income (loss)	(1,835)	(38) %	(1,619)	(28) %	(320)	(6) %

The Company's fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31.

Net Sales

Total net sales for 2009 decreased 18% as compared to 2008 primarily due to a 17% decrease in Memory sales and a 21% decrease in Imaging sales. Memory sales for 2009 reflect significant declines in per gigabit average selling prices partially offset by significant increases in gigabits sold as compared to 2008. Memory sales were 89% of total net sales for 2009 and 2008 and 88% for 2007. The 21% decrease in Imaging sales for 2009 was primarily due to lower sales volume and average sales prices. Total net sales for 2008 increased 3% as compared to 2007 primarily due to a 4% increase in Memory sales partially offset by a 5% decrease in Imaging sales.

In response to adverse market conditions, the Company shut down production of NAND for IM Flash at the Company's Boise fabrication facility beginning in the second quarter of 2009 and phased out the remainder of its 200mm DRAM production at the Boise fabrication facility in the second half of 2009. In addition, the Company implemented production slowdowns at some of its manufacturing facilities during 2009. Production of Memory and Imaging products in 2009 was affected by the shutdown of the Boise fabrication facility and slowdowns at other facilities. The Company will adjust utilization of 200mm wafer processing capacity as product demand varies.

The Company has formed partnering arrangements under which it has sold and/or licensed technology to other parties. The Company's Memory segment recognized royalty and license revenue of $135 million in 2009 and $58 million in 2008.

Memory: Memory sales for 2009 decreased 17% from 2008 primarily due to a 23% decrease in sales of DRAM products and a 10% decrease in sales of NAND Flash products.

Sales of DRAM products for 2009 decreased from 2008 primarily due to a 52% decline in average selling prices mitigated by a 56% increase in gigabits sold. Gigabit production of DRAM products increased 52% for 2009 despite the shutdown of the Boise fabrication facility and production slowdowns at other 200mm wafer fabrication facilities. The DRAM production increase was primarily due to production efficiencies achieved primarily through transitions to higher density, advanced geometry devices. In the fourth quarter of 2009, the Company began receiving trench DRAM products from Inotera. The Company expects that in 2010 its DRAM production will increase as a result of increases in stack and trench DRAM production purchased from Inotera. Sales of DDR2 and DDR3 DRAM, the Company's highest volume products, were 29% of the Company's total net sales for 2009 and 2008 and were 32% for 2007.

The Company sells NAND Flash products in three principal channels: 1) to Intel Corporation ("Intel") through its IM Flash consolidated joint venture at long-term negotiated prices approximating cost, 2) to original equipment manufacturers ("OEM's") and other resellers and 3) to retail customers. Aggregate sales of NAND Flash products for 2009 decreased 10% from 2008 and represented 39% of the Company's total net sales for 2009 as compared to 35% for 2008 and 23% for 2007

Sales through IM Flash to Intel were $886 million for 2009, $1,037 million for 2008 and $497 million for 2007. For 2009, average selling prices for IM Flash sales to Intel decreased significantly due to a 61% reduction in costs per gigabit. However, gigabit sales to Intel were 110% higher in 2009 as compared to 2008 primarily due to an 85% increase in gigabit production of NAND Flash products over the same period as a result of the Company's continued transition to higher density 34 nanometer (nm) NAND Flash products and other improvements in product and process technologies. The increase in NAND Flash production was achieved despite the shutdown of 200mm NAND Flash production which began in the second quarter of 2009. The Company expects that its gigabit production of NAND Flash products will continue to increase in 2010 but at a slower rate than in 2009.

Aggregate sales of NAND Flash products to the Company's OEM, resellers and retail customers were 4% lower for 2009 as compared to 2008 primarily due a 52% decline in average selling prices, partially offset by a 100% increase in gigabit sales. Average selling prices to the Company's OEM and reseller customers for 2009 decreased approximately 41% compared to 2008, while average selling prices of the Company's Lexar brand, directed primarily at the retail market, decreased approximately 62% for 2009 compared to 2008.

Memory sales for 2008 increased 4% from 2007 primarily due to a 55% increase in sales of NAND Flash products offset by a 15% decrease in sales of DRAM products. Sales of NAND Flash products for 2008 increased from 2007 primarily due to an increase of approximately 370% in gigabits sold as a result of production increases partially offset by a decline of 67% in average selling prices per gigabit. Gigabit production of NAND Flash products increased approximately 350% for 2008 as compared to 2007, primarily due to the continued ramp of NAND Flash products at the Company's 300mm fabrication facilities and transitions to higher density, advanced geometry devices. Sales of DRAM products for 2008 decreased from 2007 primarily due to a decline of 51% in average selling prices (which included the effects of a $50 million charge to revenue in the first quarter of 2007 as a result of a settlement agreement with a class of direct purchasers of certain DRAM products), mitigated by an increase in gigabits sold of approximately 70%. Gigabit production of DRAM products increased approximately 70% for 2008, primarily due to production efficiencies from improvements in product and process technologies, including TECH's conversion to 300mm wafer fabrication.

Imaging: Imaging sales for 2009 decreased by 21% from 2008 primarily due to decreased unit sales and declines in average selling prices. Demand for Imaging products in 2009 was adversely impacted by weakness in the mobile phone markets. Imaging sales for 2009 were also negatively impacted by the Company's sale of a 65% interest in Aptina on July 10, 2009. After the sale of the Company's 65% interest in Aptina, Imaging's revenue is derived entirely from sales of Imaging wafers to Aptina under a wafer supply agreement. The Company anticipates that pricing under the wafer supply agreement will generally result in lower revenue than historically realized on sales by the Company of Imaging products to end customers. Imaging sales for 2008 decreased 5% from 2007 primarily due to significant declines in average selling prices by product type partially offset by a shift in product mix from products with 1-megapixel or lower resolution to products with 3-megapixel or higher resolution, which had higher average selling prices per unit. Imaging sales were 11% of the Company's total net sales for 2009 and 2008 and 12% for 2007.

Gross Margin

The Company's overall gross margin percentage declined from negative 1% for 2008 to negative 9% for 2009 due to declines in the gross margins for both Memory and Imaging primarily as a result of severe pricing pressure mitigated by cost reductions. The Company's overall gross margin percentage declined from 19% for 2007 to negative 1% for 2008 primarily due to a decrease in the gross margin percentage for Memory as a result of significant declines in average selling prices. Production slowdowns implemented at some of the Company's 200mm manufacturing facilities during 2009 adversely affected per gigabit costs of Memory products and per unit costs of Imaging products.

Memory: The Company's gross margin percentage for Memory products declined from negative 5% for 2008 to negative 12% for 2009 primarily due to declines in the gross margin for DRAM products partially offset by improvements in the gross margin for NAND Flash products. Gross margins for 2009 were positively affected by significant cost reductions for DRAM and NAND Flash products and the effects of selling memory products that were subject to inventory write-downs in 2008, as discussed in more detail below. Gross margins for Memory products in 2009 were adversely affected by $187 million of costs associated with underutilized capacity, primarily from Inotera and IM Flash's Singapore facility. The Company expects that underutilized capacity costs from Inotera will decrease substantially in 2010 as Inotera increases its utilization of production capacity.

The Company's gross margins for Memory in 2009, 2008 and 2007 were impacted by charges to write down inventories to their estimated market values as a result of the significant decreases in average selling prices for both DRAM and NAND Flash products. As charges to write down inventories are recorded in advance of when inventories are sold, gross margins in subsequent reporting periods are higher than they otherwise would be. The impact of inventory write-downs on gross margins for all periods reflects inventory write-downs less the estimated net effect of prior period write-downs. The effects of inventory write-downs on gross margin by period were as follows:

	2009	2008	2007
Inventory write-downs	$(603)	$(282)	$(20)
Estimated effect of previous inventory write-downs	767	98	--
Net effect of inventory write-downs	$164	$(184)	$(20)

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

Declines in gross margins on sales of DRAM products for 2009 as compared to 2008 were primarily due to the 52% decline in average selling prices mitigated by 40% reduction in costs per gigabit. The reduction in DRAM costs per gigabit was primarily due to production efficiencies achieved through transitions to higher-density, advanced-geometry devices. DRAM production costs for 2009 were adversely impacted by $95 million of underutilized capacity costs from Inotera.

The Company's gross margin on sales of NAND Flash products for 2009 improved from 2008, despite a 56% decrease in overall average selling prices per gigabit, primarily due to a 61% reduction in costs per gigabit. The reduction in NAND Flash costs per gigabit was primarily due to lower manufacturing costs as a result of increased production of higher-density, advanced-geometry devices, in particular from the Company's transition to 34nm process technology. Gross margins on sales of NAND Flash products reflect sales of approximately half of IM Flash's output to Intel at long-term negotiated prices approximating cost.

The Company's gross margin percentage for Memory products declined from 17% for 2007 to negative 5% for 2008 primarily due to the significant decreases in average selling prices, write-downs of inventories to their estimated market values and the shift in product mix to NAND Flash products (which had a significantly lower gross margin than DRAM products in 2008), mitigated by cost reductions. The Company's gross margin for DRAM products for 2008 declined from 2007, primarily due to the 51% decline in average selling prices per gigabit mitigated by a 38% reduction in costs per gigabit. Cost reductions in 2008 for DRAM products were partially offset by inventory write-downs. The Company's gross margin for NAND Flash products for 2008 declined from 2007 primarily due to the 67% decline in average selling prices per gigabit mitigated by a 64% reduction in costs per gigabit. Cost reductions in 2008 primarily reflect lower manufacturing costs and lower costs of NAND Flash products purchased for sale under the Company's Lexar brand. NAND Flash costs for 2008 were also reduced by a recovery of $70 million for price adjustments for NAND Flash products purchased from other suppliers in prior periods. Cost reductions in 2008 for NAND Flash Products were partially offset by inventory write-downs.

Imaging: The Company's gross margin percentage for Imaging declined from 28% for 2008 to 16% for 2009 primarily due to declines in average selling prices and costs associated with underutilized production capacity. The decrease in the gross margin percentage for 2009 was mitigated by a shift in product mix to products with 3-megapixels or more, which realized higher margins. Imaging gross margins subsequent to the Company's sale of a 65% interest in Aptina on July 10, 2009, are affected by the transition to a wafer foundry manufacturing model where Imaging sells all of its output to Aptina under a wafer supply agreement. The Company anticipates that pricing under the wafer supply agreement will generally result in lower gross margins than historically realized by the Company on sales of Imaging products to end customers. The Company's gross margin for Imaging declined to 28% for 2008 from 34% for 2007 primarily due to declines in average selling prices mitigated by cost reductions and a shift to higher resolution products that realized better gross margins.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for 2009 decreased 22% from 2008, primarily due to lower payroll expenses and other costs related to the Company's restructure initiatives and lower legal expenses. Lower payroll expenses reflect reductions in headcount, variable pay, salary levels and employee benefits. SG&A expenses for 2008 decreased 25% from 2007 primarily due to lower legal costs as well as lower payroll costs and other expenses driven by the Company's restructure initiatives. The reduction of payroll costs in 2008 was primarily the result of a decrease in employee headcount. In 2007, the Company recorded a $31 million charge to SG&A as a result of the settlement of certain antitrust class action (direct purchaser) lawsuits. Future SG&A expense is expected to vary, potentially significantly, depending on, among other things, the number of legal matters that are resolved relatively early in their life-cycle and the number of matters that progress to trial. SG&A expenses by segment were as follows:

	2009	2008	2007
Memory segment	$315	$385	$532
Imaging segment	39	70	78
	$354	$455	$610

Research and Development

Research and development ("R&D") expenses vary primarily with the number of development wafers processed, the cost of advanced equipment dedicated to new product and process development, and personnel costs. Because of the lead times necessary to manufacture its products, the Company typically begins to process wafers before completion of performance and reliability testing. The Company deems development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. R&D expenses can vary significantly depending on the timing of product qualification as costs incurred in production prior to qualification are charged to R&D.

R&D expenses for 2009 decreased 5% from 2008 primarily due to lower payroll costs and decreases in costs of development wafers processed. Lower payroll expenses reflect reductions in variable pay, salary levels and employee benefits. R&D expenses were reduced by $107 million in 2009, $148 million in 2008 and $240 million in 2007 for amounts reimbursable from Intel under a NAND Flash R&D cost-sharing arrangement. R&D expenses for 2008 decreased 16% from 2007 primarily due to decreases in development wafers processed and lower payroll costs driven by the Company's restructure initiatives. The Company expects that the sale of a majority interest in Aptina in the fourth quarter of 2009 will reduce R&D expenses in future periods. R&D expenses by segment were as follows:

	2009	2008	2007
Memory segment	$529	$536	$648
Imaging segment	118	144	157
	$647	$680	$805

The Company's process technology research and development ("R&D") efforts are focused primarily on development of successively smaller line-width process technologies which are designed to facilitate the Company's transition to next generation memory products. Additional process technology R&D efforts focus on the enablement of advanced computing and mobile memory architectures, the investigation of new opportunities that leverage the Company's core semiconductor expertise, and the development of new manufacturing materials. Product design and development efforts are concentrated on the Company's high density DDR3 and mobile products, as well as high density and mobile NAND Flash memory (including MLC technology), specialty memory products and memory systems.

Restructure

In response to a severe downturn in the semiconductor memory industry and global economic conditions, the Company initiated restructure plans in 2009 primarily within the Company's Memory segment. In the first quarter of 2009, IM Flash, a joint venture between the Company and Intel, terminated its agreement with the Company to obtain NAND Flash memory supply from the Company's Boise facility, reducing the Company's NAND Flash production by approximately 35,000 200mm wafers per month. In connection with the termination of the NAND Flash memory supply agreement, Intel paid the Company $208 million in 2009. The Company and Intel also agreed to suspend tooling and the ramp of NAND Flash production at IM Flash's Singapore wafer fabrication facility. In addition, the Company phased out all remaining 200mm DRAM wafer manufacturing operations in Boise, Idaho in the second half of 2009. As a result of these restructure plans, the Company reduced employment in 2009 by approximately 4,600 employees, or approximately 20%. Due to improvements in market conditions and the pursuit of new business opportunities, future reduction in employees may not occur. In 2008 and 2007, to reduce costs, the Company implemented restructure initiatives including workforce reductions and relocating and outsourcing certain of its operations. The following table summarizes restructure charges (credits) resulting from the Company's restructure activities:

	2009	2008	2007
Write-down of equipment	$ 152	$ --	$ --
Severance and other employee costs	60	23	18
Gain from termination of NAND Flash supply agreement	(144)	--	--
Other	2	10	1
	$ 70	$ 33	$ 19

Goodwill Impairment

In the second quarter of 2009, the Company's Imaging segment experienced a severe decline in sales, margins and profitability due to a significant decline in demand for products as a result of the downturn in global economic conditions. The drop in market demand resulted in significant declines in average selling prices and unit sales. Due to these market and economic conditions, the Company's Imaging segment and its competitors experienced significant declines in market value. As a result, the Company concluded that there were sufficient factual circumstances for interim impairment analyses under SFAS No. 142 and it performed an assessment of goodwill for impairment. Based on the results of the impairment analysis, the Company wrote off all $58 million of goodwill relating to its Imaging segment in the second quarter of 2009.

In the first and second quarters of 2008, the Company experienced a sustained, significant decline in its stock price. As a result of the decline in stock price, the Company's market capitalization fell significantly below the recorded value of its consolidated net assets for most of the second quarter of 2008. The reduced market capitalization reflected, in part, the Memory segment's lower average selling prices and expected continued weakness in pricing for the Company's Memory products. Due to these market and economic conditions, the Company concluded that there were sufficient factual circumstances for interim impairment analyses of its Memory segment under SFAS No. 142 and it performed an assessment of goodwill for impairment. Based on the results of the impairment analysis, the Company wrote off all $463 million of goodwill relating to its Memory segment in the second quarter of 2008.

(See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Goodwill.")

Other Operating (Income) Expense, Net

Other operating (income) expense consisted of the following:

	2009	2008	2007
(Gain) loss on disposition of property, plant and equipment	$ 54	$ (66)	$ (43)
Loss on sale of majority interest in Aptina	41	--	--
Losses from changes in currency exchange rates	30	25	14
Other	(18)	(50)	(47)
	$ 107	$ (91)	$ (76)

In the table above, "Other" for 2008 included $38 million for receipts from the U.S. government in connection with anti-dumping tariffs and for 2007, included $30 million from the sale of certain intellectual property to Toshiba Corporation and $7 million in grants received in connection with the Company's operations in China.

Income Taxes

Income taxes for 2009, 2008 and 2007 primarily reflect taxes on the Company's non-U.S. operations and U.S. alternative minimum tax. The Company has a valuation allowance for its net deferred tax asset associated with its U.S. operations. The benefit for taxes on U.S. operations in 2009, 2008 and 2007 was substantially offset by changes in the valuation allowance. As of September 3, 2009, the Company had aggregate U.S. tax net operating loss carryforwards of $4.2 billion and unused U.S. tax credit carryforwards of $212 million. The Company also had unused state tax net operating loss carryforwards of $2.6 billion and unused state tax credits of $198 million as of September 3, 2009. Substantially all of the net operating loss carryforwards expire in 2022 to 2029 and substantially all of the tax credit carryforwards expire in 2013 to 2029. Due to the expiration of certain foreign statutes of limitations, the Company recognized approximately $15 million of previously unrecognized tax benefits in 2008.

