CARRIAGE SERVICES INC
Form 4
January 07, 2014

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HEILIGBRODT L WILLIAM

(Last) (First) (Middle)

11015 LANDON LANE

(Street)

HOUSTON, TX 77024

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CARRIAGE SERVICES INC [CSV]

3. Date of Earliest Transaction (Month/Day/Year)
01/03/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securiti (Instr. 3 and 4)

	Derivative Security					Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou Numb Share
Performance Award	$ 9	01/03/2014	D			320,000	(1)	08/02/2017	Common Stock	320,

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HEILIGBRODT L WILLIAM 11015 LANDON LANE HOUSTON, TX 77024	X			

Signatures

/s/ L. William Heiligbrodt	01/07/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The Performance Award was canceled by mutual agreement of the reporting person and the Issuer. As consideration for the cancellation, the reporting person received a cash payment equal to the product of (i) the difference between (x) $19.00 and (y) the purchase price under the Performance Award and (ii) the number of shares of the Issuer's common stock subject to the Performance Award.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. om">)
(Predecessor Company)

Unit-based compensation		
	233	233
Cancellation of the Predecessor Company s unit options		
	166	166
Dividends accrued on preferred units		
	(6,317)	(6,317)
Comprehensive income:		
Net income		
	841,106	841,106
Foreign currency translation adjustments		
	(30,395)	(30,395)
Unrealized gains on investments		
	340	340
Total comprehensive income		

	811,051					
Balance at October 25, 2009 (Predecessor Company)	52,923,483	$ 52,923	$ 3,549	$ (160,218)	$ 121,080	$ 17,334

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	Common Units		Additional Paid-In	Accumulated	Accumulated Other Comprehensive Income	
	Units	Amount	Capital	deficit	(loss)	Total
	(In thousands of US dollars, except unit data)					
Fresh-start adjustments:						
Cancellation of the Predecessor Company s common units	(52,923,483)	(52,923)	(3,549)			(56,472)
Elimination of the Predecessor Company s accumulated deficit and accumulated other comprehensive income				160,218	(121,080)	39,138
Issuance of new equity interests in connection with emergence from Chapter 11	299,999,996	49,539	166,322			215,861
Issuance of new warrants in connection with emergence from Chapter 11			2,533			2,533
Balance at October 25, 2009	299,999,996	$ 49,539	$ 168,855	$	$	$ 218,394
(Successor Company)						
Unit-based compensation	7,084,000	5,596	(155)			5,441
Comprehensive income:						
Net loss				(1,963)		(1,963)
Foreign currency translation adjustments					(6,298)	(6,298)
Unrealized gains on investments					116	116
Total comprehensive loss						(8,145)
Balance at December 31, 2009	307,083,996	$ 55,135	$ 168,700	$ (1,963)	$ (6,182)	$ 215,690
(Successor Company)						

The accompanying notes are an integral part of these consolidated financial statements

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MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In thousands of US dollars)			
Cash flows from operating activities				
Net income (loss)	$ (1,963)	$ 841,106	$ (417,294)	$ (180,550)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	11,218	38,255	71,960	163,434
Provision for severance benefits	1,851	8,835	14,026	18,834
Amortization of debt issuance costs		836	16,290	3,919
Loss (gain) on foreign currency translation, net	(10,077)	(44,224)	215,571	5,398
Loss (gain) on disposal of property, plant and equipment, net	17	95	(3,094)	(68)
Loss (gain) on disposal of intangible assets, net	5	(9,230)		(3,630)
Restructuring and impairment charges		(1,120)	42,539	10,106
Unit-based compensation	2,199	233	465	604
Cash used for reorganization items	4,263	1,076		
Noncash reorganization items		(805,649)		
Other	(667)	2,722	(400)	51
Changes in operating assets and liabilities				
Accounts receivable	16,443	(12,930)	31,025	(46,504)
Inventories	6,739	(1,163)	11,174	(18,398)
Other receivables	1,755	31	1,016	971
Deferred tax assets	678	1,054	1,490	952
Accounts payable	(14,144)	6,316	(5,063)	26,442
Other accounts payable	(12,511)	(11,452)	(19,887)	(6,021)
Accrued expenses	(5,687)	28,295	23,953	(5,504)
Long term other payable	(877)	507	121	114
Other current assets	3,192	5,896	7,401	9,840
Other current liabilities	1,188	39	1,295	5,007
Payment of severance benefits	(1,389)	(4,320)	(6,505)	(7,151)
Other	(125)	(516)	(4,471)	(1,557)
Net cash provided by (used in) operating activities before reorganization items	2,108	44,692	(18,388)	(23,711)
Cash used for reorganization items	(4,263)	(1,076)		

Net cash provided by (used in) operating activities	(2,155)	43,616	(18,388)	(23,711)

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	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In thousands of US dollars)			
Cash flows from investing activities				
Proceeds from disposal of plant, property and equipment	37	329	3,122	364
Proceeds from disposal of intangible assets		9,375		4,204
Purchase of plant, property and equipment	(1,258)	(7,513)	(28,608)	(85,294)
Payment for intellectual property registration	(70)	(366)	(1,052)	(1,256)
Decrease (increase) in restricted cash		11,409	(13,517)	
Purchase of short-term financial instruments	(329)			
Other	23	(96)	484	176
Net cash provided by (used in) investing activities	(1,597)	13,138	(39,571)	(81,806)
Cash flows from financing activities				
Proceeds from short-term borrowings			180,000	130,100
Issuance of new common units pursuant to the reorganization plan		35,280		
Issuance of old common units			183	151
Repayment of short-term borrowings		(33,250)	(165,000)	(50,100)
Repurchase of old common units			(496)	(6)
Net cash provided by financing activities		2,030	14,687	80,145
Effect of exchange rates on cash and cash equivalents	1,098	4,758	(17,036)	544
Net increase (decrease) in cash and cash equivalents	(2,654)	63,542	(60,308)	(24,828)
Cash and cash equivalents				
Beginning of the period	67,579	4,037	64,345	89,173
End of the period	$ 64,925	$ 67,579	$ 4,037	$ 64,345
Supplemental cash flow information				
Cash paid for interest	$ 955	$ 7,962	$ 39,276	$ 57,468
Cash paid for income taxes	$ 669	$ 8,074	$ 13,207	$ 5,680

The accompanying notes are an integral part of these consolidated financial statements

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except unit data)

1. General

The Company

MagnaChip Semiconductor LLC (together with its subsidiaries, the Company) is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. The Company s business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. The Company s Display Solutions products include display drivers for use in a wide range of flat panel displays and mobile multimedia devices. The Company s Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. The Company s Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

2. Voluntary Reorganization under Chapter 11

On June 12, 2009, MagnaChip Semiconductor LLC (the Parent), MagnaChip Semiconductor B.V., MagnaChip Semiconductor S.A. and certain other subsidiaries of the Parent in the U.S. (the Debtors), filed a voluntary petition for relief in the U.S. Bankruptcy Court for the District of Delaware under Chapter 11 of the U.S. Bankruptcy Code. The court approved a plan of reorganization proposed by the Creditors Committee on September 25, 2009 (the Plan of Reorganization), and the Plan of Reorganization became effective and the Debtors emerged from Chapter 11 reorganization proceedings (the Reorganization Proceedings) on November 9, 2009 (the Reorganization Effective Date). On the Reorganization Effective Date, the Company implemented fresh-start reporting in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*, formerly the American Institute of Certified Public Accountants Statement of Position (SOP) 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (ASC 852).