Equity in Net Losses of Equity Method Investees

In connection with its DRAM partnering arrangements with Nanya, the Company has investments in two Taiwan DRAM memory companies accounted for as equity method investments: Inotera and MeiYa. Inotera and MeiYa each have fiscal years that end on December 31. The Company recognizes its share of Inotera's and MeiYa's quarterly earnings or losses for the calendar quarter that ends within the Company's fiscal quarter. This results in the recognition of the Company's share of earnings or losses from these entities for a period that lags the Company's fiscal periods by two months. The Company recognized losses from these equity method investments of $140 million for 2009.

As a result of its sale of a 65% interest in its Aptina subsidiary on July 10, 2009, the Company's investment in Aptina is accounted for as an equity method investment. The Company's shares in Aptina constitute 35% of Aptina's total common and preferred stock and 64% of Aptina's common stock. Under the equity method, the Company recognizes its share of Aptina's results of operations based on its 64% share of Aptina's common stock on a two-month lag beginning in 2010.

(See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Equity Method Investments.")

Noncontrolling Interests in Net (Income) Loss

Noncontrolling interests for 2009, 2008 and 2007 primarily reflects the share of income or losses of the Company's TECH joint venture attributed to the noncontrolling interests in TECH. The Company purchased $99 million of TECH shares on February 27, 2009, $99 million of TECH shares on June 2, 2009, and $60 million of TECH shares on August 27, 2009. As a result, noncontrolling interests in TECH were reduced from approximately 27% as of August 28, 2008 to approximately 15% in August 2009. (See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – TECH Semiconductor Singapore Pte. Ltd.")

Stock-based Compensation

Total compensation cost for the Company's equity plans in 2009, 2008 and 2007 was $44 million, $48 million and $44 million, respectively. Stock compensation expenses fluctuate based on assessments of whether performance conditions will be achieved for the Company's performance-based stock grants. As of September 3, 2009, $71 million of total unrecognized compensation cost related to non-vested awards was expected to be recognized through the fourth quarter of 2013.

Liquidity and Capital Resources

As of September 3, 2009, the Company had cash and equivalents and short-term investments totaling $1,485 million compared to $1,362 million as of August 28, 2008. The balance as of September 3, 2009, included $114 million held at the Company's IM Flash joint ventures and $188 million held at the Company's TECH joint venture. The Company's ability to access funds held by the joint ventures to finance the Company's other operations is subject to agreement by the joint venture partners, debt covenants and contractual limitations. Amounts held by TECH are not anticipated to be available to finance the Company's other operations.

The Company's liquidity is highly dependent on average selling prices for its products and the timing of capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the semiconductor memory market, the Company's cash flows from operations and current holdings of cash and investments may not be adequate to meet the Company's needs for capital expenditures and operations. Historically, the Company has used external sources of financing to fund these needs. Due to conditions in the credit markets, it may be difficult to obtain financing on terms acceptable to the Company. The Company significantly reduced its actual capital expenditures for 2009 and planned capital expenditures for 2010. In addition, the Company is considering further financing alternatives, continuing to limit capital expenditures and implementing further cost reduction initiatives.

Operating activities: Net cash provided by operating activities was $1,206 million in 2009 which reflected approximately $642 million generated from the production and sales of the Company's products and approximately $564 million provided from the management of working capital. Specifically, the Company reduced the amount of working capital as of September 3, 2009 invested in inventories by $304 million and receivables by $126 million as compared to August 28, 2008.

Investing activities: Net cash used for investing activities was $674 million in 2009, which included cash expenditures of $488 million for property, plant and equipment and cash expenditures of $408 million for the acquisition of a 35.5% interest in Inotera, partially offset by the net effect of maturities and purchases of marketable investment securities of $124 million. A significant portion of the capital expenditures related to IM Flash and TECH operations. The Company believes that to develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, it must continue to invest in manufacturing technologies, facilities and capital equipment and research and development. The Company expects that capital spending will be approximately $750 million to $850 million for 2010. As of September 3, 2009, the Company had commitments of approximately $276 million for the acquisition of property, plant and equipment, most of which is expected to be paid within one year.

Financing activities: Net cash used for financing activities was $290 million in 2009, which primarily reflects $705 million of distributions to joint venture partners, $429 million in debt payments and $144 million in payments on equipment purchase contracts, partially offset by $716 million in proceeds from borrowings and $276 million in net proceeds from the issuance of common stock.

On April 15, 2009, the Company issued 69.3 million shares of common stock for $4.15 per share in a registered public offering. The Company received net proceeds of $276 million after deducting underwriting fees and other offering costs of $12 million.

On April 15, 2009, the Company issued $230 million of 4.25% Convertible Senior Notes due October 15, 2013 (the "4.25% Senior Notes"). Issuance costs associated with the 4.25% Senior Notes totaled $7 million. The initial conversion rate for the 4.25% Senior Notes is 196.7052 shares of common stock per $1,000 principal amount of the 4.25% Senior Notes. This is equivalent to an initial conversion price of approximately $5.08 per share of common stock. Holders of the 4.25% Senior Notes may convert their 4.25% Senior Notes at any time prior to maturity, unless previously redeemed or repurchased. The Company may not redeem the 4.25% Senior Notes prior to April 20, 2012. On or after April 20, 2012, the Company may redeem for cash all or part of the 4.25% Senior Notes if the closing price of its common stock has been at least 135% of the conversion price for at least 20 trading days during a 30 consecutive trading day period.

Concurrent with the offering of the 4.25% Senior Notes, the Company also entered into capped call transactions (the "2009 Capped Calls") that have an initial strike price of approximately $5.08 per share, subject to certain adjustments, which was set to equal the initial conversion price of the 4.25% Senior Notes. The 2009 Capped Calls have a cap price of $6.64 per share and cover an approximate combined total of 45.2 million shares of common stock, and are subject to standard adjustments for instruments of this type. The 2009 Capped Calls are intended to reduce the potential dilution upon conversion of the 4.25% Senior Notes. If, however, the market value per share of the common stock, as measured under the terms of the 2009 Capped Calls, exceeds the applicable cap price of the 2009 Capped Calls, there would be dilution to the extent that the then market value per share of the common stock exceeds the cap price. The 2009 Capped Calls expire in October and November of 2012. The Company paid approximately $25 million to purchase the 2009 Capped Calls.

On February 23, 2009, the Company entered into a Singapore dollar-denominated term loan agreement with the Singapore Economic Development Board ("EDB") enabling the Company to borrow up to $300 million Singapore dollars at 5.4% per annum. The terms of the agreement require the Company to use the proceeds from any borrowings under the agreement to make equity contributions to its TECH Company's joint venture subsidiary. The loan agreement further required that TECH use the proceeds from the Company's equity contributions to purchase production assets and meet certain production milestones related to the implementation of advanced process manufacturing. The loan contains a covenant that limits the amount of indebtedness TECH can incur without approval from the EDB. The loan is collateralized by the Company's shares in TECH up to a maximum of 66% of TECH's outstanding shares. The Company drew $150 million Singapore dollars in the second quarter of 2009 and an additional $150 million Singapore dollar in the third quarter of 2009. The aggregate $300 million Singapore dollars outstanding ($208 million U.S. dollars as of September 3, 2009) is due in February 2012 with interest payable quarterly.

In the first quarter of 2009, in connection with its purchase of its interest in Inotera, the Company entered into a two-year, variable rate term loan with Nan Ya Plastics and a six-month, variable rate term loan with Inotera. The Company received loan proceeds of $200 million from Nan Ya Plastics and $85 million from Inotera. The Company repaid the $85 million Inotera loan in the third quarter of 2009. Under the terms of the Nan Ya Plastics loan agreement, interest is payable quarterly at LIBOR plus 2%. The interest rate resets quarterly and was 2.4% per annum as of September 3, 2009. Based on imputed interest rate of 12.1%, the Company recorded the Nan Ya Plastics loan net of a discount of $28 million, which is recognized as interest expense over the life of the loan. The Nan Ya Plastics loan is collateralized by a first priority security interest in the Inotera shares owned by the Company (approximate carrying value of $229 million as of September 3, 2009).

In 2008, the Company's TECH joint venture subsidiary drew $600 million under a credit facility at SIBOR plus 2.5%. The credit facility is collateralized by substantially all of the assets of TECH (approximately $1,498 million as of September 3, 2009) and contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. TECH repaid $50 million of principal amounts in 2009 and remaining payments are due in $50 million quarterly installments from September 2009 through May 2012. Under the terms of the credit facility, TECH held $30 million in restricted cash as of September 3, 2009, which was increased to $60 million in the first quarter of 2010. The Company has guaranteed approximately 85% of the outstanding amount borrowed under TECH's credit facility and the Company's guarantee could increase up to 100% of the outstanding amount borrowed under the facility based on further increases in the Company's ownership interest in TECH and other conditions.

(See "Item 8. Financial Statements – Notes to Consolidated Financial Statements – Supplemental Balance Sheet Information – Debt.")

Joint ventures: In 2009, IM Flash distributed $695 million to Intel and the Company expects that it will make additional distributions to Intel in 2010. Timing of these distributions and any future contributions, however, is subject to market conditions and approval of the partners.

The Company purchased $99 million of TECH shares on February 27, 2009, $99 million of TECH shares on June 2, 2009, and $60 million of TECH shares on August 27, 2009. As a result, the Company's ownership interest in TECH increased from approximately 73% as of August 28, 2008 to approximately 85% in August 2009. The Company expects to make additional capital contributions to TECH in 2010 to support its continued transition to 50nm wafer processing. The timing and amount of these contributions is subject to market conditions.

Contractual obligations: The following table summarizes the Company's significant contractual obligations at September 3, 2009, and the effect such obligations are expected to have on the Company's liquidity and cash flows in future periods.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable (1)	$ 2,785	$ 337	$ 854	$ 1,594	$ --
Capital lease obligations (1)	650	188	323	42	97
Operating leases	73	17	24	17	15
Purchase obligations	642	469	146	9	18
Other long-term liabilities	249	--	111	35	103
Total	$ 4,399	$ 1,011	$ 1,458	$ 1,697	$ 233

(1) Includes interest

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

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

Pursuant to the Inotera Supply Agreement, the Company has an obligation to purchase up to 50% of Inotera's output of semiconductor memory components subject to specific terms and conditions. As purchase quantities are based on qualified production output, the Inotera Supply Agreement does not contain a fixed or minimum purchase quantity and therefore the Company did not include its obligations under the Inotera Supply Agreement in the contractual obligations table above. The Company's obligation under the Inotera Supply Agreement also fluctuates due to pricing which is based on manufacturing costs and margins associated with the resale of DRAM products. Pursuant to the Company's obligations under the Inotera Supply Agreement, the Company purchased $46 million of trench DRAM products from Inotera in 2009.

Off-Balance Sheet Arrangements

Concurrent with the offering of the 1.875% Senior Notes in May 2007, the Company paid approximately $151 million for three Capped Call transactions (the "Capped Calls"). The Capped Calls cover an aggregate of approximately 91.3 million shares of common stock. The Capped Calls are in three equal tranches with cap prices of $17.25, $20.13 and $23.00 per share, respectively, each with an initial strike price of approximately $14.23 per share, subject to certain adjustments. The Capped Calls expire on various dates between November 2011 and December 2012. The Capped Calls are intended to reduce potential dilution upon conversion of the Senior Notes.

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

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

Recently Adopted Accounting Standards

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115". Under SFAS No. 159, an entity may elect to measure many financial instruments and certain other items at fair value on an instrument by instrument basis, subject to certain restrictions. The Company adopted SFAS No. 159 effective as of the beginning of 2009. The Company did not elect to measure any existing items at fair value upon the adoption of SFAS No. 159.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 (as amended by subsequent FSP's) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company adopted SFAS No. 157 effective as of the beginning of 2009 for financial assets and financial liabilities. The adoption did not have a significant impact on the Company's financial statements. SFAS No. 157 is also effective for all other assets and liabilities of the Company as of the beginning of 2010. The Company does not expect the adoption to have a significant impact on its financial statements as of the adoption date. The impact to periods subsequent to the initial adoption of SFAS No. 157 for nonfinancial assets and liabilities will depend on the nature and extent of nonfinancial assets and liabilities measured at fair value after the beginning of 2010.

Recently Issued Accounting Standards

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"), which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise's involvement in variable interest entities. The Company is required to adopt SFAS No. 167 as of the beginning of 2011. The Company is evaluating the impact the adoption of SFAS No. 167 will have on its financial statements.

In May 2008, the FASB issued FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP No. APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components of such instruments in a manner such that interest cost will be recognized at the entity's nonconvertible debt borrowing rate in subsequent periods. The Company is required to adopt FSP No. APB 14-1 as of the beginning of 2010. Upon adoption, the Company will retrospectively account for its $1.3 billion of 1.875% convertible senior notes issued in May, 2007 under the provisions of FSP No. APB 14-1. At issuance, the carrying value of the $1.3 billion convertible senior notes will be $402 million lower under FSP No. APB 14-1. This difference of $402 million will be recognized in equity as additional capital and the carrying value of the convertible senior notes will be accreted to their face amount with a charge to interest expense over the approximate seven-year term of the notes, resulting in additional interest expense (net of the effects of capitalized interest) of $50 million, $38 million and $12 million in 2009, 2008 and 2007, respectively. Additional interest expense will be $53 million in 2010, $57 million in 2011, $62 million in 2012, $67 million in 2013 and $54 million in 2014. Under FSP No. APB 14-1, the carrying value of the $1.3 billion convertible senior notes will be $1,006 million at September 3, 2009.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"), which establishes the principles and requirements for how an acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose. SFAS No. 141(R) is effective for the Company as of the beginning of 2010. The impact of the adoption of SFAS No. 141(R) will depend on the nature and extent of business combinations occurring after the beginning of 2010.

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In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS No. 160 requires that (1) noncontrolling interests be reported as a separate component of equity, (2) net income attributable to the parent and to the noncontrolling interest be separately identified in the statement of operations, (3) changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions and (4) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. SFAS No. 160 is effective for the Company as of the beginning of 2010 and must be applied prospectively, except for the presentation and disclosure requirements, which must be applied retrospectively. As a result of the retrospective adoption, the Company's reported total equity for 2009 and 2008 will increase by $1,986 million and $2,865 million, respectively, and its net loss for the years 2009, 2008 and 2007 will (increase) decrease by $(111) million, $(10) million and $122 million, respectively. The effect in periods subsequent to the initial adoption will depend on the amounts and balances of noncontrolling interests as of and for those periods and the nature and extent of transactions involving changes in the Company's noncontrolling interests after the beginning of 2010.

Critical Accounting Estimates

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

Acquisitions and consolidations: Determination and the allocation of the purchase price of acquired operations significantly influences the period in which costs are recognized. Accounting for acquisitions and consolidations requires the Company to estimate the fair value of the individual assets and liabilities acquired as well as various forms of consideration given, which involves a number of judgments, assumptions and estimates that could materially affect the amount and timing of costs recognized. The Company typically obtains independent third party valuation studies to assist in determining fair values, including assistance in determining future cash flows, appropriate discount rates and comparable market values. Determining whether or not to consolidate a variable interest entity may require judgment in assessing whether the Company is the entity's primary beneficiary.

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

Goodwill and intangible assets: The Company tests goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate (including declines in selling prices for products) or a decision to sell or dispose of a reporting unit. Goodwill is tested for impairment using a two-step process. In the first step, the fair value of each reporting unit is compared to the carrying value of the net assets assigned to the unit. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not impaired. If the carrying value of the reporting unit exceeds its fair value, then the second step of the impairment test must be performed in order to determine the implied fair value of the reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of all of the Company's tangible and intangible assets and liabilities. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company would record an impairment loss equal to the difference.

Determining when to test for impairment, the Company's reporting units, the fair value of a reporting unit and the fair value of assets and liabilities within a reporting unit, requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. The Company bases fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, judgments and assumptions are required to allocate assets and liabilities to reporting units. In the second quarter of 2009, the Company wrote off all $58 million of its goodwill related to the Imaging segment based on the results of its test for impairment. In the second quarter of 2008, the Company wrote off all $463 million of its goodwill relating to its Memory segment based on the results of its test for impairment.

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

Income taxes: The Company is required to estimate its provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. Estimates involve interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. The Company is also required to evaluate the realizability of its deferred tax assets on an ongoing basis in accordance with U.S. GAAP, which requires the assessment of the Company's performance and other relevant factors when determining the need for a valuation allowance with respect to these deferred tax assets. Realization of deferred tax assets is dependent on the Company's ability to generate future taxable income.