All conditions required for the adoption of fresh-start reporting were met upon emergence from the Reorganization Proceedings on the Reorganization Effective Date. The Company is permitted to select an accounting convenience date (the Fresh-Start Adoption Date) proximate to the emergence date for purposes of fresh-start reporting, provided that an analysis of the activity between the date of emergence and an accounting convenience date does not result in a material difference in the fresh-start reporting results. The Company evaluated transaction activity between October 25, 2009 and the Reorganization Effective Date and concluded an accounting convenience date of October 25, 2009 which was the Company s October accounting period end was appropriate. As a result, the fair value of the Predecessor Company s assets became the new basis for the Successor Company s consolidated statement of financial position as of the Fresh-Start Adoption Date, and all operations beginning on or after October 26, 2009 are related to the Successor Company.

As a result of the application of fresh-start reporting in accordance with ASC 852, the financial statements prior to and including October 25, 2009 represent the operations of the Predecessor Company and are not comparable with the financial statements for periods on or after October 25, 2009. References to the Successor Company refer to the Company on or after October 25, 2009, after giving effect to the application of fresh-start reporting. References to the Predecessor Company refer to the Company prior to and including October 25, 2009. See Note 3 Fresh-Start Reporting for further details.

The Plan of Reorganization provided for the satisfaction of claims against the Debtors through (i) the issuance of a new term loan in the amount of approximately $61.8 million in complete

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

satisfaction of the first lien lender claims arising from the senior secured credit facility, (ii) the conversion to Parent equity of all claims arising from the Second Priority Senior Secured Notes and Senior Subordinated Notes, (iii) an offering of equity to the holders of the Second Priority Senior Secured Notes and (iv) a cash payment to holders of unsecured claims. On the Reorganization Effective Date, among other events, (i) the liens and guarantees securing the Second Priority Senior Secured Notes and Senior Subordinated Notes were released and extinguished, (ii) funds affiliated with Avenue Capital Management II, L.P. became the majority unitholder of Parent and (iii) the new term loan was evidenced by the Amended and Restated Credit Agreement dated as of November 6, 2009, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, Parent, the Subsidiary Guarantors, the Lenders party thereto, and Wilmington Trust FSB, as administrative agent for the Lenders and collateral agent for the secured parties.

During the period from the date of its Chapter 11 filing to the Fresh-Start Adoption Date (the Pre-Emergence Period), the Company recorded interest expense on pre-petition obligations only to the extent it believed the interest would be paid during the Reorganization Proceedings. Had the Company recorded interest expense based on its pre-petition contractual obligations pursuant to its Second Priority Senior Notes and Senior Subordinated Notes, interest expense would have increased by $16,663 thousand during the ten-month period ended October 25, 2009.

In addition, the Company s Series B redeemable convertible preferred units were also subject to compromise and no dividends were accrued during the Pre-Emergence Period. Had the Company recorded dividends based on pre-petition contractual obligations, dividends accrued on preferred units would have increased by $5,502 thousand during the ten-month period ended October 25, 2009.

3. Fresh-Start Reporting

Upon emergence from the Reorganization Proceedings, the Company adopted fresh-start reporting in accordance with ASC 852. The Company s emergence from the Reorganization Proceedings resulted in a new reporting entity with no retained earnings or accumulated deficit. Accordingly, the Company s consolidated financial statements for periods prior to and including October 25, 2009 are not comparable to consolidated financial statements presented on or after October 25, 2009.

Fresh-start reporting reflects the value of the Company as determined in the confirmed Plan of Reorganization. Under fresh-start reporting, the Company s asset values were remeasured and allocated in conformity with ASC 805, *Business Combinations,* formerly Statements of Financial Accounting Standards (SFAS) No. 141(R) *Business Combinations* (ASC 805). Fresh-start reporting required that all liabilities, other than deferred taxes and severance benefits, be stated at fair value or at the present values of the amounts to be paid using appropriate market interest rates. Deferred taxes are determined in conformity with ASC 740, *Income Taxes*, formerly SFAS No. 109, *Accounting for Income Taxes* (ASC 740).

Estimates of fair value represent the Company s best estimates based on its valuation models, which incorporated industry data and trends and relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions and values reflected in the valuations will be realized, and actual results could vary materially.

To facilitate the calculation of the enterprise value of the Successor Company, the Company prepared a valuation analysis for the Successor Company s common units as of the Reorganization

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

Effective Date. The enterprise valuation used a discounted cash flow analysis which measures the projected multi-year free cash flows of the Company to arrive at an enterprise value.

In the course of valuation analysis, financial and other information, including prospective financial information obtained from management and from various public, financial and industry sources was relied upon. The basis of the discounted cash flow analysis used in developing the total enterprise value was based on the Company s prepared projections, which included a variety of estimates and assumptions. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company s control and, therefore, may not be realized. Changes in these estimates and assumptions may have had a significant effect on the determination of the Company s fair value. Assumptions used in our valuation models that have the most significant effect on our estimated fair value include discount rates and future cash flow projections.

Discount rate The discount rate is an overall rate based upon the individual rates of return for invested capital components of the Company (such as rate of return on debt capital and rate of return on common equity capital). As the Company is emerging from bankruptcy and, therefore, has some of the characteristics of a distressed company, the Company incorporated an alpha factor in its calculation of an industry based discount rate, to better reflect the return that an investor would require for an investment in a company. The resulting discount rate of 46.7% approximates the venture capital rate of return required by investors in companies with similar risk profiles as the Company.

Cash flow projections The Company projected its future cash flow on various assumptions depending on the nature of cash flow components. Some of the major accounts projected were based on the following assumptions.

Revenue The Company based 2009 and 2010 revenue on the historical ten-month period ended October 25, 2009 and the Company s business plan. For the subsequent four years, revenue projections were based on market growth trends and plans for market share growth. Overall, the Company projected a compound revenue growth for this purpose of 12% for the period between 2009 and 2014.

Cost of Sales The Company estimated three sub-components variable cost, depreciation and other fixed costs. Variable cost was defined as those cost elements directly in proportion to sales and estimated as a certain percentage of projected sales. Depreciation is estimated considering expected depreciation of existing assets and depreciation of assets from the Company s capital expenditure forecast. Other fixed costs are assumed to be increased by a fixed percentage which was implied by the CPI (Consumer Price Index) rate increases during the projection period. The Company projected cost of sales for the periods between 2009 and 2014 to vary between 70.1% and 62.6%.

Working capital changes Working capital levels were estimated on the historical levels and benchmarking.

Capital expenditures Capital expenditures for 2009 and 2010 was determined based on the Company s capital expenditure forecast. The Company assumed that the capital expenditure level for subsequent years would be determined at 5% of its future projected revenue.