Inventories: Inventories are stated at the lower of average cost or market value and the Company recorded charges of $603 million in aggregate for 2009 and $282 million in aggregate for 2008, to write down the carrying value of inventories of memory products to their estimated market values. Cost includes labor, material and overhead costs, including product and process technology costs. Determining market value of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. To project average selling prices and sales volumes, the Company reviews recent sales volumes, existing customer orders, current contract prices, industry analysis of supply and demand, seasonal factors, general economic trends and other information. When these analyses reflect estimated market values below the Company's manufacturing costs, the Company records a charge to cost of goods sold in advance of when the inventory is actually sold. Differences in forecasted average selling prices used in calculating lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated market value of the Company's semiconductor memory inventory by approximately $75 million at September 3, 2009. Due to the volatile nature of the semiconductor memory industry, actual selling prices and volumes often vary significantly from projected prices and volumes and, as a result, the timing of when product costs are charged to operations can vary significantly.

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

Product and process technology: Costs incurred to acquire product and process technology or to patent technology developed by the Company are capitalized and amortized on a straight-line basis over periods currently ranging up to 10 years. The Company capitalizes a portion of costs incurred based on its analysis of historical and projected patents issued as a percent of patents filed. Capitalized product and process technology costs are amortized over the shorter of (i) the estimated useful life of the technology, (ii) the patent term or (iii) the term of the technology agreement.

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

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

Stock-based compensation: Under the provisions of SFAS No. 123(R), stock-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award. For stock-based compensation awards with graded vesting that were granted after 2005, the Company recognizes compensation expense using the straight-line amortization method. For performance-based stock awards, the expense recognized is dependent on the probability of the performance measure being achieved. The Company utilizes forecasts of future performance to assess these probabilities and this assessment requires considerable judgment.

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As of September 3, 2009, $2,359 million of the Company's $3,098 million of debt was at fixed interest rates. As a result, the fair value of the debt fluctuates based on changes in market interest rates. The estimated fair value of the Company's debt was $2,868 million as of September 3, 2009 and was $2,167 million as of August 28, 2008. The Company estimates that as of September 3, 2009, a 1% decrease in market interest rates would change the fair value of the fixed-rate debt by approximately $55 million. As of September 3, 2009, $739 million of the Company's debt was at variable interest rates and an increase of 1% would increase annual interest expense by approximately $8 million.

Foreign Currency Exchange Rate Risk

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

The functional currency for substantially all of the Company's operations is the U.S. dollar. The Company held cash and other assets in foreign currencies valued at an aggregate of U.S. $229 million as of September 3, 2009 and U.S. $425 million as of August 28, 2008. The Company also had foreign currency liabilities valued at an aggregate of U.S. $742 million as of September 3, 2009, and U.S. $580 million as of August 28, 2008. Significant components of the Company's assets and liabilities denominated in foreign currencies were as follows (in U.S. dollar equivalents):

	2009			2008		
	Singapore Dollars	Yen	Euro	Singapore Dollars	Yen	Euro
	(in millions)					
Cash and equivalents	$7	$8	$21	$84	$130	$25
Net deferred tax assets	--	115	1	--	85	2
Accounts payable and accrued expenses	(68)	(141)	(99)	(105)	(127)	(61)
Debt	(289)	(25)	(4)	(49)	(108)	(4)
Other liabilities	(6)	(54)	(38)	(8)	(45)	(43)

The Company estimates that, based on its assets and liabilities denominated in currencies other than the U.S. dollar as of September 3, 2009, a 1% change in the exchange rate versus the U.S. dollar would result in foreign currency gains or losses of approximately U.S. $3 million for the Singapore dollar and U.S. $1 million for euro and the yen. Historically, the Company has not used derivative instruments to hedge its foreign currency exchange rate risk.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

MICRON TECHNOLOGY, INC.

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

For the year ended	September 3, 2009	August 28, 2008	August 30, 2007
Net sales	$ 4,803	$ 5,841	$ 5,688
Cost of goods sold	5,242	5,896	4,610
Gross margin	(439)	(55)	1,078
Selling, general and administrative	354	455	610
Research and development	647	680	805
Restructure	70	33	19
Goodwill impairment	58	463	--
Other operating (income) expense, net	107	(91)	(76)
Operating loss	(1,675)	(1,595)	(280)
Interest income	22	79	143
Interest expense	(135)	(82)	(40)
Other non-operating income (expense), net	(16)	(13)	9
	(1,804)	(1,611)	(168)
Income tax (provision)	(2)	(18)	(30)
Equity in net losses of equity method investees, net of tax	(140)	--	--
Noncontrolling interests in net (income) loss	111	10	(122)
Net loss	$ (1,835)	$ (1,619)	$ (320)
Loss per share:			
Basic	$ (2.29)	$ (2.10)	$ (0.42)
Diluted	(2.29)	(2.10)	(0.42)
Number of shares used in per share calculations:			
Basic	800.7	772.5	769.1
Diluted	800.7	772.5	769.1

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

As of	September 3, 2009	August 28, 2008
Assets		
Cash and equivalents	$1,485	$1,243
Short-term investments	--	119
Receivables	798	1,032
Inventories	987	1,291
Other current assets	74	94
Total current assets	3,344	3,779
Intangible assets, net	344	364
Property, plant and equipment, net	7,081	8,811
Equity method investments	315	84
Other assets	371	392
Total assets	$11,455	$13,430
Liabilities and shareholders' equity		
Accounts payable and accrued expenses	$1,037	$1,111
Deferred income	209	114
Equipment purchase contracts	222	98
Current portion of long-term debt	424	275
Total current liabilities	1,892	1,598
Long-term debt	2,674	2,451
Other liabilities	249	338
Total liabilities	4,815	4,387
Commitments and contingencies		
Noncontrolling interests in subsidiaries	1,986	2,865
Common stock, $0.10 par value, authorized 3,000 shares, issued and outstanding 848.7 million and 761.1 million shares, respectively	85	76
Additional capital	6,863	6,566
Accumulated deficit	(2,291)	(456)
Accumulated other comprehensive (loss)	(3)	(8)
Total shareholders' equity	4,654	6,178
Total liabilities and shareholders' equity	$11,455	$13,430

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock					
	Number of Shares	Amount	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at August 31, 2006	749.4	$ 75	$ 6,555	$ 1,486	$ (2)	$ 8,114
Net loss				(320)		(320)
Stock issued under stock plans	8.7	1	73			74
Stock-based compensation expense			44			44
Repurchase and retirement of common stock	(0.2)		(2)	(2)		(4)
Adjustment to initially apply SFAS No. 158, net of tax benefit of $3					(5)	(5)
Purchase of capped calls			(151)			(151)
Balance at August 30, 2007	757.9	$ 76	$ 6,519	$ 1,164	$ (7)	$ 7,752
Comprehensive income (loss):						
Net loss				(1,619)		(1,619)
Other comprehensive income (loss):						
Net change in unrealized gain (loss) on investments, net of tax					(1)	(1)
Total comprehensive income (loss)						(1,620)
Stock issued under stock plans	3.7		3			3
Stock-based compensation expense			48			48
Adoption of FIN 48				(1)		(1)
Repurchase and retirement of common	(0.5)		(4)			(4)

stock						
Balance at August 28, 2008	761.1	$ 76	$ 6,566	$ (456)	$ (8)	$ 6,178
Comprehensive income (loss):						
Net loss				(1,835)		(1,835)
Other comprehensive income (loss):						
Net change in unrealized gain (loss) on investments, net of tax					13	13
Net change in cumulative translation adjustment, net of tax					(9)	(9)
Pension liability adjustment, net of tax					1	1
Total comprehensive income (loss)						(1,830)
Stock issued under stock plans	4.0	1				1
Stock-based compensation expense			44			44
Repurchase and retirement of common stock	(0.5)		(2)			(2)
Issuance of common stock	69.3	7	269			276
Stock issued for business acquisition	1.8		12			12
Exercise of Intel stock rights	13.0	1	(1)			--
Purchase of capped calls			(25)			(25)
Balance at September 3, 2009	848.7	$ 85	$ 6,863	$ (2,291)	$ (3)	$ 4,654

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

For the year ended	September 3, 2009	August 28, 2008	August 30, 2007
Cash flows from operating activities			
Net loss	$(1,835)	$(1,619)	$(320)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	2,139	2,060	1,718
Provision to write-down inventories to estimated market values	603	282	20
Noncash restructure charges	156	7	5
Equity in net losses of equity method investees, net of tax	140	--	--
Goodwill impairment	58	463	--
(Gain) loss from disposition of property, plant and equipment	54	(66)	(43)
Loss on sale of majority interest in Aptina	41	--	--
Noncontrolling interests in net income (loss)	(111)	(10)	122
Change in operating assets and liabilities:			
(Increase) decrease in receivables	126	(26)	5
Increase in inventories	(356)	(40)	(591)
Increase (decrease) in accounts payable and accrued expenses	107	(92)	--
Decrease in customer prepayments	(63)	(38)	(4)
Increase in deferred income	81	28	30
Other	66	69	(5)
Net cash provided by operating activities	1,206	1,018	937
Cash flows from investing activities			
Expenditures for property, plant and equipment	(488)	(2,529)	(3,603)
Acquisition of equity method investment	(408)	(84)	--
(Increase) decrease in restricted cash	(56)	--	14
Purchases of available-for-sale securities	(6)	(283)	(1,466)
Acquisition of additional interest in TECH	--	--	(73)
Proceeds from maturities of available-for-sale securities	130	547	2,156
Distributions from equity method investments	41	--	--
Proceeds from sales of property, plant and equipment	26	187	94
Proceeds from sales of available-for-sale securities	--	24	540
Other	87	46	(53)
Net cash used for investing activities	(674)	(2,092)	(2,391)
Cash flows from financing activities			
Proceeds from debt	716	837	1,300
Proceeds from issuance of common stock, net of costs	276	4	69
Contributions from noncontrolling interests	24	400	1,249
Proceeds from equipment sale-leaseback transactions	4	111	454
Distributions to noncontrolling interests	(705)	(132)	--

Repayments of debt	(429)	(698)	(193)
Payments on equipment purchase contracts	(144)	(387)	(487)
Cash paid for capped call transactions	(25)	--	(151)
Other	(7)	(10)	(26)
Net cash provided by (used for) financing activities	(290)	125	2,215
Net increase (decrease) in cash and equivalents	242	(949)	761
Cash and equivalents at beginning of year	1,243	2,192	1,431
Cash and equivalents at end of year	$1,485	$1,243	$2,192
Supplemental disclosures			
Income taxes paid, net	$(43)	$(36)	$(41)
Interest paid, net of amounts capitalized	(107)	(84)	(22)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	331	501	1,010

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All tabular amounts in millions except per share amounts)

Significant Accounting Policies

Basis of presentation: Micron Technology, Inc. and its consolidated subsidiaries (hereinafter referred to collectively as the "Company") is a global manufacturer and marketer of semiconductor devices, principally DRAM and NAND Flash memory. In addition, the Company manufactures CMOS image sensor products under a wafer foundry arrangement. The Company has two reportable segments, Memory and Imaging. The Memory segment's primary products are DRAM and NAND Flash and the Imaging segment's primary product is CMOS image sensors. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparation of the accompanying consolidated financial statements, the Company evaluated events and transactions occurring after September 3, 2009 through October 28, 2009. All significant intercompany transactions and balances have been eliminated.

The Company's fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. The Company's fiscal 2009 contained 53 weeks and fiscal 2008 and 2007 each contained 52 weeks. All period references are to the Company's fiscal periods unless otherwise indicated.

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

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

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

Research and development: Costs related to the conceptual formulation and design of products and processes are expensed as research and development as incurred. Determining when product development is complete requires judgment by the Company. The Company deems development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. Subsequent to product qualification, product costs are valued in inventory. Product design and other research and development costs for NAND Flash are shared equally among the Company and Intel Corporation ("Intel"). Charges from the cost-sharing agreement to Intel are reflected as a reduction of research and development expense. (See "Consolidated Variable Interest Entities – NAND Flash joint ventures with Intel.")

Stock-based compensation: Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. For stock awards granted after the beginning of 2006, expenses are amortized under the straight-line attribution method. The Company issues new shares upon the exercise of stock options or conversion of share units. (See "Equity Plans.")

Functional currency: The U.S. dollar is the Company's functional currency for substantially all of its consolidated operations.

Earnings per share: Basic earnings per share is computed based on the weighted-average number of common shares and stock rights outstanding. Diluted earnings per share is computed based on the weighted-average number of common shares and stock rights outstanding plus the dilutive effects of stock options, warrants and convertible notes. Potential common shares that would increase earnings per share amounts or decrease loss per share amounts are antidilutive and are, therefore, excluded from diluted per share calculations.

Financial instruments: Cash equivalents include highly liquid short-term investments with original maturities to the Company of three months or less, readily convertible to known amounts of cash. Investments with original maturities greater than three months and remaining maturities less than one year are included in short-term investments. Investments with remaining maturities greater than one year are included in other noncurrent assets. Securities classified as available-for-sale are stated at market value. The carrying value of investment securities sold is determined using the specific identification method.

Inventories: Inventories are stated at the lower of average cost or market value. Cost includes labor, material and overhead costs, including product and process technology costs. Determining fair market values of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. When fair market values are below the Company's costs, the Company records a charge to cost of goods sold to write down inventories to their estimated market value in advance of when the inventories are actually sold. The Company's inventories have been categorized as Memory products or Imaging products for purposes of determining average cost and fair market value. The major characteristics the Company considers in determining categories are product type and markets.

Product and process technology: Costs incurred to acquire product and process technology or to patent technology developed by the Company are capitalized and amortized on a straight-line basis over periods ranging up to 10 years. The Company capitalizes a portion of costs incurred based on its analysis of historical and projected patents issued as a percent of patents filed. Capitalized product and process technology costs are amortized over the shorter of (i) the estimated useful life of the technology, (ii) the patent term or (iii) the term of the technology agreement. Fully-amortized assets are removed from product and process technology and accumulated amortization.

Property, plant and equipment: Property, plant and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of 5 to 30 years for buildings, 2 to 20 years for equipment and 3 to 5 years for software. Assets held for sale are carried at the lower of cost or estimated fair value and are included in other noncurrent assets. When property or equipment is retired or otherwise disposed of, the net book value of the asset is removed from the Company's accounts and any gain or loss is included in the Company's results of operations.

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. The Company capitalized interest costs of \$3 million, \$13 million and \$18 million in 2009, 2008 and 2007, respectively, in connection with various capital projects.

Recently adopted accounting standards: In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115". Under SFAS No. 159, an entity may elect to measure many financial instruments and certain other items at fair value on an instrument by instrument basis, subject to certain restrictions. The Company adopted SFAS No. 159 effective as of the beginning of 2009. The Company did not elect to measure any existing items at fair value upon the adoption of SFAS No. 159.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 (as amended by subsequent FSP's) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company adopted SFAS No. 157 effective as of the beginning of 2009 for financial assets and financial liabilities. The adoption did not have a significant impact on the Company's financial statements. SFAS No. 157 is also effective for all other assets and liabilities of the Company as of the beginning of 2010. The Company does not expect the adoption to have a significant impact on its financial statements as of the adoption date. The impact to periods subsequent to the initial adoption of SFAS No. 157 for nonfinancial assets and liabilities will depend on the nature and extent of nonfinancial assets and liabilities measured at fair value after the beginning of 2010.

Recently issued accounting standards: In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS No. 167”), which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise’s involvement in variable interest entities. The Company is required to adopt SFAS No. 167 as of the beginning of 2011. The Company is evaluating the impact the adoption of SFAS No. 167 will have on its financial statements.

In May 2008, the FASB issued FSP No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” FSP No. APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components of such instruments in a manner such that interest cost will be recognized at the entity’s nonconvertible debt borrowing rate in subsequent periods. The Company is required to adopt FSP No. APB 14-1 as of the beginning of 2010. Upon adoption, the Company will retrospectively account for its $1.3 billion of 1.875% convertible senior notes issued in May, 2007 under the provisions of FSP No. APB 14-1. At issuance, the carrying value of the $1.3 billion convertible senior notes will be $402 million lower under FSP No. APB 14-1. This difference of $402 million will be recognized in equity as additional capital and the carrying value of the convertible senior notes will be accreted to their face amount with a charge to interest expense over the approximate seven-year term of the notes, resulting in additional interest expense (net of the effects of capitalized interest) of $50 million, $38 million and $12 million in 2009, 2008 and 2007, respectively. Additional interest expense will be $53 million in 2010, $57 million in 2011, $62 million in 2012, $67 million in 2013 and $54 million in 2014. Under FSP No. APB 14-1, the carrying value of the $1.3 billion convertible senior notes will be $1,006 million at September 3, 2009.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)”), which establishes the principles and requirements for how an acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose. SFAS No. 141(R) is effective for the Company as of the beginning of 2010. The impact of the adoption of SFAS No. 141(R) will depend on the nature and extent of business combinations occurring after the beginning of 2010.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.” SFAS No. 160 requires that (1) noncontrolling interests be reported as a separate component of equity, (2) net income attributable to the parent and to the noncontrolling interest be separately identified in the statement of operations, (3) changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and (4) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. SFAS No. 160 is effective for the Company as of the beginning of 2010 and must be applied prospectively, except for the presentation and disclosure requirements, which must be applied retrospectively. As a result of the retrospective adoption, the Company’s reported total equity for 2009 and 2008 will increase by $1,986 million and $2,865 million, respectively, and its net loss for the years 2009, 2008 and 2007 will (increase) decrease by $(111) million, $(10) million and $122 million, respectively. The effect in periods subsequent to the initial adoption will depend on the amounts and balances of noncontrolling interests as of and for those periods and the nature and extent of transactions involving changes in the Company’s noncontrolling interests after the beginning of 2010.

Supplemental Balance Sheet Information

Investment Securities	2009	2008
Available-for-sale securities:		
Certificates of deposit	$187	$198
U.S. government and agencies	--	289
Commercial paper	--	271
Other	22	28
	209	786
Less cash equivalents	(187)	(641)
Less investments included in noncurrent assets	(22)	(26)
Short-term investments	$--	$119

In 2009 and 2008, the Company recognized losses of $15 million and $8 million, respectively, for other-than-temporary impairments of investment securities and in 2008 realized losses of $5 million on sales of investment securities. As of September 3, 2009, the Company had gross unrealized gains of $9 million in accumulated other comprehensive income, substantially all of which related to equity securities that had a fair value of $15 million. As of August 28, 2008, the Company had gross unrealized losses of $7 million in accumulated other comprehensive income, substantially all of which related to investments in commercial paper that had a fair value of $86 million and had been in an unrealized loss position for less than one year.

Receivables	2009	2008
Trade receivables (net of allowance for doubtful accounts of $5 million and $2 million, respectively)	$591	$741
Related party receivables	70	--
Income and other taxes	49	43
Other	88	248
	$798	$1,032

As of September 3, 2009, related party receivables included $69 million due from Aptina Imaging Corporation under a wafer supply agreement for image sensor products and $1 million due from Inotera Memories, Inc. for reimbursement of expenses incurred under a technology transfer agreement.

As of September 3, 2009 and August 28, 2008, other receivables included $29 million and $71 million, respectively, due from Intel for amounts related to NAND Flash product design and process development activities. Other receivables as of September 3, 2009 and August 28, 2008 also included $40 million and $75 million, respectively, due from settlement of litigation and $58 million, as of August 28, 2008, due from settlements of pricing adjustments with certain suppliers.

Inventories	2009	2008
Finished goods	$233	$444
Work in process	649	671
Raw materials and supplies	105	176
	$987	$1,291

The Company's results of operations for the second and first quarters of 2009 included charges of $234 million and $369 million, respectively, to write down the carrying value of work in process and finished goods inventories of memory products (both DRAM and NAND Flash) to their estimated market values. For the fourth, second and first quarters of 2008, the Company recorded charges to write down the carrying value of work in process and finished goods inventories by $205 million, $15 million and $62 million, respectively.

Intangible Assets

	2009		2008	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	$ 439	$ (181)	$ 577	$ (320)
Customer relationships	127	(50)	127	(35)
Other	28	(19)	29	(14)
	$ 594	$ (250)	$ 733	$ (369)

During 2009, the Company capitalized $88 million for product and process technology with a weighted-average useful life of 9 years. During 2008, the Company capitalized $43 million for product and process technology with a weighted-average useful life of 10 years.

Amortization expense for intangible assets was $75 million, $80 million and $75 million in 2009, 2008 and 2007, respectively. Annual amortization expense for intangible assets is estimated to be $66 million for 2010, $63 million for 2011, $54 million for 2012, $50 million for 2013 and $41 million for 2014.

Property, Plant and Equipment	2009	2008
Land	$96	$99
Buildings (includes $184 million and $142 million, respectively, for capital leases)	4,463	3,829
Equipment (includes $630 million and $755 million, respectively, for capital leases)	11,834	13,591
Construction in progress	47	611
Software	269	283
	16,709	18,413
Accumulated depreciation (includes $331 million and $327 million, respectively, for capital leases)	(9,628)	(9,602)
	$7,081	$8,811

Depreciation expense was $2,038 million, $1,976 million and $1,644 million for 2009, 2008 and 2007, respectively.

The Company, through its IM Flash joint venture, has an unequipped wafer manufacturing facility in Singapore that has been idle since it was completed in the first quarter of 2009. The Company has been recording depreciation expense for the facility since it was completed and its net book value was $624 million as of September 3, 2009. Utilization of the facility is dependent upon market conditions, including, but not limited to, worldwide market supply of, and demand for, semiconductor products, availability of financing, agreement between the Company and its joint venture partner and the Company's operations, cash flows and alternative capacity utilization opportunities. (See "Consolidated Variable Interest Entities – NAND Flash joint ventures with Intel" note.)

As part of a restructure plan initiated in 2009 to shut down 200mm manufacturing operations at its Boise, Idaho facilities, the Company recorded impairment charges of $152 million in 2009. In connection therewith, assets with a carrying value of $34 million as of September 3, 2009 (original acquisition cost of $1,422 million) were classified as held for sale and included in other noncurrent assets. (See "Restructure" note.)

As of September 3, 2009, property, plant and equipment with a carrying value of $1,176 million was collateral under TECH's credit facility and $86 million of property, plant and equipment was collateral under the Company's other notes payable. (See “Debt” and “TECH Semiconductor Singapore Pte. Ltd.” notes.)

Goodwill

As of August 28, 2008, other noncurrent assets included goodwill of $58 million, all of which related to the Company’s Imaging segment. In the second quarter of 2009, the Company wrote off the $58 million of Imaging goodwill based on the results of its test for impairment. In the second quarter of 2008, the Company wrote off the $463 million of goodwill relating to its Memory segment based on the results of its test for impairment.

SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill be tested for impairment at a reporting unit level. The Company has determined that its reporting units are its Memory and Imaging segments based on its organizational structure and the financial information provided to and reviewed by management. The Company tests goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Goodwill is tested for impairment using a two-step process. In the first step, the fair value of a reporting unit is compared to its carrying value. If the carrying value of the net assets assigned to a reporting unit exceeds the fair value of a reporting unit, the second step of the impairment test is performed in order to determine the implied fair value of the goodwill of a reporting unit. If the carrying value of the goodwill of a reporting unit exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference.

In the second quarter of 2009, the Company's Imaging segment experienced a severe decline in sales, margins and profitability due to a significant decline in demand as a result of the downturn in global economic conditions. The drop in market demand resulted in significant declines in average selling prices and unit sales. Due to these market and economic conditions, the Company's Imaging segment and its competitors experienced significant declines in market value. As a result, the Company concluded that there were sufficient factual circumstances for interim impairment analyses under SFAS No. 142. Accordingly, in the second quarter of 2009, the Company performed an assessment of its Imaging segment goodwill for impairment.

In the first step of the impairment analysis, the Company performed valuation analyses utilizing both income and market approaches to determine the fair value of its reporting units. Under the income approach, the Company determined the fair value based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the Imaging segment and the rate of return an outside investor would expect to earn. Estimated future cash flows were based on the Company's internal projection models, industry projections and other assumptions deemed reasonable by management. Under the market-based approach, the Company derived the fair value of its Imaging segment based on revenue multiples of comparable publicly-traded peer companies. In the second step of the impairment analysis, the Company determined the implied fair value of goodwill for the Imaging segment by allocating the fair value of the segment to all of its assets and liabilities in accordance with SFAS No. 141, "Business Combinations," as if the Imaging segment had been acquired in a business combination and the price paid to acquire it was the fair value.

Based on the results of the Company's assessment of goodwill for impairment, it was determined that the carrying value of the Imaging segment exceeded its estimated fair value as of the end of the second quarter of 2009. Therefore, the Company performed the second step of the impairment test to estimate the implied fair value of goodwill, which indicated there would be no remaining implied value attributable to goodwill in the Imaging segment. Accordingly, the Company wrote off all the $58 million of goodwill associated with its Imaging segment as of March 5, 2009.

In the first and second quarters of 2008, the Company experienced a sustained, significant decline in its stock price. As a result of the decline in stock prices, the Company's market capitalization fell significantly below the recorded value of its consolidated net assets for most of the second quarter of 2008. The reduced market capitalization at that time reflected, in part, the Memory segment's lower average selling prices and expected continued weakness in pricing for the Company's memory products. Accordingly, in the second quarter of 2008, the Company performed an assessment of Memory segment goodwill for impairment. In the first step of the impairment analysis, the Company performed extensive valuation analyses utilizing both income and market approaches to determine the fair value of its reporting units, which indicated that the carrying value of the Memory segment exceeded its estimated fair value. Therefore, the Company performed the second step of the impairment test to determine the implied fair value of goodwill, which indicated that there would be no remaining implied value attributable to goodwill in the Memory segment and accordingly, the Company wrote off all $463 million of goodwill associated with its Memory segment as of February 28, 2008.

Equity Method Investments

The Company has partnered with Nanya Technology Corporation (“Nanya”) in two Taiwan DRAM memory companies, Inotera Memories, Inc. (“Inotera”) and MeiYa Technology Corporation (“MeiYa”), which are accounted for as equity method investments. The Company also has an equity method investment in Aptina Imaging Corporation (“Aptina”), a CMOS imaging company.

DRAM joint ventures with Nanya: The Company has a partnering arrangement with Nanya pursuant to which the Company and Nanya jointly develop process technology and designs to manufacture stack DRAM products. In addition, the Company has deployed and licensed certain intellectual property related to the manufacture of stack DRAM products to Nanya and licensed certain intellectual property from Nanya. As a result, the Company is to receive an aggregate of $207 million from Nanya through 2010. The Company recognized $105 million of license revenue in net sales from this agreement in 2009, and since May 2008 through September 3, 2009, has recognized $142 million of cumulative license revenue. In addition, the Company expects to receive royalties in future periods from Nanya for sales of stack DRAM products manufactured by or for Nanya.

The Company has concluded that both Inotera and MeiYa are variable interest entities as defined in FIN 46(R), “Consolidation of Variable Interest Entities – an interpretation of ARB No. 51,” because of the Inotera and MeiYa supply agreements with Micron and Nanya. Nanya and the Company are considered related parties under the provisions of FIN 46(R). The Company reviewed several factors to determine whether it is the primary beneficiary of Inotera and MeiYa, including the size and nature of the entities’ operations relative to Nanya and the Company, nature of the day-to-day operations and certain other factors. Based on those factors, the Company determined that Nanya is more closely associated with, and therefore the primary beneficiary of, Inotera and MeiYa. The Company accounts for its interests using the equity method of accounting and does not consolidate these entities.

Inotera and MeiYa each have fiscal years that end on December 31. The Company recognizes its share of Inotera’s and MeiYa’s quarterly earnings or losses for the calendar quarter that ends within the Company’s fiscal quarter. As a result, the Company recognizes its share of earnings or losses from these entities for a period that lags the Company’s fiscal periods by two months.

Inotera: In the first quarter of 2009, the Company acquired a 35.5% ownership interest in Inotera, a publicly-traded entity in Taiwan, from Qimonda AG (“Qimonda”) for $398 million. The interest in Inotera was acquired for cash, a portion of which was funded from loan proceeds of $200 million received from Nan Ya Plastics Corporation, an affiliate of Nanya. A portion was also funded from loan proceeds of $85 million received from Inotera, which the Company repaid with accrued interest in the third quarter of 2009. The loans were recorded at their fair values, which reflect an aggregate discount of $31 million from their face amounts. This aggregate discount was recorded as a reduction of the Company’s basis in its investment in Inotera. The Company also capitalized $10 million of costs and other fees incurred in connection with the acquisition. As a result of the above transactions, the initial carrying value of the Company’s investment in Inotera was $377 million. As of the date of acquisition, the Company’s proportionate share of Inotera’s shareholders' equity was approximately $250 million higher than the Company’s initial carrying value of $377 million. Substantially all of this difference will be amortized over the estimated five-year weighted-average remaining useful life of Inotera’s production equipment and facilities as of the acquisition date (the “Inotera Amortization”). (See “Debt” note.)

On August 3, 2009, Inotera finalized the issuance of common shares in a public offering at a price equal to $16.02 New Taiwan dollars per common share (approximately $0.49 U.S. dollars at August 3, 2009). Inotera expects to use the net proceeds of approximately $310 million to begin conversion to the Company’s 50nm stack DRAM technology. As a result of the issuance, the Company’s interest in Inotera decreased from 35.5% to 29.8% and the Company will recognize a gain of $59 million in the first quarter of 2010. As of September 3, 2009, the ownership of Inotera was held 29.9% by Nanya, 29.8% by the Company and the balance was publicly held.

In connection with the acquisition of the shares in Inotera, the Company and Nanya entered into a supply agreement with Inotera (the "Inotera Supply Agreement") pursuant to which Inotera will sell trench and stack DRAM products to the Company and Nanya. The Company has rights and obligations to purchase up to 50% of Inotera's wafer production capacity. Inotera's actual wafer production will vary from time to time based on market and other conditions. Inotera's trench production is expected to transition to the Company's stack process technology. Inotera charges the Company and Nanya for a portion of the costs associated with its underutilized capacity, if any. The cost to the Company of wafers purchased under the Inotera Supply Agreement is based on a margin sharing formula among the Company, Nanya and Inotera. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as the Company's and Nanya's selling prices for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers from Inotera. Under the Inotera Supply Agreement, the Company's purchase obligation includes purchasing Inotera's trench DRAM capacity (less any trench DRAM products sold to Qimonda pursuant to a separate supply agreement between Inotera and Qimonda (the "Qimonda Supply Agreement")). Under the Qimonda Supply Agreement, Qimonda was obligated to purchase trench DRAM products resulting from wafers started for it by Inotera through July 2009 in accordance with a ramp down schedule specified in the Qimonda Supply Agreement. In the second quarter of 2009, Qimonda filed for bankruptcy protection and defaulted on its obligations to purchase products from Inotera. Pursuant to the Company's obligations under the Inotera Supply Agreement, the Company recorded $95 million of charges to cost of goods sold in 2009 for underutilized capacity. For 2009, the Company purchased $46 million of trench DRAM products from Inotera under the Inotera Supply Agreement.

The Company's results of operations for 2009 also include losses of $130 million for the Company's share of Inotera's losses from the acquisition date through the second calendar quarter of 2009. The losses recorded by the Company are net of $38 million of the Inotera Amortization as defined above. During the third quarter of 2009, the Company received $50 million from Inotera pursuant to the terms of a technology transfer agreement. In connection therewith, the Company reduced its investment in Inotera by $18 million based on its 35.5% share in Inotera. The technology transfer agreement with Inotera supplanted a technology transfer agreement between the Company and MeiYa. License fee revenue from the technology transfer agreements is being recognized through the third quarter of 2010. The Company recognized $15 million and $4 million of revenue in 2009 and 2008, respectively, from the agreements with Inotera and MeiYa. As of September 3, 2009, the Company had unrecognized license fee revenue of $13 million related to the technology transfer fee.

As of September 3, 2009, the carrying value of the Company's equity investment in Inotera was $229 million and is included in equity method investments in the accompanying consolidated balance sheet. As of September 3, 2009, the Company had recorded a loss of $3 million to accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets for cumulative translation adjustments on its investment in Inotera. Based on the closing trading price of Inotera's shares in an active market on September 3, 2009, the market value of the Company's shares in Inotera was $694 million.

Summarized financial information for Inotera as of June 30, 2009 and for the period from the Company's initial acquisition of Inotera shares on October 20, 2008 through June 30, 2009 (the period that Inotera's operating results are reflected in the Company's 2009 operating results due to the two-month lag period), is as follows:

As of June 30, 2009

Current assets	$450
Noncurrent assets (primarily property, plant and equipment)	3,315
Current liabilities	1,789
Noncurrent liabilities	740

For the period October 20, 2008 to June 30, 2009

Net sales	$607
Gross margin	(370)
Loss from operations	(462)
Net loss	(534)

As of September 3, 2009, the Company’s maximum exposure to loss on its investment in Inotera equaled the $232 million recorded in the Company’s consolidated balance sheet for its investment in Inotera including the $3 million loss in accumulated other comprehensive income (loss). The Company may also incur losses in connection with its obligations under the Inotera Supply Agreement to purchase up to 50% of Inotera’s wafer production under a long-term pricing arrangement and charges from Inotera for underutilized capacity.

On May 1, 2009, Inotera entered into an agreement with Nanya and MeiYa to lease a Nanya wafer fabrication facility that Nanya had previously been leasing to MeiYa. The initial lease term is from January 1, 2009 through December 31, 2018 and Inotera is entitled to renew this lease for an unlimited number of additional five-year terms. In addition, Inotera has an option to purchase the leased facility for $50 million after December 31, 2023. Inotera's initial lease obligations to Nanya are $15 million annually for the first nine years. For the first five-year renewal lease term, Inotera would pay $10 million annually and for each subsequent renewal term, it would pay $2 million annually. Concurrent with this agreement, Inotera purchased equipment from MeiYa for approximately $78 million.