The following fresh-start condensed consolidated balance sheet illustrates the financial effects on the Company resulting from the implementation of the Plan of Reorganization and the adoption of fresh-start reporting. This fresh-start condensed consolidated balance sheet reflects the effect of

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

consummating the transactions contemplated in the Plan of Reorganization, including issuance of certain securities, incurrence of new indebtedness, discharge and repayment of old indebtedness and other cash payments.

The effects of the Plan of Reorganization and fresh-start reporting on the Company s condensed consolidated balance sheet are as follows:

	Predecessor October 25, 2009	Effects of Plan	Fresh-Start Valuation	Successor (*) October 25, 2009
Assets				
Current assets				
Cash and cash equivalents	$ 14,610	$ 52,969(a,b,f,j)	$	$ 67,579
Restricted cash	52,015	(52,015)(b)		
Accounts receivable, net	89,314			89,314
Inventories, net	51,389		17,903(n)	69,292
Other receivables	5,189			5,189
Other current assets	17,477	(179)(c)	(1,233)(o)	16,065
Total current assets	229,994	775	16,670	247,439
Property, plant and equipment, net	172,358		(13,940)(p)	158,418
Intangible assets, net	26,886		28,314(q)	55,200
Other non-current assets	23,947	235(d)	355(r)	24,537
Total assets	$ 453,185	$ 1,010	$ 31,399	$ 485,594
Liabilities and Unitholders Equity				
Current liabilities				
Accounts payable	$ 77,395	$	$	$ 77,395
Other accounts payable	13,515	506(e)		14,021
Accrued expenses	22,621	6,383(f)		29,004
Short-term borrowings	95,000	(95,000)(a)		
Current portion of long-term debt-new		463(a)		463
Other current liabilities	3,533			3,533
Liabilities subject to compromise	798,043	(798,043)(g)		
Total current liabilities	1,010,107	(885,691)		124,416
Long-term debt-new		61,287(a)		61,287
Accrued severance benefits, net	71,029			71,029
Other non-current liabilities	10,468			10,468

Total liabilities	1,091,604	(824,404)	267,200

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

	Predecessor October 25, 2009	Effects of Plan	Fresh-Start Valuation	Successor (*) October 25, 2009
Commitments and contingencies				
Series A redeemable convertible preferred units				
Series B redeemable convertible preferred units subject to compromise	148,986	(148,986)(h)		
Total redeemable convertible preferred units	148,986	(148,986)		
Unitholders equity				
Common units-old	52,923	(52,923)(i)		
Common units-new		49,539(g,j)		49,539
Additional paid-in capital	3,383	166(s)		
		(3,549)(i)		
		2,533(g)		
		166,322(m)		168,855
Retained earnings (accumulated deficit)	(964,791)	160,218(k)		
		773,174(l)	31,399(l)	
Accumulated other comprehensive income	121,080	(121,080)(k)		
Total unitholders equity	(787,405)	974,400	31,399	218,394
Total liabilities, redeemable convertible preferred units and unitholders equity	$ 453,185	$ 1,010	$ 31,399	$ 485,594

(a) To record the issuance of a new term loan in the amount of $61,750 thousand and 35% cash payment of $33,250 thousand in complete satisfaction of the first lien lender claims arising from the senior secured credit facility (short-term borrowings) of $95,000 thousand. The new term loan was accounted for as current portion of long-term debt of $463 thousand and long-term debt of $61,287 thousand.

(b) Cash in Korea Exchange Bank account of $52,015 thousand, restricted under forbearance agreement, was released from restriction according to the debt restructuring by the Plan of Reorganization.

(c) To record impairment of remaining capitalized costs of $166 thousand in connection with entering into the senior secured credit facility, impairment of prepaid agency fee of $14 thousand of the senior secured credit facility and capitalization of costs of $1 thousand in connection with the issuance of the new term loan.

(d) To record capitalization of costs of $235 thousand in connection with the issuance of the new term loan.

(e) To record capitalization of costs incurred in connection with the issuance of the new term loan of $236 thousand and 10% of the general unsecured claims of $270 thousand to be settled in cash.

(f) To record professional fees of $7,459 thousand incurred in relation to the Reorganization Proceeding of which $1,076 thousand was paid in cash with the remainder of $6,383 thousand recorded as accrued expenses.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

(g) To record the discharge of liabilities subject to compromise of $798,043 thousand and the issuances of new common units of $14,259 thousand and new warrants of $2,533 thousand. Current portion of long-term debt of $750,000 thousand and its accrued interest of $45,341 thousand as of October 25, 2009 were discharged in exchange for new common units representing 6% of the Successor Company s outstanding common units of $14,259 thousand to two classes of creditors of the Company and new warrants representing 5% of the Successor Company s outstanding common units of $2,533 thousand to two classes of creditors of the Company. General unsecured claims of $2,702 thousand were also discharged in exchange for a cash payment equal to 10% of the allowed claims of $270 thousand.

(h) To record the retirement of Series B redeemable convertible preferred units of $148,986 thousand without consideration in accordance with the Plan of Reorganization.

(i) To record the retirement of old equity interests without consideration in accordance with the Plan of Reorganization.

(j) To record the issuances of new common units of $35,280 thousand.

(k) To record the elimination of the Predecessor Company s accumulated deficit of $160,218 thousand and accumulated other comprehensive income of $121,080 thousand.

(l) To record reorganization items, net of $804,573 thousand.

(m) To record $166,322 thousand of additional paid-in capital. Reconciliation of total enterprise value to the reorganization value of the Company, determination of goodwill and additional paid-in capital and allocation of the total enterprise value to common unitholders are as below:

Total value attributable to debt and equity (1)	$	212,564
Plus: cash and cash equivalents		67,579
Plus: liabilities		205,451
Reorganization value of the Company s total assets		485,594
Fair value of the Company s total assets		485,594
Goodwill	$	
Reorganization value of the Company s total assets	$	485,594
Less: liabilities		(205,450)
Less: new term loan		(61,750)
New warrants issued		2,533
New common units		49,539

Additional paid-in capital	$ 166,322
Enterprise value allocated to common unitholders	$ 215,861

(1) The Plan of Reorganization, which was confirmed by the bankruptcy court, includes an estimated total value attributable to debt and equity of $225.0 million. This amount does not include cash balances and non-financial liabilities as of the Reorganization Effective Date.

(n) To record the fair value of inventories, net, as estimated by the Predecessor Company, fair value of finished goods was estimated by subtracting from average selling prices the sum of costs of disposal and a reasonable profit allowance for the selling effort. Fair value of work-in-process was estimated by subtracting from average selling prices the sum of costs to complete, costs of disposal and a reasonable profit allowance for the completing and selling effort based on profit for similar finished goods. Fair value of raw materials was estimated by current replacement costs.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

(o) To record the fair value of advance payments as estimated by the Predecessor Company. For the value of advance payments, the Orderly Liquidation Value (OLV) was estimated using the cost and market approaches.

(p) To record the fair value of property, plant and equipment, net as estimated by the Predecessor Company. For the value of certain fixed assets, the OLV was estimated using the cost and market approaches. This premise of value was chosen given the fact that the Company was just emerging from bankruptcy proceedings.

(q) To record the fair value of intangible assets, net as estimated by the Predecessor Company. Discrete valuations of each of the reporting units identified intangible assets related to technology, contracts, trade names, customer-based intangible assets and acquired in-process research and development (IPR&D) were performed using the excess earnings method or the royalty savings method.

(r) To record the Predecessor Company s other non-current assets at their estimated fair value using observable market data.

(s) To record the immediately recognized unit-based compensation of $166 thousand, which is attributable to old unit options which were cancelled without consideration in accordance with the Plan of Reorganization.

(*) The following table summarizes the allocation of fair value of the assets and liabilities at emergence as shown in the reorganized consolidated balance sheet as of October 25, 2009:

Cash and cash equivalents	$ 67,579
Accounts receivable, net	89,314
Inventories, net	69,292
Other receivables	5,189
Other current assets	16,065
Property, plant and equipment, net	158,418
Intangible assets, net	55,200
Other non-current assets	24,537
Total assets	485,594
Less: current liabilities (including current portion of long-term debt)	(124,416)
Less: long-term debt	(61,287)
Less: non-current liabilities	(81,497)
Total liabilities assumed	(267,200)
Net assets acquired	$ 218,394

4. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

In preparing the consolidated financial statements for the Predecessor Company and Successor Company, the Company applied ASC 852, which requires that the financial statements for periods subsequent to the Chapter 11 filing distinguish transactions and events that were directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses,

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
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realized gains and losses and provisions for losses that were realized or incurred in the Reorganization Proceedings were recorded in reorganization items, net on the accompanying consolidated statements of operations.

Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company including its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and disclosures. The most significant estimates and assumptions relate to the fair valuation of acquired assets and assumed liabilities, fair valuation of common units, the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation, restructuring accrual and impairment of long-lived assets. Although these estimates are based on management s best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

Foreign Currency Translation

The Company has assessed in accordance with ASC 830, *Foreign Currency Matters,* formerly SFAS No. 52, *Foreign Currency Translation* (ASC 830), the functional currency of each of its subsidiaries in Luxembourg, the Netherlands and the United Kingdom and has designated the U.S. dollar to be their respective functional currencies. The Company and its other subsidiaries are utilizing their local currencies as their functional currencies. The financial statements of the subsidiaries in functional currencies other than the U.S. dollar are translated into the U.S. dollar in accordance with ASC 830. All the assets and liabilities are translated to the U.S. dollar at the end-of-period exchange rates. Capital accounts are determined to be of a permanent nature and are therefore translated using historical exchange rates. Revenues and expenses are translated using average exchange rates for the respective periods. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of unitholders equity. Gains and losses due to transactions in currencies other than the functional currency are included as a component of other income (expense) in the statement of operations.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less.

Restricted Cash

Restricted cash of $11,768 thousand as of December 31, 2008 was cash in Korea Exchange Bank account and restricted in use according to the forbearance agreement with secured parties in relation to short-term borrowings of

$95,000 thousand. Deposit accounts maintained with Korea

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Exchange Bank were subject to a perfected lien in the name of the collateral trustee for the benefit of the secured parties and were frozen pursuant to the terms of an acceleration notice.

According to the debt restructuring by the Plan of Reorganization as described in Note 3, cash in Korea Exchange Bank account of $52,015 thousand was released from restriction on the Reorganization Effective Date.

Accounts Receivable Reserves

An allowance for doubtful accounts is provided based on the aggregate estimated uncollectability of the Company s accounts receivable. The Company records an allowance for cash returns, included within accounts receivable, net, based on the historical experience of the amount of goods that will be returned and refunded. In addition, the Company also includes in accounts receivable, an allowance for additional products that may have to be provided, free of charge, to compensate customers for products that do not meet previously agreed yield criteria, the low yield compensative reserve.

Inventories

Inventories are stated at the lower of cost or market, using the average cost method, which approximates the first in, first out method (FIFO). If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories within cost of sales. Inventory reserves are established when conditions indicate that the net realizable value is less than costs due to physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Reserves are also established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product.

In addition, as prescribed in ASC 330, *Inventory,* formerly SFAS No. 151 *Inventory costs*, the cost of inventories is determined based on the normal capacity of each fabrication facility. In case the capacity utilization is lower than a certain level that management believes to be normal, the fixed overhead costs per production unit which exceeds those under normal capacity are charged to cost of sales rather than capitalized as inventories.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

Buildings	30 - 40 years
Building related structures	10 - 20 years
Machinery and equipment	5 - 10 years
Vehicles and others	5 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

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Impairment of Long-Lived Assets

The Company reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360, *Property, Plant and Equipment*, formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). Recoverability is measured by comparing its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment is measured as the difference between the carrying amount of the assets and the fair value of assets using the present value of the future net cash flows generated by the respective long-lived assets.

Restructuring Charges

The Company recognizes restructuring charges in accordance with ASC 420, *Exit or Disposal Cost Obligations,* formerly SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (ASC 420). Certain costs and expenses related to exit or disposal activities are recorded as restructuring charges when liabilities for those costs and expenses are incurred.

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at the lower of the present value of future minimum lease payments and estimated fair value of leased property. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the shorter of the estimated useful lives of leased property and lease term.

Software

The Company capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with ASC 350, *Intangibles-Goodwill and Other*, formerly Statements of Position (SOP) No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (ASC 350). Depreciation is calculated on a straight-line basis over the software s estimated useful life, which is usually five years.

Intangible Assets

Intangible assets other than intellectual property include technology and customer relationships which are amortized on a straight-line basis over periods ranging from four to eight years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to ten years, on a straight-line basis.

Goodwill

Goodwill is evaluated for impairment by comparing the fair value and carrying amount of the reporting unit to which the goodwill relates. Specifically, the Company uses the two-step method for evaluating goodwill for impairment as prescribed in ASC 350, *Intangibles-Goodwill and Other,*

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formerly SFAS No. 142 *Goodwill and Other Intangible Assets* (ASC 350). In the first step, the fair value of a reporting unit is compared to the carrying amount of such reporting unit. If the carrying amount exceeds the fair value, a potential impairment condition exists. In the second step, impairment is measured as the excess of the carrying amount of reporting unit goodwill over the implied fair value of reporting unit goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and thus the second step of the impairment test is unnecessary.

Fair Value Disclosures of Financial Instruments

The Company has adopted and follows ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) for measurement and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument s anticipated life.

Level 3 Inputs reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

As defined by ASC 820, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, which was further clarified as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The carrying amounts of the Company s financial assets and liabilities, such as cash and cash equivalents, accounts receivable, other receivables, accounts payable and other accounts payable approximate their fair values because of the short maturity of these instruments.

The fair value of the Successor Company s available for sale securities is based on the quoted prices in an active market and was $0.7 million as of December 31, 2009. The estimated fair value of the Predecessor Company s debt was $33.5 million as of December 31, 2008. The fair value estimates presented herein were based on market interest rates and other market information available to management as of each balance sheet date presented. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. Approximate fair values do not take into consideration expenses that could be incurred in an actual settlement. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

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Accrued Severance Benefits

The majority of accrued severance benefits is for employees in the Company s Korean subsidiary. Pursuant to the Employee Retirement Benefit Security Act of Korea, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, 98% of all employees of the Company were eligible for severance benefits.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a reduction of the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is paid to employees from the National Pension Fund upon their retirement.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. Utilizing these criteria, product revenue is recognized either upon shipment, upon delivery of the product at the customer s location or upon customer acceptance, depending on the terms of the arrangements, when the risks and rewards of ownership have passed to the customer. Certain sale arrangements include customer acceptance provisions that require written notification of acceptance within the pre-determined period from the date of delivery of the product. If the pre-determined period has ended without written notification, customer acceptance is deemed to have occurred pursuant to the underlying sales arrangements. In such cases, the Company recognizes revenue the earlier of the written notification or the pre-determined period from date of delivery. The Company s revenue recognition policy is consistent across its product lines, marketing venues, and all geographic areas.