MeiYa: In the fourth quarter of 2008, the Company and Nanya formed MeiYa to manufacture stack DRAM products and sell such products exclusively to the Company and Nanya. As of September 3, 2009, the ownership of MeiYa was held 50% by Nanya and 50% by the Company. The carrying value of the Company's equity investment in MeiYa was $42 million and $84 million as of September 3, 2009 and August 28, 2008, respectively, and is included in equity method investments in the accompanying consolidated balance sheets. As of September 3, 2009, the Company had recorded a loss of $6 million to accumulated other comprehensive income (loss) in the accompanying consolidated balance sheet for cumulative translation adjustments on its investment in MeiYa. The Company's results of operations for 2009 include losses of $10 million for its share of MeiYa's results of operations for the twelve-month period ended June 30, 2009. Losses recognized in 2008 were de minimis.

Pursuant to a technology transfer agreement, the Company received $50 million from MeiYa in the first quarter of 2009. The technology transfer agreement between the Company and MeiYa was supplanted by a technology transfer agreement between the Company and Inotera and the Company returned the $50 million with accrued interest to MeiYa in the fourth quarter of 2009.

In connection with the purchase of its ownership interest in Inotera, the Company entered into a series of agreements with Nanya pursuant to which both parties ceased future funding of, and resource commitments to, MeiYa. In the fourth quarter of 2009, the Company received a distribution of $27 million from MeiYa. As of September 3, 2009, the Company's maximum exposure to loss on its MeiYa investment equaled the $48 million recorded in the Company's consolidated balance sheet for its investment in MeiYa, including the $6 million loss in accumulated other comprehensive income (loss).

Aptina: On July 10, 2009, the Company sold a 65% interest in Aptina, previously a wholly-owned subsidiary of the Company and a significant component of the Company's Imaging segment, to Riverwood Capital ("Riverwood") and TPG Capital ("TPG"). In connection with the transaction, the Company received approximately $35 million in cash and retained a 35% interest in Aptina. A portion of the 65% interest held by Riverwood and TPG are convertible preferred shares and have a liquidation preference over the common shares. As a result, the Company's interest represents 64% of Aptina's common stock. The Company also retained all cash held by Aptina and its subsidiaries. The Company recorded a loss of $41 million in connection with the sale. The carrying values of Aptina assets and liabilities, prior to the effects of the transaction, were as follows:

Receivables	$50
Inventories	56
Other current assets	20
Other assets (primarily property, plant and equipment and intangible assets)	63
Accounts payable and accrued expenses	(68)
Other liabilities	(1)
Net carrying value	$120

Under the equity method, the Company will recognize its share of Aptina's results of operations based on its 64% share of Aptina's common stock on a two-month lag beginning in 2010. As of September 3, 2009, the Company's investment in Aptina was $44 million. The Company's Imaging segment continues to manufacture products for Aptina under a wafer supply agreement and recognized $70 million of sales and $60 million of cost of goods sold from products sold to Aptina subsequent to July 10, 2009.

Accounts Payable and Accrued Expenses	2009	2008
Accounts payable	$526	$597
Customer advances	150	130
Salaries, wages and benefits	147	244
Related party payables	83	--
Income and other taxes	32	27
Other	99	113
	$1,037	$1,111

As of September 3, 2009, related party payables consisted of amounts due to Inotera under the Inotera Supply Agreement including $51 million for the purchase of trench DRAM products and $32 million for underutilized capacity. (See "Equity Method Investments – DRAM joint ventures with Nanya – Inotera" note.)

As of September 3, 2009 and August 28, 2008, customer advances included $142 million and $129 million, respectively, for the Company's obligation to provide certain NAND Flash memory products to Apple Computer, Inc. ("Apple") until December 31, 2010 pursuant to a prepaid NAND Flash supply agreement. As of September 3, 2009 and August 28, 2008, other accounts payable and accrued expenses included $24 million and $16 million, respectively, for amounts due to Intel for NAND Flash product design and process development and licensing fees pursuant to a product designs development agreement.

Debt	2009	2008
Convertible senior notes, interest rate of 1.875%, due June 2014	$1,300	$1,300
TECH credit facility, effective interest rates of 3.6% and 5.0% , respectively, net of discount of $2 million and $3 million, respectively, due in periodic installments through May 2012	548	597
Capital lease obligations, weighted-average imputed interest rate of 6.7% and 6.6%, respectively, due in monthly installments through February 2023	559	657
Convertible senior notes, interest rate of 4.25%, due October 2013	230	--
EDB notes, interest rate of 5.4%, due February 2012	208	--
Nan Ya Plastics notes, effective imputed interest rate of 12.1%, net of discount of $18 million, due November 2010	182	--
Convertible subordinated notes, interest rate of 5.6%, due April 2010	70	70
Other notes, weighted-average effective interest rates of 9.5% and 1.6%, respectively, due in periodic installments through July 2015	1	102
	3,098	2,726
Less current portion	(424)	(275)
	$2,674	$2,451

In May 2007, the Company issued $1.3 billion of 1.875% Convertible Senior Notes due June 1, 2014 (the "Senior Notes"). The issuance costs associated with the Senior Notes totaled $26 million and the net proceeds to the Company from the offering of the Senior Notes were $1,274 million. The initial conversion rate for the Senior Notes is 70.2679 shares of common stock per $1,000 principal amount of Senior Notes, equivalent to an initial conversion price of approximately $14.23 per share of common stock. Holders may convert the Senior Notes prior to the close of business on the business day immediately preceding the maturity date for the Senior Notes only under the following circumstances: (1) during any calendar quarter beginning after August 30, 2007 (and only during such calendar quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 130% of the then applicable conversion price per share of the Senior Notes; (2) if the Senior Notes have been called for redemption; (3) if specified distributions to holders of the Company's common stock are made, or specified corporate events occur, as specified in the indenture for the Senior Notes; (4) during the five business days after any five consecutive trading day period in which the trading price per $1,000 principal amount of Senior Notes for each day of that period was less than 98% of the product of the closing price of the Company's common stock and the then applicable conversion rate of the Senior Notes; or (5) at any time on or after March 1, 2014. Upon conversion, the Company will have the right to deliver, in lieu of shares of its common stock, cash or a combination of cash and shares of common stock. If a holder elects to convert its Senior Notes in connection with a make-whole change in control, as defined in the indenture, the Company will, in certain circumstances, pay a make-whole premium by increasing the conversion rate for the Senior Notes converted in connection with such make-whole change in control. On or after June 6, 2011, the Company may redeem for cash all or part of the Senior Notes if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending within five trading days prior to the date on which the Company provides notice of redemption. The redemption price is 100% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest. Upon a change in control or a termination of trading, as defined in the indenture, the holders may require the Company to repurchase for cash all or a portion of their Senior Notes at a repurchase price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any. FSP No. APB 14-1 is effective for the Company at the beginning of 2010, which requires the Company to retrospectively account for the Senior Notes from their issuance date. (See "Significant Accounting Policies – Recently issued accounting standards.")

In 2008, the Company's joint venture subsidiary, TECH Semiconductor Singapore Pte. Ltd. ("TECH"), drew $600 million under a credit facility at SIBOR plus 2.5%. The credit facility is collateralized by substantially all of the assets of TECH (approximately $1,498 million as of September 3, 2009) and contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. TECH repaid $50 million of principal amounts in 2009 and remaining payments are due in $50 million quarterly installments from September 2009 through May 2012. Under the terms of the credit facility, TECH held $30 million in restricted cash as of September 3, 2009, which was increased to $60 million in the first quarter of 2010. In the first quarter of 2010, TECH modified its debt covenants. In connection with the modification, the Company has guaranteed approximately 85% of the outstanding amount borrowed under TECH's credit facility and the Company's guarantee could increase up to 100% of the outstanding amount borrowed under the facility based on further increases in the Company's ownership interest in TECH and other conditions.

In 2009, the Company recorded $81 million in capital lease obligations with a weighted-average imputed interest rate of 5.9%, payable in periodic installments through February 2023. In 2008, the Company received $111 million in proceeds from sales-leaseback transactions and in connection with these transactions, recorded capital lease obligations aggregating $110 million with a weighted-average imputed interest rate of 6.7%, payable in periodic installments through June 2012. As of September 3, 2009, the Company had $46 million of capital lease obligations with covenants that require minimum levels of tangible net worth, cash and investments, and restricted cash of $26 million. The covenants were modified in the second quarter of 2009, and the Company was in compliance with these debt covenants as of September 3, 2009.

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On April 15, 2009, the Company issued $230 million of 4.25% Convertible Senior Notes due October 15, 2013 (the "4.25% Senior Notes"). Issuance costs for the 4.25% Senior Notes totaled $7 million. The initial conversion rate for the 4.25% Senior Notes is 196.7052 shares of common stock per $1,000 principal amount, equivalent to approximately $5.08 per share of common stock, and is subject to adjustment upon the occurrence of certain events specified in the indenture for the 4.25% Senior Notes. Holders of the 4.25% Senior Notes may convert them at any time prior to October 15, 2013. If there is a change in control, as defined in the indenture, in certain circumstances the Company may pay a make-whole premium by increasing the conversion rate to holders that convert their 4.25% Senior Notes in connection with such make-whole change in control. The Company may not redeem the 4.25% Senior Notes prior to April 20, 2012. On or after April 20, 2012, the Company may redeem for cash all or part of the 4.25% Senior Notes if the closing price of its common stock has been at least 135% of the conversion price for at least 20 trading days during a 30 consecutive trading day period. The redemption price will equal 100% of the principal amount plus a make-whole premium equal to the present value of the remaining interest payments from the redemption date to the date of maturity of the 4.25% Senior Notes. Upon a change in control or a termination of trading, as defined in the indenture, the Company may be required to repurchase for cash all or a portion of the 4.25% Senior Notes at a repurchase price equal to 100% of the principal plus any accrued and unpaid interest to, but excluding, the repurchase date.

On February 23, 2009, the Company entered into a Singapore dollar-denominated term loan agreement with the Singapore Economic Development Board ("EDB") enabling the Company to borrow up to $300 million Singapore dollars at 5.4% per annum. The terms of the loan agreement required the Company to use the proceeds from any borrowings under the agreement to make equity contributions to its TECH joint venture subsidiary. The loan agreement also required that TECH use the proceeds from the Company's equity contributions to purchase production assets and meet certain production milestones related to the implementation of advanced process manufacturing. The loan contains a covenant that limits the amount of indebtedness TECH can incur without approval from the EDB. The loan is collateralized by the Company's shares in TECH up to a maximum of 66% of TECH's outstanding shares. The Company drew $150 million Singapore dollars under the facility on February 27, 2009 and an additional $150 million Singapore dollars on June 2, 2009. The aggregate $300 million Singapore dollars outstanding ($208 million U.S. dollars as of September 3, 2009) is due in February 2012 with interest payable quarterly.

In the first quarter of 2009, in connection with its purchase of its interest in Inotera, the Company entered into a two-year, variable-rate term loan with Nan Ya Plastics, an affiliate of Nanya, and received loan proceeds of $200 million. Under the terms of the loan agreement, interest is payable quarterly at LIBOR plus 2%. The interest rate resets quarterly and was 2.4% per annum as of September 3, 2009. Based on imputed interest rate of 12.1%, the Company recorded the Nan Ya Plastics loan net of a discount of $28 million, which is recognized as interest expense over the life of the loan. The loan is collateralized by a first priority security interest in the Inotera shares owned by the Company (approximate carrying value of $229 million as of September 3, 2009). (See "Equity Method Investments" note.)

In connection with the Company's acquisition of Lexar Media, Inc. ("Lexar") in the fourth quarter of 2006, the Company assumed Lexar's $70 million 5.625% convertible notes due April 1, 2010 (the "Lexar Notes"). The Lexar Notes are convertible into the Company's common stock any time at the option of the holders of the Lexar Notes at a price equal to approximately $11.28 per share and are subject to customary covenants. The Lexar Notes became redeemable for cash at the Company's option on April 1, 2008 at a price equal to the principal amount plus accrued interest plus the net present value of the remaining scheduled interest payments through April 1, 2010. The Company may only redeem the Lexar Notes if its common stock has exceeded 175% of the conversion price for at least 20 trading days in the 30 consecutive trading days prior to delivery of a notice of redemption.

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As of September 3, 2009, maturities of notes payable and future minimum lease payments under capital lease obligations were as follows:

	Notes Payable	Capital Lease Obligations
2010	$270	$188
2011	400	271
2012	358	52
2013	--	20
2014	1,530	21
2015 and thereafter	--	98
Discount and interest, respectively	(19)	(91)
	$2,539	$559

Commitments

As of September 3, 2009, the Company had commitments of approximately $276 million for the acquisition of property, plant and equipment. The Company leases certain facilities and equipment under operating leases. Total rental expense was $28 million, $39 million and $62 million for 2009, 2008 and 2007, respectively. The Company also subleases certain facilities and buildings under operating leases to Aptina and recognized $1 million of rental income in 2009. Minimum future rental commitments and minimum future sublease rentals to be received from Aptina under noncancelable subleases are as follows:

	Operating Lease Commitments	Operating Sublease Rentals
2010	$ 17	$(3)
2011	14	(2)
2012	10	(3)
2013	10	(3)
2014	7	(1)
2015 and thereafter	15	--
	$ 73	$ (12)

Contingencies

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

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

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

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

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

On March 24, 2009, Accolade Systems LLC filed suit against the Company and Aptina in the U.S. District Court for the Eastern District of Texas alleging that certain of the Company and Aptina's image sensor products infringe one Accolade Systems U.S. patent. The complaint seeks injunctive relief, damages, attorneys' fees, and costs. Accolade Systems never served the complaint, and on October 15, 2009, filed a motion to dismiss the complaint against the Company and Aptina without prejudice.

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

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

Antitrust matters: At least sixty-eight purported class action price-fixing lawsuits have been filed against the Company and other DRAM suppliers in various federal and state courts in the United States and in Puerto Rico on behalf of indirect purchasers alleging price-fixing in violation of federal and state antitrust laws, violations of state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products during the period from April 1999 through at least June 2002. The complaints seek joint and several damages, trebled, in addition to restitution, costs and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings. On January 29, 2008, the Northern District of California court granted in part and denied in part the Company's motion to dismiss plaintiffs' second amended consolidated complaint. Plaintiffs subsequently filed a motion seeking certification for interlocutory appeal of the decision. On February 27, 2008, plaintiffs filed a third amended complaint. On June 26, 2008, the United States Court of Appeals for the Ninth Circuit agreed to consider plaintiffs' interlocutory appeal.

In addition, various states, through their Attorneys General, have filed suit against the Company and other DRAM manufacturers. On July 14, 2006, and on September 8, 2006 in an amended complaint, the following Attorneys General filed suit in the U.S. District Court for the Northern District of California: Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and the Commonwealth of the Northern Mariana Islands. Thereafter, three states, Ohio, New Hampshire, and Texas, voluntarily dismissed their claims. The remaining states filed a third amended complaint on October 1, 2007. Alaska, Delaware, Kentucky, and Vermont subsequently voluntarily dismissed their claims. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seeks joint and several damages, trebled, as well as injunctive and other relief. Additionally, on July 13, 2006, the State of New York filed a similar suit in the U.S. District Court for the Southern District of New York. That case was subsequently transferred to the U.S. District Court for the Northern District of California for pre-trial purposes. The State of New York filed an amended complaint on October 1, 2007. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law.

Three purported class action DRAM lawsuits also have been filed against the Company in Quebec, Ontario, and British Columbia, Canada, on behalf of direct and indirect purchasers, alleging violations of the Canadian Competition Act. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs subsequently filed an appeal of each of those decisions. Those appeals are pending.

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

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

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

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against the Company and other DRAM suppliers. The complaint alleges various causes of action under California state law including conspiracy to restrict output and fix prices of Rambus DRAM ("RDRAM") and unfair competition. Trial is currently scheduled to begin in January 2010. The complaint seeks joint and several damages, trebled, punitive damages, attorneys' fees, costs, and a permanent injunction enjoining the defendants from the conduct alleged in the complaint.

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

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

In addition, on March 23, 2006, a shareholder derivative action was filed in the Fourth District Court for the State of Idaho (Ada County), allegedly on behalf of and for the benefit of the Company, against certain of the Company's current and former officers and directors. The Company also was named as a nominal defendant. An amended complaint was filed on August 23, 2006 and subsequently dismissed by the Court. Another amended complaint was filed on September 6, 2007. The amended complaint was based on the same allegations of fact as in the securities class actions filed in the U.S. District Court for the District of Idaho and alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, and insider trading. The amended complaint sought unspecified damages, restitution, disgorgement of profits, equitable and injunctive relief, attorneys' fees, costs, and expenses. The amended complaint was derivative in nature and did not seek monetary damages from the Company. On January 25, 2008, the Court granted the Company's motion to dismiss the second amended complaint without leave to amend. On March 10, 2008, plaintiffs filed a notice of appeal to the Idaho Supreme Court. On July 16, 2009, the Idaho Supreme Court issued an opinion upholding the lower court's dismissal of the complaint.