In accordance with revenue recognition guidance, any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer is presented in the statements of income on a net basis (excluded from revenues).

The Company s customers can return defective products, including products that do not meet the yield criteria. The Company accrues for the estimated costs that may be incurred for the defective products. In addition, the Company offers discounts to customers who make early payments. The Company estimates the amount to be paid to customers based on historical experience and expected rate of discount. The estimated discount amount is recorded as a deduction from net sales.

Other than product warranty obligations and customer acceptance provisions, sales contracts do not include any other post-shipment obligations that could have an impact on revenue recognition. In addition, the Company does not currently provide any credits, rebates or price protection or similar privileges that could have an impact on revenue recognition.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling expenses. The amounts charged to selling expenses were $207 thousand, $752 thousand, $1,295 thousand and $1,407 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

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Derivative Financial instruments

The Company applies the provisions of ASC 815, *Derivatives and Hedging,* formerly SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (ASC 815). This Statement requires the recognition of all derivative instruments as either assets or liabilities measured at fair value.

Under the provisions of ASC 815, the Company may designate a derivative instrument as hedging the exposure to variability in expected future cash flows that are attributable to a particular risk (a cash flow hedge) or hedging the exposure to changes in the fair value of an asset or a liability (a fair value hedge). Special accounting for qualifying hedges allows the effective portion of a derivative instrument s gains and losses to offset related results on the hedged item in the consolidated statements of operations and requires that a company formally document, designate and assess the effectiveness of the transactions that receive hedge accounting treatment. Both at the inception of a hedge and on an ongoing basis, a hedge must be expected to be highly effective in achieving offsetting changes in cash flows or fair value attributable to the underlying risk being hedged. If the Company determines that a derivative instrument is no longer highly effective as a hedge, it discontinues hedge accounting prospectively and future changes in the fair value of the derivative are recognized in current earnings. The Company assesses hedge effectiveness at the end of each quarter.

In accordance with ASC 815, changes in the fair value of derivative instruments that are cash flows hedges are recognized in accumulated other comprehensive income (loss) and reclassified into earnings in the period in which the hedged item affects earnings. Ineffective portions of a derivative instrument s change in fair value are immediately recognized in earnings. Derivative instruments that do not qualify, or cease to qualify, as hedges must be adjusted to fair value and the adjustments are recorded through net income (loss).

Advertising

The Company expenses advertising costs as incurred. Advertising expense was approximately $25 thousand, $70 thousand, $165 thousand and $146 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

Product Warranties

The Company records, in other current liabilities, warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products, and related liabilities are accrued when product revenues are recognized. Factors that affect the Company s warranty liability include historical and anticipated rates of warranty claims and repair costs per claim to satisfy the Company s warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts when necessary.

Research and Development

Research and development costs are expensed as incurred and include wafers, masks, employee expenses, contractor fees, building costs, utilities and administrative expenses. Acquired IPR&D assets are considered indefinite-lived intangible assets and are not subject to amortization. An IPR&D asset must be tested for impairment annually or more frequently if events or changes in circumstances

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indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the IPR&D asset with its carrying amount. If the carrying amount of the IPR&D asset exceeds its fair value, an impairment loss must be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the IPR&D asset will be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited. The initial determination and subsequent evaluation for impairment of the IPR&D asset requires management to make significant judgments and estimates. Once the IPR&D projects have been completed or abandoned, the useful life of the IPR&D asset is determined and amortized accordingly.

Licensed Patents and Technologies

The Company has entered into a number of royalty agreements to license patents and technology used in the design of its products. The Company carries two types of royalties, lump-sum or running basis. Lump-sum royalties which require initial payments, usually paid in installments, represent a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreements and the costs are amortized over the contract period using the straight-line method.

Running royalty is paid based on the revenue of related products sold by the Company. For example, the Company entered into an agreement with a semiconductor design company, who comprised 88.4%, 94.4%, 92.4% and 88.2% of total running royalty expenses in the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the years ended December 31, 2008 and 2007, respectively. Pursuant to the agreement with the semiconductor design company, royalty rates range from 2.5% to 6% of the related product revenue and payment is made monthly. The royalty payments are charged to the statements of operations as incurred.

Unit-Based Compensation

The Company follows the provisions of ASC 718, *Compensation-Stock Compensation,* formerly SFAS 123(R), *Share-Based Payment (revised 2004)* (ASC 718). Under ASC 718, unit-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. As permitted under ASC 718, the Company elected to recognize compensation expense for all options with graded vesting based on the graded attribution method.

The Company uses the Black-Scholes option pricing-model to measure the grant-date-fair-value of options. The Black-Scholes model requires certain assumptions to determine an option s fair value, including expected term, risk free interest, expected volatility and fair value of underlying common unit. The expected term of each option grant was based on employees expected exercises and post-vesting employment termination behavior and the risk free interest rate was based on the U.S. Treasury yield curve for the period corresponding with the expected term at the time of grant. The expected volatility was estimated using historical volatility of share prices of similar public entities. No dividends were assumed for this calculation of option value. The Company estimates the fair value of the underlying common unit because there is no public trading market for its common units.

Earnings per Unit

In accordance with ASC 260, *Earnings Per Share,* formerly SFAS No. 128, *Earnings Per Share* (ASC 260), the Company computes basic earnings from continuing operations per unit and basic earnings per unit by dividing income from continuing operations available to common unitholders and net income available to common unitholders, respectively, by the weighted average number of common

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units outstanding during the period which would include, to the extent their effect is dilutive, redeemable convertible preferred units, options to purchase common units and restricted units. Diluted earnings per unit reflect the dilution of potential common units outstanding during the period. In determining the hypothetical units repurchased, the Company uses the average unit price for the period.

Income Taxes

MagnaChip Semiconductor LLC has elected to be treated as a partnership for U.S. federal income tax purposes and therefore is not subject to income taxes on its income. Taxes on its income are the responsibility of the individual equity owners of MagnaChip Semiconductor LLC. The Company operates a number of subsidiaries that are subject to local income taxes in those markets.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes,* formerly SFAS No. 109, *Accounting for Income Taxes* (ASC 740). ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company s financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The Company follows Financial Accounting Standards Board (FASB) interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109,* codified as ASC 740, which prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, the Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that has a likelihood of greater than 50 percent of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, (b) a reduction in a deferred tax asset or an increase in a deferred tax liability or (c) both (a) and (b). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in ASC 740 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation.

Segment Information

The Company has determined, based on the nature of its operations and products offered to customers, that its reportable segments are Display Solutions, Semiconductor Manufacturing Services and Power Solutions. The Display Solutions segment s primary products are flat panel display drivers and the

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Semiconductor Manufacturing Services segment provides for wafer foundry services to clients. The Power Solutions segment s products are designed for applications such as mobile phones, LCD televisions and desktop computers, and allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. Net sales and gross profit for the All other category primarily relate to certain business activities that do not constitute operating or reportable segments.

The Company s chief operating decision maker (CODM) as defined by ASC 280, *Segment Reporting,* formerly SFAS 131, *Disclosure about Segments of an Enterprise and Related Information* (ASC 280), allocates resources to and assesses the performance of each segment using information about its revenue and gross profit. The Company does not identify or allocate assets by segments, nor does the CODM evaluate operating segments using discrete asset information. In addition, the Company does not allocate operating expenses, interest income or expense, other income or expense, or income tax expenses to the segments. Management does not evaluate segments based on these criteria.

On October 6, 2008, the Company announced the closure of its Imaging Solutions reporting unit. As of December 31, 2008, the Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360, *Property, Plant and Equipment,* formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). Accordingly, the results of operations of the Imaging Solutions business and reportable segment have been classified as discontinued operations. All prior period information has been reclassified to reflect this presentation on the statements of operations. Unless noted otherwise, discussions in these notes pertain to the Company s continuing operations.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its customers financial condition and generally does not require collateral for customers on accounts receivable. The Company maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Company derives a substantial portion of its revenues from export sales through its overseas subsidiaries in Asia, North America and Europe.

Recent Accounting Pronouncements

In June 2009, the FASB issued the Accounting Standards Codification (ASC) Subtopic 105 *Generally Accepted Accounting Principles*, which establishes the Accounting Standards Codification as the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the codification. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have a material effect on the Company s consolidated financial position, results of operations or cash flows, since the codification is not intended to change GAAP.

In May 2009, the FASB issued authoritative guidance included in ASC Subtopic 855 *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. Specifically, this guidance provides (i) the period after the balance sheet date during which management

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of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim or annual financial periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this guidance did not have a material effect on the Company s consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued ASC 805, *Business Combinations,* formerly Statements of Financial Accounting Standards (SFAS) No. 141 (revised 2007), *Business Combinations* (ASC 805), which replaces FASB Statement No. 141. ASC 805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This guidance also establishes disclosure requirements that enable users to evaluate the nature and financial effects of the business combination. ASC 805 is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008. This guidance requires the fair value of acquired IPR&D to be recorded as indefinite lived intangibles. IPR&D was previously expensed at the time of the acquisition. The adoption of ASC 805 had a material impact on the Company s consolidated financial position and results of operations through the recognition of $9.7 million of IPR&D as intangibles.

In December 2007, the FASB issued ASC 810, *Consolidation,* formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statement amendments of ARB No. 51* (ASC 810). ASC 810 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. ASC 810 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. ASC 810 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This guidance is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008. The adoption of ASC 810 did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

The Company adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures,* formerly SFAS No. 157, *Fair Value Measurements* (ASC 820) on January 1, 2008 and January 1, 2009 for financial assets and liabilities and for nonfinancial assets and liabilities, respectively. ASC 820 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. ASC 820 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. ASC 820 does not expand or require any new fair value measures, however the application of this guidance may change current practice. The adoption of ASC 820 did not have a material effect on the Company s financial condition or results of operations.

In April 2008, the FASB issued ASC 350, *Intangibles-Goodwill and Other,* formerly FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets.* ASC 350 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets.* ASC 350 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of ASC 350 did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

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In June 2009, the FASB issued ASC 810, *Consolidation,* formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167) (ASC 810), 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 ASC 810 as of the beginning of 2010. The Company is evaluating the potential impact the adoption of ASC 810 will have on its consolidated financial statements.

5. Reorganization Related Items

In accordance with ASC 852, the financial statements for the Predecessor Company periods distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. In connection with the bankruptcy proceedings, implementation of the Plan of Reorganization and adoption of fresh-start reporting, the Company recorded the following reorganization income (expense) items:

	Predecessor Ten-Month Period Ended October 25, 2009
Professional fees	$ (7,459)
Revaluation of assets	31,399
Effects of the plan of reorganization	780,981
Write-off of debt issuance costs	(166)
Others	(182)
Total	$ 804,573

Included in reorganization items, net for the ten-month period ended October 25, 2009 was the Predecessor Company s gain recognized from the effects of the Plan of Reorganization. The gain results from the difference between the Predecessor Company s carrying amount of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the Plan of Reorganization. The gain from the effects of the Plan of Reorganization is comprised of the following:

	Predecessor Ten-Month Period Ended October 25, 2009
Discharge of liabilities subject to compromise	$ 798,043
Issuance of new common units	(14,259)

Issuance of new warrants	(2,533)
Accrual of amounts to be settled in cash	(270)
Gain from the effects of the Plan of Reorganization	$ 780,981

Liabilities subject to compromise represent the liabilities of the Company incurred prior to the petition date, except those that will not be impaired under the Plan of Reorganization. Liabilities subject to compromise consisted of the following at October 25, 2009.

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	Predecessor October 25, 2009
General unsecured claims	$ 2,702
Current portion of long-term debt-old	750,000
Accrued interest on current portion of long-term debt	45,341
Total	$ 798,043

6. Fair Value Measurements

ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. The Company adopted ASC 820 on January 1, 2008 for financial assets and liabilities and non-financial assets and liabilities. ASC 820 requires, among other things, the Company s valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance was applied prospectively to the valuation of assets and liabilities on and after the effective dates of this guidance.

There are three general valuation techniques that may be used to measure fair value, as described below:

(A) Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

(B) Cost approach Based on the amount that currently would be required to reproduce or replace the service capacity of an asset (reproduction cost or replacement cost); and

(C) Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, option-pricing models, the excess earnings method, and the royalty savings method).

I. Net present value method is an income approach where a stream of expected cash flows is discounted at an appropriate discount rate.

II. The excess earnings method is a variation of the income approach where the value of a specific asset is isolated from its contributory assets.

III. The royalty savings method is a variation of the income approach where the underlying premise is that an intangible asset s fair value is equal to the present value of the cost savings (royalties) achieved by owning the asset.

Fair value information for each major category of assets and liabilities measured on a nonrecurring basis as part of fresh-start reporting during the period is listed in the following table. The Company remeasured its assets and liabilities at fair value on the Reorganization Effective Date as required by ASC 852 using the guidance for measurement found in ASC 805. The gains and losses

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related to these fair value adjustments were recorded by the Predecessor Company. Assets and liabilities measured at fair value on a nonrecurring basis during the period included:

	Successor					
	As of October 25, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**	**Valuation Technique**
ASSETS						
Other current assets	$ 439			$ 439	$ (1,233)	(B), (C)-I
Inventories						
Finished goods	10,078		$ 10,078		2,557	(A), (C)-I
Semi-finished goods and work-in-process	52,309		52,309		15,346	(A), (B), (C)-I
Property, plant and equipment						
Land	14,902			14,902	5,091	(A), (C)-I
Building	71,007			71,007	(25,113)	(A), (C)-I
Furniture and fixture	1,435			1,435	(4,771)	(B), (C)-I
Machinery and equipment	69,664			69,664	14,867	(B), (C)-I
Structure	119			119	(1,814)	(B), (C)-I
Other tangible assets	1,291			1,291	(2,200)	(B), (C)-I
Intangible assets						
Technology	14,745			14,745	13,095	(C)-I, II, III
Customer relationships	26,100			26,100	3,132	(C)-I, II
Intellectual property assets	4,655			4,655	2,387	(C)-I, III
In-process research and development	9,700			9,700	9,700	(C)-I, II
Other non-current assets	2,270		2,270		355	(A)
					$ 31,399	

Carrying amounts of the other assets and liabilities except those in the above table equal their fair values.