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

Shareholders' Equity

Stock rights: As of September 3, 2009 and August 28, 2008, Intel held stock rights exchangeable into approximately 3.9 million and 16.9 million shares, respectively, of the Company's common stock. Shares issuable pursuant to the stock rights are included in weighted-average common shares outstanding in the computations of earnings per share.

Issuance of common stock: On April 15, 2009, the Company issued 69.3 million shares of common stock for $4.15 per share in a public offering. The Company received net proceeds of $276 million, net of underwriting fees and other offering costs of $12 million.

Capped call transactions: In connection with the offering of the Senior Notes in May 2007, the Company entered into three capped call transactions (the "Capped Calls"). The Capped Calls each have an initial strike price of approximately $14.23 per share, subject to certain adjustments, which matches the initial conversion price of the Senior Notes. The Capped Calls are in three equal tranches, have cap prices of $17.25, $20.13 and $23.00 per share, and cover, subject to anti-dilution adjustments similar to those contained in the Senior Notes, an approximate combined total of 91.3 million shares of common stock. The Capped Calls expire on various dates between November 2011 and December 2012. The Capped Calls are intended to reduce the potential dilution upon conversion of the Senior Notes. Settlement of the Capped Calls in cash on their respective expiration dates would result in the Company receiving an amount ranging from zero if the market price per share of the Company's common stock is at or below $14.23 to a maximum of $538 million. The Company paid $151 million to purchase the Capped Calls. The Capped Calls are considered capital transactions and the related cost was recorded as a charge to additional capital.

Concurrent with the offering of the 4.25% Senior Notes on April 15, 2009, the Company entered into capped call transactions (the "2009 Capped Calls") that have an initial strike price of approximately $5.08 per share, subject to certain adjustments, which was set to equal initial conversion price of the 4.25% Senior Notes. The 2009 Capped Calls have a cap price of $6.64 per share and cover, subject to anti-dilution adjustments similar to those contained in the 4.25% Senior Notes, an approximate combined total of 45.2 million shares of common stock, and are subject to standard adjustments for instruments of this type. The 2009 Capped Calls expire in October and November of 2012. The 2009 Capped Calls are intended to reduce the potential dilution upon conversion of the 4.25% Senior Notes. Settlement of the Capped Calls in cash on their respective expiration dates would result in the Company receiving an amount ranging from zero if the market price per share of the Company's common stock is at or below $5.08 to a maximum of $70 million. The Company paid $25 million to purchase the 2009 Capped Calls. The 2009 Capped Calls are considered capital transactions and the related cost was recorded as a charge to additional capital.

Accumulated other comprehensive income (loss): Accumulated other comprehensive income (loss), net of tax, consisted of the following as of the end of the periods shown below:

	2009	2008
Accumulated translation adjustment, net	$(9)	$--
Unrealized gain (loss) on investments, net	10	(3)
Unrecognized pension liability	(4)	(5)
Accumulated other comprehensive income (loss)	$(3)	$(8)

Fair Value Measurements

SFAS No. 157 establishes three levels of inputs that may be used to measure fair value: quoted prices in active markets for identical assets or liabilities (referred to as Level 1), observable inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2) and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level

3).

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

	Level 1	Level 2	Total
Money market(1)	$1,184	$--	$1,184
Certificates of deposit(2)	--	217	217
Marketable equity investments(3)	15	--	15
	$1,199	$217	$1,416

(1)Included in cash and equivalents
(2)$187 million included in cash and equivalents and $30 million included in other noncurrent assets
(3)Included in other noncurrent assets

Level 2 assets are valued using observable inputs in active markets for similar assets or alternative pricing sources and models utilizing market observable inputs. In 2009, the Company recognized impairment charges of $7 million for other-than-temporary declines in the value of marketable equity instruments.

As of September 3, 2009 and August 28, 2008, the estimated fair value of the Company's debt was $2,868 million and $2,167 million, respectively, compared to the carrying value of $3,098 million and $2,726 million, respectively. The fair value of the convertible notes payable is based on quoted market prices in active markets (Level 1). The fair value of other long-term debt is estimated based on discounted cash flows using inputs that are observable in the market or that could be derived from or corroborated with observable market data, as well as significant unobservable inputs (Level 3), including interest rates based on yield curves of similar debt issues from parties with similar credit ratings as the Company.

Amounts reported as cash and equivalents, short-term investments, receivables, other assets, accounts payable and accrued expenses and equipment purchase contracts approximate their fair values.

Fair value measurements on a nonrecurring basis: As of September 3, 2009, non-marketable equity investments of $6 million were valued using Level 3 inputs. During 2009, the Company identified events and circumstances that indicated the fair value of certain non-marketable equity investments sustained other-than-temporary declines in values and recognized charges of $8 million to write down the carrying values of these investments to their estimated fair values. The fair value measurements were determined using present value techniques of estimated future cash flows based on inputs which were classified as Level 3 as they were unobservable and required management's judgment.

During 2009, the Company recorded loans with Nan Ya Plastics and Inotera at fair value because the stated interest rates were substantially lower than the prevailing rates for loans with comparable terms and collateral and for borrowers with similar credit ratings. The Company repaid the loan to Inotera in the third quarter of 2009. During 2009, the Company also recorded other noncurrent contractual liabilities at fair values of $36 million (net of $39 million of discounts) based on prevailing rates for comparable obligations. The fair values of these obligations were determined based on discounted cash flows using inputs that are observable in the market or that could be derived from or corroborated with observable market data, as well as significant unobservable inputs (Level 3), including interest rates based on published rates for transactions involving parties with similar credit ratings as the Company. (See "Debt" note.)

Equity Plans

As of September 3, 2009, under its equity plans, the Company had an aggregate of 195.1 million shares of its common stock reserved for issuance for stock options and restricted stock awards, of which 125.9 million shares were subject to outstanding awards and 69.2 million shares were available for future awards. Awards are subject to terms and conditions as determined by the Company's Board of Directors.

Stock options: Stock options granted by the Company are generally exercisable in increments of 25% per year beginning one year from the date of grant. Stock options issued after September 22, 2004 generally expire six years from the date of grant. All other options expire ten years from the grant date.

Option activity for 2009 is summarized as follows:

	Number of shares	Weighted-average exercise price per share	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding at August 28, 2008	112.9	$ 19.24		
Granted	21.6	2.97		
Exercised	(0.0)	4.90		
Cancelled or expired	(18.0)	19.12		
Outstanding at September 3, 2009	116.5	16.25	2.90	$96
Exercisable at September 3, 2009	86.2	$ 20.20	2.24	$3
Expected to vest after September 3, 2009	26.8	5.09	4.74	81

The following table summarizes information about options outstanding as of September 3, 2009:

	Outstanding options			Exercisable options	
Range of exercise prices	Number of shares	Weighted-average remaining contractual life (in years)	Weighted-average exercise price per share	Number of shares	Weighted-average exercise price per share
$ 0.85 -$ 9.79	29.0	4.96	$ 3.96	3.2	$ 7.15
10.00 - 14.01	43.1	2.79	12.51	39.1	12.47
14.06 - 22.83	21.9	2.54	19.05	21.4	19.15
23.25 - 39.94	19.5	0.77	31.76	19.5	31.76
40.57 - 96.56	3.0	1.11	66.47	3.0	66.47
	116.5	2.90	16.25	86.2	20.20

The weighted-average grant-date fair value per share was $1.71, $2.52 and $4.87 for options granted during 2009, 2008 and 2007, respectively. The total intrinsic value was de minimis, $1 million and $32 million for options exercised during 2009, 2008 and 2007, respectively.

Changes in the Company's nonvested options for 2009 are summarized as follows:

	Number of shares	Weighted-average grant date fair value per share
Nonvested at August 28, 2008	17.1	$4.21
Granted	21.6	1.71
Vested	(6.5)	4.76
Cancelled	(1.9)	3.33
Nonvested at September 3, 2009	30.3	2.36

As of September 3, 2009, $43 million of total unrecognized compensation cost related to nonvested awards was expected to be recognized through the fourth quarter of 2013, resulting in a weighted-average period of 1.3 years. The Company's nonvested options as of September 3, 2009 have a weighted-average exercise price of $4.98, a weighted-average remaining contractual life of 4.77 years and an aggregate intrinsic value of $93 million.

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

	2009	2008	2007
Average expected life in years	4.92	4.25	4.25
Weighted-average volatility	73 %	47 %	39 %
Weighted-average risk-free interest rate	1.9 %	2.9 %	4.7 %

Restricted stock and restricted stock units ("Restricted Stock Awards"): As of September 3, 2009, there were 9.4 million shares of Restricted Stock Awards outstanding, of which 4.0 million were performance-based Restricted Stock Awards. For service-based Restricted Stock Awards, restrictions generally lapse either in one-fourth or one-third increments during each year of employment after the grant date. For performance-based Restricted Stock Awards, vesting is contingent upon meeting certain Company-wide performance goals, none of which were achieved or deemed probable to achieve as of September 3, 2009. Restricted Stock Awards activity for 2009 is summarized as follows:

	Number of shares	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding at August 28, 2008	9.2		
Granted	3.6		
Restrictions lapsed	(2.2)		
Cancelled	(1.2)		
Outstanding at September 3, 2009	9.4	1.77	$67
Expected to vest after September 3, 2009	5.2	2.11	$37

The weighted-average grant-date fair value for restricted stock awards granted during 2009, 2008 and 2007 was $4.40, $8.41 and $14.91 per share, respectively. The aggregate value at the lapse date of awards for which restrictions lapsed during 2009, 2008 and 2007 was $8 million, $12 million and $11 million, respectively. As of September 3, 2009, there was $28 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock awards, which is expected to be recognized through the second quarter of 2013, resulting in a weighted-average period of 1.0 years.

Stock purchase plan: The Company's 1989 Employee Stock Purchase Plan ("ESPP") plan was suspended during 2008 and expired during 2009.

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

	2009	2008	2007
Stock-based compensation expense by caption:			
Cost of goods sold	$16	$15	$11
Selling, general and administrative	16	19	21
Research and development	13	14	12
Other operating (income) expense	(1)	--	--
	$44	$48	$44
Stock-based compensation expense by type of award:			
Stock options	$29	$26	$26
Restricted stock awards	15	22	18
	$44	$48	$44

Stock-based compensation expense of $3 million was capitalized and remained in inventory as of September 3, 2009 and August 28, 2008. As of September 3, 2009, $71 million of total unrecognized compensation costs, net of estimated forfeitures, related to non-vested awards was expected to be recognized through the fourth quarter of 2013, resulting in a weighted-average period of 1.2 years. Stock-based compensation expense in the above presentation does not reflect any significant income tax benefits, which is consistent with the Company's treatment of income or loss from its U.S. operations. (See "Income Taxes" note.)

Employee Benefit Plans

The Company has employee retirement plans at its U.S. and international sites. Details of the more significant plans are discussed as follows:

Employee savings plan for U.S. employees: The Company has a 401(k) retirement plan ("RAM Plan") under which U.S. employees may contribute up to 45% of their eligible pay (subject to IRS annual contribution limits) to various savings alternatives, none of which include direct investment in the Company's common stock. Under the RAM plan, the Company matched in cash eligible contributions from employees up to 4% of the employee's annual eligible earnings or $2,000, whichever was greater. In 2009, the Company suspended its match under in the RAM plan. Contribution expense for the Company's RAM Plan was $16 million, $32 million and $31 million in 2009, 2008 and 2007, respectively.

Retirement plans: The Company has pension plans in various countries worldwide. The pension plans are only available to local employees and are generally government mandated. Upon adoption of FAS 158 as of August 30, 2007, the Company increased its liability by $8 million related to the unfunded pension liabilities of the plans.

Restructure

In response to a severe downturn in the semiconductor memory industry and global economic conditions, the Company initiated restructure plans in 2009 primarily within the Company's Memory segment. In the first quarter of 2009, IM Flash, a joint venture between the Company and Intel, terminated its agreement with the Company to obtain NAND Flash memory supply from the Company's Boise facility, reducing the Company's NAND Flash production by approximately 35,000 200mm wafers per month. In connection with the termination of the NAND Flash memory supply agreement, Intel paid the Company $208 million in 2009. The Company and Intel agreed to suspend tooling and the ramp of NAND Flash production at IM Flash's Singapore wafer fabrication facility. In addition, the Company phased out all remaining 200mm DRAM wafer manufacturing operations in Boise, Idaho in the second half of 2009. As a result of these restructure plans, the Company reduced employment in 2009 by approximately 4,600 employees, or approximately 20%. Due to improvements in market conditions and the pursuit of new business opportunities, future reduction in employees may not occur. As of September 3, 2009, the Company expects to incur additional restructure costs in 2010 of approximately $2 million, excluding any gains or additional losses from disposition of equipment. In 2008 and 2007, to reduce costs, the Company implemented restructure initiatives including workforce reductions and relocating and outsourcing certain of its operations. The following table summarizes restructure charges (credits) resulting from the Company's restructure activities:

	2009	2008	2007
Write-down of equipment	$ 152	$ --	$ --
Severance and other employee costs	60	23	18
Gain from termination of NAND Flash supply agreement	(144)	--	--
Other	2	10	1
	$ 70	$ 33	$ 19

During 2009 the Company made cash payments of $63 million for severance and other termination benefits. Substantially all of the charges in 2008 and 2007 were paid in those years. As of September 3, 2009 and August 28, 2008, $5 million and $6 million, respectively, of restructure costs, primarily related to severance and other termination benefits, remained unpaid and were included in accounts payable and accrued expenses.

Other Operating (Income) Expense, Net

Other operating (income) expense consisted of the following:

	2009	2008	2007
(Gain) loss on disposition of property, plant and equipment	$54	$(66)	$(43)
Loss on sale of majority interest in Aptina	41	--	--
Losses from changes in currency exchange rates	30	25	14
Other	(18)	(50)	(47)
	$107	$(91)	$(76)

In the table above, “Other” for 2008 included $38 million for receipts from the U.S. government in connection with anti-dumping tariffs and for 2007, included $30 million from the sale of certain intellectual property to Toshiba Corporation and $7 million in grants received in connection with the Company’s operations in China. (See “Equity Method Investments – Aptina” note.)

Income Taxes

The Company’s income tax (provision) and loss before taxes, noncontrolling interests in net (income) loss and equity in net losses of equity method investees consisted of the following:

	2009	2008	2007
Loss before taxes, noncontrolling interests in net (income) loss and equity in net losses of equity method investees:			
U.S.	$ (1,377)	$ (1,713)	$ (571)
Foreign	(427)	102	403
	$ (1,804)	$ (1,611)	$ (168)
Income tax (provision) benefit:			
Current:			
U.S. federal	$ 12	$ (7)	$ (5)

State	--	--	--
Foreign	(12)	(17)	(39)
	--	(24)	(44)
Deferred:			
U.S. federal	--	--	--
State	--	--	--
Foreign	(2)	6	14
	(2)	6	14
Income tax (provision)	$ (2)	$ (18)	$ (30)

The Company's income tax (provision) computed using the U.S. federal statutory rate reconciled to the Company's income tax (provision) follows:

	2009	2008	2007
U.S. federal income tax (provision) at statutory rate	$631	$564	$59
State taxes, net of federal benefit	38	38	3
Tax credits	18	8	25
Change in valuation allowance	(554)	(446)	(219)
Foreign operations	(135)	(21)	93
Goodwill impairment	--	(155)	--
Other	--	(6)	9
Income tax (provision)	$(2)	$(18)	$(30)

State taxes reflect investment tax credits of $7 million, $12 million and $10 million for 2009, 2008 and 2007, respectively.

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

	2009	2008
Deferred tax assets:		
Net operating loss and credit carryforwards	$1,965	$1,358
Inventories	197	235
Basis differences in investments in joint ventures	106	200
Deferred income	78	155
Accrued salaries, wages and benefits	74	76
Other	27	48
Gross deferred tax assets	2,447	2,072
Less valuation allowance	(2,118)	(1,569)
Deferred tax assets, net of valuation allowance	329	503
Deferred tax liabilities:		
Unremitted earnings on certain subsidiaries	(87)	(114)
Product and process technology	(47)	(48)
Intangible assets	(41)	(51)
Receivables	(15)	(43)
Excess tax over book depreciation	(12)	(141)
Other	(6)	(16)
Deferred tax liabilities	(208)	(413)
Net deferred tax assets	$121	$90
Reported as:		
Current deferred tax assets (included in other current assets)	$18	$25
Noncurrent deferred tax assets (included in other assets)	107	74
Noncurrent deferred tax liabilities (included in other liabilities)	(4)	(9)
Net deferred tax assets	$121	$90

The Company has a valuation allowance against substantially all of its U.S. net deferred tax assets. As of September 3, 2009, the Company had aggregate U.S. tax net operating loss carryforwards of $4.2 billion and unused U.S. tax credit carryforwards of $212 million. The Company also has unused state tax net operating loss carryforwards of $2.6 billion and unused state tax credits of $198 million as of September 3, 2009. Substantially all of the net operating loss carryforwards expire in 2022 to 2029 and substantially all of the tax credit carryforwards expire in 2013 to 2029. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income.