For details of key assumptions and inputs applied by the Company for above fair valuation, see Note 3 Fresh-Start Reporting.

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7. Accounts Receivable

Accounts receivable as of December 31, 2009 and 2008 consisted of the following:

	Successor December 31, 2009	Predecessor December 31, 2008
Accounts receivable	$ 74,516	$ 67,186
Notes receivable	3,260	12,450
Less:		
Allowances for doubtful accounts	(377)	(1,569)
Cash return reserve	(1,729)	(671)
Low yield compensation reserve	(1,437)	(1,101)
Accounts receivable, net	$ 74,233	$ 76,295

Changes in allowance for doubtful accounts for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$	$ (1,569)	$ (1,367)	$ (1,418)
Bad debt expense	(379)	(723)	(503)	(161)
Write off			104	208
Translation adjustments	2	(40)	197	4
Ending balance	$ (377)	$ (2,332)	$ (1,569)	$ (1,367)

Changes in cash return reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ (1,545)	$ (671)	$ (914)	$ (1,450)
Addition to reserve	(648)	(4,476)	(3,385)	(2,509)

Payment made	484	3,722	3,393	3,040
Translation adjustments	(20)	(120)	235	5
Ending balance	$ (1,729)	$ (1,545)	$ (671)	$ (914)

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Changes in low yield compensation reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ (1,213)	$ (1,101)	$ (1,260)	$ (2,482)
Addition to reserve	(715)	(1,759)	(1,854)	(1,307)
Payment made	507	1,724	1,663	2,523
Translation adjustments	(16)	(77)	350	6
Ending balance	$ (1,437)	$ (1,213)	$ (1,101)	$ (1,260)

8. Inventories

Inventories as of December 31, 2009 and 2008 consist of the following:

	Successor December 31, 2009	Predecessor December 31, 2008
Finished goods	$ 19,474	$ 22,694
Semi-finished goods and work-in-process	42,604	49,814
Raw materials	5,844	7,471
Materials in-transit	64	206
Less: inventory reserve	(4,579)	(33,075)
Inventories, net	$ 63,407	$ 47,110

Changes in inventory reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$	$ (33,075)	$ (8,620)	$ (11,652)
Change in reserve	(4,952)	8,081	(34,869)	1,101
Write off	391	11,297	4,992	1,888

Translation adjustments	(18)	17	5,422	43
Ending balance	$ (4,579)	$ (13,680)	$ (33,075)	$ (8,620)

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9. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2009 and 2008 are comprised of the following:

	Successor December 31, 2009	Predecessor December 31, 2008
Buildings and related structures	$ 72,076	$ 111,933
Machinery and equipment	71,505	318,440
Vehicles and others	3,043	40,422
	146,624	470,795
Less: accumulated depreciation	(5,388)	(296,038)
Land	15,101	9,198
Property, plant and equipment, net	$ 156,337	$ 183,955

Aggregate depreciation expenses totaled $5,389 thousand, $28,649 thousand, $47,707 thousand and $129,870 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

Property, plant and equipment are pledged as collateral for the new term loan of Successor Company and for the senior secured revolving credit facility and Second Priority Senior Secured Notes of Predecessor Company to a maximum of $780 million as of December 31, 2009 and 2008, respectively.

10. Intangible assets

Intangible assets at December 31, 2009 and 2008 are as follows:

	Successor December 31, 2009	Predecessor December 31, 2008
Technology	$ 14,942	$ 14,156
Customer relationships	26,448	112,167
Intellectual property assets	4,779	6,011
In-process research and development	9,829	
Less: accumulated amortization	(5,840)	(97,442)
Intangible assets, net	$ 50,158	$ 34,892

Aggregate amortization expenses for intangible assets totaled $5,829 thousand, $9,606 thousand, $24,254 thousand and $33,564 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively. The estimated aggregate amortization expense of intangible assets for the next five years is $25,182 thousand in 2010, $11,328 thousand in 2011, $6,402 thousand in 2012, $5,554 thousand in 2013 and $1,096 thousand in 2014.

Intangible assets are pledged as collateral for the new term loan of the Successor Company and for the senior secured revolving credit facility and Second Priority Senior Secured Notes of the Predecessor Company as of December 31, 2009 and 2008, respectively.

As part of its application of fresh-start reporting, the Company recognized fair value associated with IPR&D of $9,700 thousand. The Company accounted for IPR&D as an indefinite-lived intangible

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asset until completion or abandonment of the associated research and development (R&D) projects. The IPR&D charges incurred by the Company s Semiconductor Manufacturing Services (SMS) segment related to design of a product to the point that it met specific technical requirements, directly targeted at customers. The Large Display Solution (LDS) reporting unit incurs IPR&D charges related to the design of possible products. These R&D efforts are intended to incur incremental sales with the Company s existing and new customers. Fair value of IPR&D was based on estimating the future cash flows by the Company s SMS segment and LDS reporting unit using the excess earnings method and discounting the net cash flows back to their present values. The revenues were allocated to IPR&D of the SMS segment on the basis of percentage of projected SMS revenues for 2010, 2011 and thereafter. Selling, general and administrative (SG&A) expenses as a percentage of revenue were determined to be consistent with the cost structure of SMS. R&D expenses as a percentage of revenue were determined to be a percentage of the projected R&D expenses. This percentage represents the cost to maintain IPR&D. The cost to complete the IPR&D was derived based on the R&D expenses in the subsequent period not used to maintain existing technology. The estimated cash flows attributable to the IPR&D were converted to a present value equivalent.

IPR&D of the LDS reporting unit is expected to generate revenue over a two-year time frame starting with its introduction to the market in 2010. The revenues allocated to IPR&D of the LDS reporting unit were determined to be a percentage of the projected LDS revenues in 2010 and 2011. Costs of revenues and operating expenses were deducted from the revenues based on LDS cost structure as a percentage of revenue. While SG&A expenses as a percentage of revenue were determined to be the same as the whole business, maintenance R&D expenses were determined to be a percentage of the projected R&D expenses. The cost to complete the IPR&D project was estimated based on the R&D budget less the amount of R&D dedicated to maintaining the existing technology. The estimated cash flows attributable to the IPR&D of LDS reporting unit were converted to a present value equivalent.