The changes in valuation allowance of $549 million and $427 million in 2009 and 2008, respectively, are primarily due to uncertainties of realizing certain U.S. net operating losses and certain tax credit carryforwards.

Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from such companies are expected to result in additional tax liability. During 2008 a decision was made to not be indefinitely reinvested in certain foreign jurisdictions. For the year ended August 28, 2008, $322 million of earnings that in prior years had been considered indefinitely reinvested in foreign operations were determined to no longer be indefinitely reinvested. This decision resulted in no impact to the consolidated statement of operations as the Company has a full valuation allowance against its net U.S. deferred tax assets. Remaining undistributed earnings of $410 million as of September 3, 2009 have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable.

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

	2009	2008
Beginning unrecognized tax benefits	$1	$16
Expiration of foreign statutes of limitations	(1)	(15)
Other	1	--
Ending unrecognized tax benefits	$1	$1

The balance at September 3, 2009 and August 28, 2008 represents unrecognized income tax benefits, which if recognized, would affect the Company's effective tax rate. As of September 3, 2009, accrued interest and penalties related to uncertain tax positions was $2 million.

The Company and its subsidiaries file income tax returns with the United States federal government, various U.S. states and various foreign jurisdictions throughout the world. The Company's U.S. federal and state tax returns remain open to examination for 2005 through 2009 and 2004 through 2009, respectively. In addition, tax years open to examination in multiple foreign taxing jurisdictions range from 2002 to 2009. The Company is currently undergoing audits in foreign jurisdictions for years 2005 through 2009.

Earnings Per Share

	2009	2008	2007
Net loss available to common shareholders	$(1,835)	$(1,619)	$(320)
Weighted-average common shares outstanding	800.7	772.5	769.1
Loss per share:			
Basic	$(2.29)	$(2.10)	$(0.42)
Diluted	(2.29)	(2.10)	(0.42)

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

	2009	2008	2007

Employee stock plans	126.0	122.1	124.8
Convertible notes	142.8	97.6	97.6
Common stock warrants	--	--	29.1

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Consolidated Variable Interest Entities

NAND Flash joint ventures with Intel ("IM Flash"): The Company has formed two joint ventures with Intel (IM Flash Technologies, LLC formed January 2006 and IM Flash Singapore LLP formed February 2007) to manufacture NAND Flash memory products for the exclusive benefit of the partners. IMFT and IMFS are each governed by a Board of Managers, with Micron and Intel initially appointing an equal number of managers to each of the boards. The number of managers appointed by each party adjusts depending on the parties' ownership interests. These ventures will operate until 2016 but are subject to prior termination under certain terms and conditions. IMFT and IMFS are aggregated as IM Flash in the following disclosure due to the similarity of their ownership structure, function, operations and the way the Company's management reviews the results of their operations. At inception and through September 3, 2009, the Company owned 51% and Intel owned 49% of IM Flash.

IM Flash is a variable interest entity as defined by FIN 46(R) because all costs of IM Flash are passed to the Company and Intel through product purchase agreements. IM Flash is dependent upon the Company and Intel for any additional cash requirements. The Company and Intel are also considered related parties under the provisions of FIN 46(R) due to restrictions on transfers of ownership interests. As a result, the primary beneficiary of IM Flash is the entity that is most closely associated with IM Flash. The Company considered several factors to determine whether it or Intel is more closely associated with IM Flash, including the size and nature of IM Flash's operations relative to the Company and Intel, and which entity had the majority of economic exposure under the purchase agreements. Based on those factors, the Company determined that it is more closely associated with IM Flash and is therefore the primary beneficiary. Accordingly, the financial results of IM Flash are included in the Company's consolidated financial statements and all amounts pertaining to Intel's interests in IM Flash are reported as noncontrolling interests in subsidiaries. (See "Significant Accounting Policies" note.)

IM Flash manufactures NAND Flash memory products using designs developed by the Company and Intel. Product design and other research and development ("R&D") costs for NAND Flash are generally shared equally between the Company and Intel. As a result of reimbursements received from Intel under a NAND Flash R&D cost-sharing arrangement, the Company's R&D expenses were reduced by $107 million, $148 million and $240 million in 2009, 2008 and 2007, respectively.

IM Flash sells products to the joint venture partners generally in proportion to their ownership at long-term negotiated prices approximating cost. IM Flash sales to Intel were $886 million, $1,037 million and $497 million for 2009, 2008 and 2007, respectively. As of September 3, 2009 and August 28, 2008, IM Flash had receivables from Intel primarily for sales of NAND Flash products of $95 million and $144 million, respectively. In addition, as of September 3, 2009 and August 28, 2008, the Company had receivables from Intel of $29 million and $71 million, respectively, related to NAND Flash product design and process development activities. As of September 3, 2009 and August 28, 2008, IM Flash had payables to Intel of $3 million and $4 million, respectively, for various services.

Under the terms of a wafer supply agreement, the Company manufactured wafers for IM Flash in its Boise, Idaho facility. In the first quarter of 2009, the Company and Intel agreed to discontinue production of NAND flash memory for IM Flash at the Boise facility. Pursuant to the termination agreement, Intel paid the Company $208 million in 2009. Also in the first quarter of 2009, IM Flash substantially completed construction of a new 300mm wafer fabrication facility structure in Singapore and the Company and Intel agreed to suspend tooling and the ramp of production at this facility.

IM Flash distributed $695 million and $132 million to Intel in 2009 and 2008, respectively, and $723 million and $137 million to the Company in 2009 and 2008, respectively. Intel contributed $24 million, $393 million and $1,238 million to IM Flash in 2009, 2008 and 2007, respectively. The Company contributed $25 million and $409 million and $1,017 million to IM Flash in 2009, 2008 and 2007, respectively. Intel's contributions in 2007 included $261 million as part of its initial obligations from the formation of IM Flash in January 2006. The Company's ability to access IM Flash's cash and marketable investment securities ($114 million as of September 3, 2009) to finance the Company's other operations is subject to agreement by the joint venture partners.

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

As of	September 3, 2009	August 28, 2008
Assets		
Cash and equivalents	$114	$393
Receivables	111	169
Inventories	161	225
Other current assets	8	14
Total current assets	394	801
Property, plant and equipment, net	3,377	3,998
Other assets	63	58
Total assets	$3,834	$4,857
Liabilities		
Accounts payable and accrued expenses	$93	$166
Deferred income	137	67
Equipment purchase contracts	1	18
Current portion of long-term debt	6	5
Total current liabilities	237	256
Long-term debt	66	38
Other liabilities	4	5
Total liabilities	$307	$299

Amounts exclude intercompany balances that are eliminated in the Company's consolidated balance sheets. IMFT and IMFS are aggregated as IM Flash in this disclosure due to the similarity of their ownership structure, function, operations and the way the Company's management reviews the results of their operations.

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

MP Mask Technology Center, LLC ("MP Mask"): In 2006, the Company formed a joint venture, MP Mask, with Photronics, Inc. ("Photronics") to produce photomasks for leading-edge and advanced next generation semiconductors. At inception and through September 3, 2009, the Company owned 50.01% and Photronics owned 49.99% of MP Mask. The Company purchases a substantial majority of the reticles produced by MP Mask pursuant to a supply arrangement. In connection with the formation of the joint venture, the Company received $72 million in 2006 in exchange for entering into a license agreement with Photronics, which is being recognized over the term of the 10-year agreement. As of September 3, 2009, deferred income and other noncurrent liabilities included an aggregate of $48 million related to this agreement. MP Mask made distributions to both the Company and Photronics of $10 million each in 2009. Photronics contributed $8 million and $11 million to MP Mask in 2008 and 2007, respectively. The Company contributed $4 million to MP Mask in 2007.

MP Mask is a variable interest entity as defined by FIN 46(R) because all costs of MP Mask are passed on to the Company and Photronics through product purchase agreements and MP Mask is dependent upon the Company and Photronics for any additional cash requirements. The Company and Photronics are also considered related parties under the provisions of FIN 46(R) due to restrictions on transfers of ownership interests. As a result, the primary beneficiary of MP Mask is the entity that is more closely associated with MP Mask. The Company considered several factors to determine whether it or Photronics is more closely associated with the joint venture. The most important factor was the nature of the joint venture's operations relative to the Company and Photronics. Based on those factors, the Company determined that it is more closely associated with the joint venture and therefore is the primary beneficiary. Accordingly, the financial results of MP Mask are included in the Company's consolidated financial statements and all amounts pertaining to Photonics' interest in MP Mask are reported as noncontrolling interests in subsidiaries.

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

As of	September 3, 2009	August 28, 2008
Current assets	$25	$27
Noncurrent assets (primarily property, plant and equipment)	97	121
Current liabilities	8	11

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

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

In 2008, the Company completed the construction of a facility to produce photomasks and sold the facility to Photronics under a build to suit lease agreement, with quarterly payments through January 2013. On May 19, 2009, the Company and Photronics entered into an agreement whereby the Company repurchased the facility from Photronics for $50 million and leased the facility to Photronics under an operating lease providing for quarterly lease payments aggregating $41 million through October 2014.

TECH Semiconductor Singapore Pte. Ltd.

Since 1998, the Company has participated in TECH Semiconductor Singapore Pte. Ltd. ("TECH"), a semiconductor memory manufacturing joint venture in Singapore among the Company, Canon Inc. and Hewlett-Packard Company ("HP").
The financial results of TECH are included in the Company's consolidated financial statements and all amounts pertaining to Canon Inc. and HP are reported as noncontrolling interests in subsidiaries. The Company began consolidating TECH's financial results in 2006.

The shareholders' agreement for the TECH joint venture expires in April 2011, but automatically extends for 10 years unless one or more of the shareholders provides a non-extension notification. In the first quarter of 2010, TECH received a notice from HP that it does not intend to extend the TECH joint venture beyond April 2011. The Company is working with HP and Canon to reach a resolution of the matter. The parties' inability to reach a resolution of this matter prior to April 2011 could result in the dissolution of TECH.

In the second quarter of 2009, the Company entered into a term loan agreement with the EDB that enabled the Company to borrow up to $300 million Singapore dollars at 5.4%. The Company was required to use the proceeds from any borrowings under the facility to make equity contributions to TECH. On February 27, 2009, the Company drew $150 million Singapore dollars under the facility and used the proceeds to purchase shares of TECH for $99 million. On June 2, 2009, the Company drew the remaining $150 million Singapore dollars under the facility and purchased additional shares of TECH for $99 million. Additionally, on August 27, 2009, the Company purchased shares of TECH for $60 million. As a result, the Company's interest in TECH increased from approximately 73% as of August 28, 2008 to approximately 85% in August 2009. As a result of these share purchases, the Company reduced noncontrolling interests by $87 million during 2009. Because the cost of the noncontrolling interest acquired was below carrying value, the Company's carrying value for TECH's property, plant and equipment was also reduced $87 million. (See "Debt" note.)

In March 2007, the Company acquired all of the shares of TECH common stock held by the Singapore Economic Development Board for approximately $290 million, increasing the Company's ownership interest in TECH from 43% to 73%.

TECH's cash and marketable investment securities ($188 million as of September 3, 2009) are not anticipated to be available to pay dividends of the Company or finance its other operations. As of September 3, 2009, TECH had $548 million outstanding under a credit facility which is collateralized by substantially all of the assets of TECH (carrying value of approximately $1,498 million as of September 3, 2009) and contains covenants that, among other requirements, establish certain liquidity, debt service coverage and leverage ratios, and restrict TECH's ability to incur indebtedness, create liens and acquire or dispose of assets. As of September 3, 2009, the Company was in compliance with these covenants. In the first quarter of 2010, TECH modified its debt covenants. In connection with the modification, the Company has guaranteed approximately 85% of the outstanding amount borrowed under TECH's credit facility and the Company's guarantee could increase up to 100% of the outstanding amount borrowed under the facility based on further increases in the Company's ownership interest in TECH and other conditions. (See "Debt" note.)

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Acquisition of Avago Technologies Limited Image Sensor Business ("Avago")

On December 11, 2006, the Company acquired the CMOS image sensor business of Avago. The acquisition provided Imaging with an experienced imaging team, select imaging products and intellectual property relating to Avago's image sensor business. The Company acquired Avago for $63 million in cash. The Company recorded total assets of $64 million (including intangible assets of $17 million and goodwill of $46 million) and total liabilities of $1 million. The acquired goodwill is not deductible for tax purposes. The Company's results of operations subsequent to the acquisition date include the CMOS image sensor business acquired from Avago as part of the Company's Imaging segment. Mercedes Johnson, a member of the Company's Board of Directors, was the Senior Vice President, Finance and Chief Financial Officer of Avago at the time of the transaction. Ms. Johnson recused herself from all deliberations of the Company's Board of Directors concerning this transaction.

Segment Information

The Company's reportable segments are Memory and Imaging. The Memory segment's primary products are DRAM and NAND Flash memory and the Imaging segment's primary product is CMOS image sensors. Subsequent to the sale of a 65% interest in Aptina on July 10, 2009, the Company's Imaging segment continues to manufacture products for Aptina under a wafer supply agreement and also provides services to Aptina. Segment information reported below is consistent with how it is reviewed and evaluated by the Company's chief operating decision makers and is based on the nature of the Company's operations and products offered to customers. The Company does not identify or report depreciation and amortization, capital expenditures or assets by segment. (See "Equity Method Investments – Aptina" note.)

	2009	2008	2007
Net sales:			
Memory	$ 4,290	$ 5,188	$ 5,001
Imaging	513	653	687
Total consolidated net sales	$ 4,803	$ 5,841	$ 5,688
Operating income (loss):			
Memory	$ (1,499)	$ (1,564)	$ (288)
Imaging	(176)	(31)	8
Total consolidated operating income (loss)	$ (1,675)	$ (1,595)	$ (280)

Certain Concentrations

Approximately 30% of the Company's net sales for 2009 were to the computing market, including desktop PCs, servers, notebooks and workstations. Sales to Intel were 20% of the Company's net sales in 2009 and were included in the Memory segment. Sales of DRAM, NAND Flash and CMOS image sensor products constituted 50%, 39% and 11%, respectively, of the Company's net sales for 2009. Certain components used by the Company in manufacturing semiconductor products are available from a limited number of suppliers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, investment securities and trade receivables. The Company invests through high-credit-quality financial institutions and, by policy, generally limits the concentration of credit exposure by restricting investments with any single obligor. A concentration of credit risk may exist with respect to receivables as a substantial portion of the Company's customers are affiliated with the computing industry. 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. The Company's Capped Call instruments expose the Company to credit risk to the extent that the counter parties may be unable to meet the terms of the agreement. The Company seeks to mitigate such risk by limiting its counter parties to major financial institutions and by spreading the risk across several major financial institutions. In addition, the potential risk of loss with any one counter party resulting from this type of credit risk is monitored on an ongoing basis. (See "Shareholders' Equity – Capped call transactions" note.)

Geographic Information

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

	2009	2008	2007
China	$1,242	$1,372	$1,064
Asia Pacific (excluding China, Malaysia and Taiwan)	990	1,660	1,448
United States	928	1,486	1,719
Malaysia	542	173	215
Europe	470	559	666
Taiwan	447	304	309
Other	184	287	267
	$4,803	$5,841	$5,688

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

	2009	2008	2007
United States	$4,670	$6,004	$6,545
Singapore	2,066	2,345	1,212
Italy	180	259	268
Japan	112	171	226
Other	53	32	28
	$7,081	$8,811	$8,279

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

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$1,402	$993	$1,106	$1,302
Gross margin	(449)	(267)	107	170
Operating loss	(672)	(708)	(246)	(49)
Net loss	(706)	(751)	(290)	(88)
Diluted loss per share	$(0.91)	$(0.97)	$(0.36)	$(0.10)

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$1,535	$1,359	$1,498	$1,449
Gross margin	5	(43)	48	(65)
Operating loss	(260)	(772)	(225)	(338)
Net loss	(262)	(777)	(236)	(344)
Diluted loss per share	$(0.34)	$(1.01)	$(0.30)	$(0.45)

The results of operations for the second quarters of 2009 and 2008 included charges of $58 million and $463 million, respectively, to write off all the goodwill associated with the Company's Imaging and Memory segments, respectively.

The Company's results of operations for the second and first quarters of 2009 included charges of $234 million and $369 million, respectively, to write down the carrying value of work in process and finished goods inventories of memory products (both DRAM and NAND Flash) to their estimated market values. The Company's results of operations for the fourth, second and first quarters of 2008 included charges of $205 million, $15 million and $62 million, respectively, to write down the carrying value of work in process and finished goods inventories of memory products to their estimated market values. As charges to write down inventories are recorded in advance of when inventories are sold, gross margins in subsequent periods are higher than they otherwise would be.

In the fourth quarter of 2009, the Company sold a 65% interest in its Aptina business. In connection therewith, in the third quarter of fiscal 2009, the Company recorded a charge of $53 million for the sale and in the fourth quarter, recorded a credit of $12 million to adjust the estimated loss to the final loss of $41 million.

In the fourth quarter of 2008, costs of goods sold benefited by $70 million due to settlements of pricing adjustments with certain suppliers.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 8 present fairly, in all material respects, the financial position of Micron Technology, Inc. and its subsidiaries at September 3, 2009 and August 28, 2008, and the results of their operations and their cash flows for each of the three years in the period ended September 3, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 8 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 3, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
San Jose, California
October 28, 2009

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

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

During the fourth quarter of fiscal 2009, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

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

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of September 3, 2009. The effectiveness of the Company's internal control over financial reporting as of September 3, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8, of this Form 10-K.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13. Certain Relationships and Related Transactions, and Director Independence

Item 14. Principal Accounting Fees and Services

Certain information concerning the registrant's executive officers is included under the caption, "Directors and Executive Officers of the Registrant," in Part I, Item 1 of this report. Other information required by Items 10, 11, 12, 13 and 14 will be contained in the registrant's Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days after September 3, 2009 and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this report:

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

ExhibitNumber	Description of Exhibits
1.1	Underwriting Agreement dated as of May 17, 2007, by and between Micron Technology, Inc. and Morgan Stanley & Co. Incorporated, as representative of the underwriters (1)
1.2	Note Underwriting Agreement, dated as of April 8, 2009, by and among Micron Technology, Inc. and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co., as representatives of the underwriters (2)
1.3	Common Stock Underwriting Agreement, dated as of April 8, 2009, by and among Micron Technology, Inc. and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co., as representatives of the underwriters (2)
2.1	Agreement and Plan of Merger by and among Micron Technology, Inc., March 2006 Merger Corp. and Lexar Media, Inc., dated as of March 8, 2006 (3)
2.2	First Amendment to Agreement and Plan of Merger dated as of May 30, 2006, by and among Micron Technology, Inc., March 2006 Merger Corp. and Lexar Media, Inc. (4)
2.3	Second Amendment to Agreement and Plan of Merger dated as of June 4, 2006, by and among Micron Technology, Inc., March 2006 Merger Corp. and Lexar Media, Inc. (5)
3.1	Restated Certificate of Incorporation of the Registrant (6)
3.2	Bylaws of the Registrant, as amended (7)

4.2	Securities Purchase Agreement dated September 24, 2003, between the Registrant and Intel Capital Corporation (8)
4.3	Stock Rights Agreement dated September 24, 2003, between the Registrant and Intel Capital Corporation (8)
4.4	Indenture dated March 30, 2005, by and between Lexar Media, Inc. and U.S. Bank National Association (9)
4.5	First Supplemental Indenture to the Lexar Indenture dated as of June 21, 2006, between Lexar and U.S. Bank National Association (10)
4.6	Indenture dated as of May 23, 2007 by and between Micron Technology, Inc. and Wells Fargo Bank, National Association, as trustee (1)
4.7	Convertible Senior Indenture between the Company and Wells Fargo Bank, National Association, dated as of April 15, 2009 (2)
4.8	Form of 4.25% Convertible Senior Note due October 15, 2013 (2)
10.1	Executive Officer Performance Incentive Plan (11)

10.2	1989 Employee Stock Purchase Plan (12)
10.3	1994 Stock Option Plan (11)
10.4	1994 Stock Option Plan Form of Agreement and Terms and Conditions (12)
10.5	1997 Nonstatutory Stock Option Plan (11)
10.6	1998 Non-Employee Director Stock Incentive Plan (11)
10.7	1998 Nonstatutory Stock Option Plan (11)
10.8	2001 Stock Option Plan (11)
10.9	2001 Stock Option Plan Form of Agreement (13)
10.10	2002 Employment Inducement Stock Option Plan (11)
10.11	2004 Equity Incentive Plan (2)
10.12	2004 Equity Incentive Plan Forms of Agreement and Terms and Conditions (12)
10.13	Nonstatutory Stock Option Plan (11)
10.14	Nonstatutory Stock Option Plan Form of Agreement and Terms and Conditions (12)
10.15	Lexar Media, Inc. 2000 Equity Incentive Plan (11)
10.16	Micron Quantum Devices, Inc. 1996 Stock Option Plan (14)
10.17	Micron Quantum Devices, Inc. 1996 Stock Option Plan Sample Stock Option Assumption Letter (14)
10.18	Rendition, Inc. 1994 Equity Incentive Plan (16)
10.19	Rendition, Inc. 1994 Equity Incentive Plan Sample Stock Option Assumption Letter (16)
10.20*	Settlement and Release Agreement dated September 15, 2006, by and among Toshiba Corporation, Micron Technology, Inc. and Acclaim Innovations, LLC (17)
10.21*	Patent License Agreement dated September 15, 2006, by and among Toshiba Corporation, Acclaim Innovations, LLC and Micron Technology, Inc. (17)
10.22*	Omnibus Agreement dated as of February 27, 2007, between Micron Technology, Inc. and Intel Corporation (10)
10.23*	Limited Liability Partnership Agreement dated as of February 27, 2007, between Micron Semiconductor Asia Pte. Ltd. and Intel Technology Asia Pte. Ltd. (10)
10.24*	Supply Agreement dated as of February 27, 2007, between Micron Semiconductor Asia Pte. Ltd. and IM Flash Singapore, LLP (10)
10.25*	Amended and Restated Limited Liability Company Operating Agreement of IM Flash Technologies, LLC dated as of February 27, 2007, between Micron Technology, Inc. and Intel Corporation (10)
10.26*	Supply Agreement dated as of February 27, 2007, between Intel Technology Asia Pte. Ltd. and IM Flash Singapore, LLP (10)
10.27	Form of Indemnification Agreement between the Registrant and its officers and directors (18)
10.28	Form of Severance Agreement between the Company and its officers (19)
10.29	Form of Agreement and Amendment to Severance Agreement between the Company and its officers (20)
10.30	Purchase Agreement dated October 1, 1998, between the Registrant and TECH Semiconductor Singapore Pte. Ltd. (21)
10.34*	Business Agreement dated September 24, 2003, between the Registrant and Intel Corporation (8)
10.35	Securities Rights and Restrictions Agreement dated September 24, 2003, between the Registrant and Intel Capital (8)
10.36*	Master Agreement dated as of November 18, 2005, between Micron Technology, Inc. and Intel Corporation (15)
10.37*	Limited Liability Company Operating Agreement of IM Flash Technologies, LLC dated as of January 6, 2006, between Micron Technology, Inc. and Intel Corporation (15)

10.38*	Manufacturing Services Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (15)
10.39*	Boise Supply Agreement dated as of January 6, 2006, between IM Flash Technologies, LLC and Micron Technology, Inc. (15)
10.40*	MTV Lease Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (15)
10.41*	Product Designs Assignment Agreement dated January 6, 2006, between Intel Corporation and Micron Technology, Inc. (15)
10.42*	NAND Flash Supply Agreement, effective as of January 6, 2006, between Apple Computer, Inc. and Micron Technology, Inc. (15)
10.43*	Supply Agreement dated as of January 6, 2006, between Micron Technology, Inc. and IM Flash Technologies, LLC (15)
10.44*	Supply Agreement dated as of January 6, 2006, between Intel Corporation and IM Flash Technologies, LLC (15)

10.45	Capped Call Confirmation (Reference No.CEODL6) by and between Micron Technology, Inc. and Morgan Stanley & Co. International plc (1)
10.46	Capped Call Confirmation (Reference No. 53228800) by and between Micron Technology, Inc. and Credit Suisse International (1)
10.47	Capped Call confirmation (Reference No. 53228855) by and between Micron Technology, Inc. and Credit Suisse International (1)
10.48	2007 Equity Incentive Plan (11)
10.49	2007 Equity Incentive Plan Forms of Agreements (22)
10.50	Severance Agreement dated April 9, 2008, between Micron Technology, Inc. and Ronald C. Foster (23)
10.51*	Master Agreement, dated as of April 21, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (24)
10.52*	Joint Venture Agreement, dated as of April 21, 2008, by and between Micron Semiconductor B.V. and Nanya Technology Corporation (24)
10.53*	Supply Agreement, dated as of June 6, 2008, by and among Micron Technology, Inc., Nanya Technology Corporation and MeiYa Technology Corporation (24)
10.54*	Joint Development Program Agreement, dated as of April 21, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (24)
10.55*	Technology Transfer and License Agreement for 68-50nm Process Nodes, dated as of April 21, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (24)
10.56*	Technology Transfer and License Agreement, dated as of April 21, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (24)
10.57*	Technology Transfer Agreement for 68-50nm Process Nodes, dated as of May 13, 2008, by and between Micron Technology, Inc. and MeiYa Corporation (24)
10.58*	Technology Transfer Agreement, dated as of May 13, 2008, by and among Nanya Technology Corporation, Micron Technology, Inc. and MeiYa Technology Corporation (24)
10.59	Services Agreement, dated as of June 6, 2008, by and between Nanya Technology Corporation and MeiYa Technology Corporation (24)
10.60	Micron Guaranty Agreement, dated April 21, 2008, by and between Nanya Technology Corporation and Micron Semiconductor B.V. (24)
10.61	TECH Facility Agreement, dated March 31, 2008, among TECH Semiconductor Singapore Pte. Ltd. and ABN Amro Bank N.V., Citibank, N.A., Singapore Branch, Citigroup Global Markets Singapore Pte Ltd., DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited, as Original Mandated Lead Arrangers (24)
10.62	Guarantee, dated March 31, 2008, by Micron Technology, Inc. as Guarantor in favor of ABN Amro Bank N.V., Singapore Branch acting as Security Trustee (24)
10.63	Form of Severance Agreement (25)
10.64	Lexar Media, Inc. 1996 Stock Option Plan, as Amended (11)
10.65*	Boise Supply Termination and Amendment Agreement, dated October 10, 2008, by and among Intel Corporation, Micron Technology, Inc. and IM Flash Technologies, LLC (11)
10.66*	Loan Agreement, dated November 26, 2008, by and among Micron Semiconductor B.V., Micron Technology, Inc., and Nan Ya Plastics Corporation (11)
10.67	Loan Agreement, dated November 26, 2008, by and between Micron Technology, Inc. and Inotera Memories, Inc. (11)
10.68	Transition Agreement, dated October 11, 2008, by and among Nanya Technology Corporation, Qimonda AG, Inotera Memories, Inc. and Micron Technology, Inc. (11)
10.69	Micron Guaranty Agreement, dated November 26, 2008, by Micron Technology, Inc. in favor of Nanya Technology Corporation (11)

10.70	Share Purchase Agreement by and among Micron Technology, Inc. as the Buyer Parent, Micron Semiconductor B.V., as the Buyer, Qimonda Ag as the Seller Parent and Qimonda Holding B.V., as the Seller Sub dated as of October 11, 2008 (11)
10.71*	Master Agreement, dated November 26, 2008, among Micron Technology, Inc., Micron Semiconductor B.V., Nanya Technology Corporation, MeiYa Technology Corporation and Inotera Memories, Inc. (11)
10.72*	Joint Venture Agreement, dated November 26, 2008, by and between Micron Semiconductor B.V. and Nanya Technology Corporation (11)
10.73*	Facilitation Agreement, dated November 26, 2008, by and between Micron Semiconductor B.V., Nanya Technology Corporation and Inotera Memories, Inc. (11)
10.74*	Supply Agreement, dated November 26, 2008, by and among Micron Technology, Inc., Nanya Technology Corporation and Inotera Memories, Inc. (11)
10.75*	Amended and Restated Joint Development Program Agreement, dated November 26, 2008, by and between Nanya Technology Corporation and Micron Technology, Inc. (11)

10.76*	Amended and Restated Technology Transfer and License Agreement, dated November 26, 2008, by and between Micron Technology, Inc. and Nanya Technology Corporation (11)
10.77*	Technology Transfer Agreement, dated November 26, 2008, by and among Nanya Technology Corporation, Micron Technology, Inc. and Inotera Memories, Inc. (11)
10.78*	Technology Transfer Agreement for 68-50nm Process Nodes, dated October 11, 2008, by and between Micron Technology, Inc. and Inotera Memories, Inc. (11)
10.79	Loan Agreement as of February 23, 2009, by and between Micron Technology, Inc. and Economic Development Board (26)
10.80	Mortgage and Charge Agreement as of February 23, 2009, by and among Economic Development Board, Micron Technology, Inc. and TECH Semiconductor Singapore Pte. Ltd. (26)
10.81	Capped Call Confirmation (Reference No. SDB 1630322480), dated as of April 8, 2009, by and between Micron Technology, Inc. and Goldman, Sachs & Co. (2)
10.82	Capped Call Confirmation (Reference No. CGPWK6), dated as of April 8, 2009, by and between Micron Technology, Inc. and Morgan Stanley & Co International plc (2)
10.83	Capped Call Confirmation (Reference No. 325758), dated as of April 8, 2009, by and between Micron Technology, Inc. and Deutsche Bank AG, London Branch (2)
10.84	Amendment Agreement, dated September 25, 2009, to TECH Facility Agreement, dated March 31, 2008, among TECH Semiconductor Singapore Pte. Ltd. And ABN Amro Bank N.V., Citibank, N.A., Singapore Branch, Citigroup Global Markets Singapore Pte Ltd., DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited, as Original Mandated Lead Arrangers (27)
10.85	Supplemental Deed, dated September 25, 2009, to Guarantee, dated March 31, 2008, by Micron Technology, Inc. as Guarantor in favor of ABN Amro Bank N.V., Singapore Branch acting as Security Trustee (27)
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350

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(1)	Incorporated by reference to Current Report on Form 8-K dated May 17, 2007
(2)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended June 4, 2009
(3)	Incorporated by reference to Current Report on Form 8-K dated March 8, 2006
(4)	Incorporated by reference to Current Report on Form 8-K dated May 30, 2006
(5)	Incorporated by reference to Current Report on Form 8-K dated June 4, 2006
(6)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001
(7)	Incorporated by reference to Current Report on Form 8-K dated October 1, 2008
(8)	Incorporated by reference to Current Report on Form 8-K dated September 24, 2003
(9)	Incorporated by reference to Lexar Media, Inc.'s Current Report on Form 8-K dated March 30, 2005
(10)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 1, 2007
(11)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 4, 2008
(12)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 3, 2005

(13)	Incorporated by reference to Current Report on Form 8-K dated April 3, 2005
(14)	Incorporated by reference to Registration Statement on Form S-8 (Reg. No. 333-50353)
(15)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 1, 2005
(16)	Incorporated by reference to Registration Statement on Form S-8 (Reg. No. 333-65449)
(17)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006
(18)	Incorporated by reference to Proxy Statement for the 1986 Annual Meeting of Shareholders
(19)	Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended August 28, 2003
(20)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 1997
(21)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended December 3, 1998
(22)	Incorporated by reference to Registration Statement on Form S-8 (Registration No. 333-148357)
(23)	Incorporated by reference to Current Report on Form 8-K dated April 9, 2008
(24)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 29, 2008
(25)	Incorporated by reference to Current Report on Form 8-K dated October 26, 2007
(26)	Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended March 5, 2009
(27)	Incorporated by reference to Current Report on Form 8-K dated September 25, 2009

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boise, State of Idaho, on the 28th day of October 2009.

Micron Technology, Inc.

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

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

Signature	Title	Date
/s/ Steven R. Appleton (Steven R. Appleton)	Chairman of the Board, Chief Executive Officer (Principal Executive Officer)	October 28, 2009
/s/ Ronald C. Foster (Ronald C. Foster)	Vice President of Finance, Chief Financial Officer (Principal Financial and Accounting Officer)	October 28, 2009
/s/ Teruaki Aoki (Teruaki Aoki)	Director	October 28, 2009
/s/ James W. Bagley (James W. Bagley)	Director	October 28, 2009
/s/ Robert L. Bailey (Robert L. Bailey)	Director	October 28, 2009

/s/ Mercedes Johnson (Mercedes Johnson)	Director	October 28, 2009
/s/ Lawrence N. Mondry (Lawrence N. Mondry)	Director	October 28, 2009
/s/ Robert E. Switz (Robert E. Switz)	Director	October 28, 2009

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

	Balance at Beginning of Year	Business Acquisitions	Charged (Credited) toCosts and Expenses	Deductions/ Write-Offs	Balance at End of Year
Allowance for Doubtful Accounts					
Year ended September 3, 2009	$ 2	$ --	$ 5	$ (2)	$ 5
Year ended August 28, 2008	4	--	(1)	(1)	2
Year ended August 30, 2007	4	--	1	(1)	4
Deferred Tax Asset Valuation Allowance					
Year ended September 3, 2009	$ 1,569	$ --	$ 554	$ (5)	$ 2,118
Year ended August 28, 2008	1,142	--	446	(19)	1,569
Year ended August 30, 2007	915	(12)	219	20	1,142