In the SMS segment, management determined that a small number of in-process projects were behind schedule based on a review of the status of each project as of December 31, 2009. Expected completion term ranges from 0.5 to 3.5 years from a project start date. Incurred costs as of December 31, 2009 totaled $5.6 million and costs to complete the projects are estimated at $1.5 million to be spent over the next one or two years from the year ended December 31, 2009. In the LDS reporting unit, management determined that none of the in-process projects were behind schedule based on a review of the status of each project as of December 31, 2009. All projects are expected to be completed within 2 years from a project start date. Incurred costs as of December 31, 2009 totaled $5.6 million and costs to complete the projects are estimated at $2.3 million to be spent within a year from the year ended December 31, 2009.

The primary risks associated with the above projects include uncertainties in completing development projects on schedule due to technological feasibility and resource capacity, which could lead to lower demand at a lower selling point given the market trends. Such delay in development and production could adversely affect the related customer relationship. Additionally, there can be no assurance that meaningful sales will occur on a continuing basis considering market changes.

The Company periodically evaluates the existence of impairment for its IPR&D assets. If a project is completed, the carrying value of the related intangible asset is amortized over the remaining estimated life of the asset beginning in the period in which the project is completed and sales of related product commenced. If a project becomes impaired or abandoned, the carrying value of the related intangible asset would be written down to its fair value and an impairment charge would be taken in the period in which the impairment occurs.

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The Company recorded goodwill as a result from the acquisition of ISRON Corporation on March 6, 2005. On an ongoing basis, the Company evaluates goodwill at the reporting unit level for indications of potential impairment. Goodwill is tested for impairment based on the present value of discounted cash flows, and, if impaired, goodwill is written down to fair value. The Company performs its annual goodwill impairment test during the first quarter of each fiscal year, as well as additional impairment tests, if any, required on an event-driven basis. In the first quarter of each of fiscal year 2008, 2007 and 2006, the Company performed its annual goodwill impairment test and determined that goodwill was not impaired. As of December 31, 2008, the Company performed an additional goodwill impairment test triggered by the significant adverse change in the revenue of the mobile display solutions, or MDS, reporting unit, and determined that goodwill was impaired. At the time of impairment, revenue of the MDS reporting unit was expected to decrease due to the deterioration of the Company s financial credit status and the decline of the semiconductor sector resulting from the world-wide economic slowdown. Accordingly, an impairment charge of $14,245 thousand, which represents the entire balance of goodwill, was recorded for the year ended December 31, 2008.

11. Product Warranties

Changes in accrued warranty liabilities for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ 929	$ 474	$ 211	$ 112
Addition to warranty reserve	(16)	1,928	2,608	586
Payments made	(4)	(1,544)	(2,243)	(486)
Translation adjustments	12	71	(102)	(1)
Ending balance	$ 921	$ 929	$ 474	$ 211

12. Short-term Borrowings

Predecessor Company

On December 23, 2004, the Company and its subsidiaries, including MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, entered into a senior credit agreement with a syndicate of banks, financial institutions and other entities providing for a $100 million senior secured revolving credit facility. Interest was charged at current rates when drawn upon.

Short-term borrowings under this facility were comprised of the following as of December 31, 2008:

	Annual Interest	Amount of

	Maturity	Rate (%)	Principal
Euro dollar revolving loan	January 15, 2009	3 month LIBOR + 6.75	$ 10,000
Alternate Base Rate (ABR) revolving loan	March 31, 2009	ABR + 5.75	85,000
			$ 95,000

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As discussed in Note 2, on the Reorganization Effective Date, $61,750 thousand of these short-term borrowings was refinanced with a new term loan and the remainder of $33,250 thousand was repaid in cash as part of the Company s reorganization.

13. Current Portion of Long-term Debt

Successor Company

The current portion of the new term loan issued in connection with the Company s reorganization was $618 thousand as of December 31, 2009, as described in Note 14.

Predecessor Company

On December 23, 2004, two of the Company s subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, issued $500 million aggregate principal amount of Second Priority Senior Secured Notes consisting of $300 million aggregate principal amount of Floating Rate Second Priority Senior Secured Notes and $200 million aggregate principal amount of 67/8% Second Priority Senior Secured Notes. At the same time, these subsidiaries issued $250 million aggregate principal amount of 8% Senior Subordinated Notes.

Details of the current portion of long-term debt as of December 31, 2008 are presented as below:

	Maturity	Annual Interest Rate (%)	Amount of Principal
Floating Rate Second Priority Senior Secured Notes	2011	3 month LIBOR + 3.250	$ 300,000
67/8% Second Priority Senior Secured Notes	2011	6.875	200,000
8% Senior Subordinated Notes	2014	8.000	250,000
			$ 750,000

The senior secured revolving credit facility and Second Priority Senior Secured Notes were collateralized by substantially all of the assets of the Company. This indebtedness was initially expected to be paid in full upon maturity.

Each indenture governing the notes contained covenants that limited the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, (iii) make certain investments, (iv) incur liens, (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to the Company by its subsidiaries, and (vii) sell all or substantially all of its assets or merge with or into other companies.

As of December 31, 2008, the Company and all of its subsidiaries except for MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed each series of the Second Priority Senior Secured Notes on a second priority senior secured basis. As of December 31, 2008, the Company and all of its subsidiaries except for MagnaChip Semiconductor Ltd. (Korea) and MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed the Senior Subordinated Notes on an unsecured, senior subordinated basis. In addition, the Company and each of its then current and future direct and indirect subsidiaries (subject to certain exceptions) were required to be guarantors of Second Priority Senior Secured Notes and Senior Subordinated Notes.

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During December 2008, the Company failed to make interest payments under its Second Priority Senior Secured Notes and Senior Subordinated Notes. Additionally, as of December 31, 2008, the Company was not in compliance with certain of its financial covenants under the terms of its senior secured credit facility, and the indentures governing the Second Priority Senior Secured Notes and the Senior Subordinated Notes. Accordingly, amounts outstanding under the Second Priority Senior Secured Notes and Senior Subordinated Notes were reclassified as current portion of long-term debt in the Company s accompanying balance sheet as of December 31, 2008.

In connection with the issuance of the notes and entering into the credit facility, the Company capitalized certain costs and fees, which were being amortized using the effective interest method or straight-line method over their respective terms. As a result of not being in compliance with certain of its financial covenants under the terms of its senior secured credit facility and the indentures governing the Second Priority Senior Secured Notes and Senior Subordinated Notes, the remaining capitalized costs of $12,319 thousand in connection with the issuance of the Second Priority Senior Secured Notes and Senior Subordinated Notes as of December 31, 2008 were written off and included in interest expense. Amortization costs, which were included in interest expense in the accompanying consolidated statements of operations, amounted to $836 thousand for the ten-month period ended October 25, 2009, and $16,290 thousand and $3,919 thousand for the years ended December 31, 2008 and 2007, respectively. As of October 25, 2009, the remaining capitalized costs of $166 thousand in connection with the entrance into the credit facility were written off and included in reorganization items, net, in accordance with the Plan of Reorganization as described in Notes 3 and 5. The remaining capitalized costs as of December 31, 2008 and 2007 were $1,004 thousand and $17,917 thousand, respectively.

As of October 25, 2009, the current portion of long-term debt of $750,000 thousand and accrued interest of $45,341 thousand were discharged in exchange for new common units with a fair value of $14,259 thousand and new warrants with a fair value of $2,533 thousand as part of the Company s reorganization as described in Notes 3 and 5.

Interest Rate Swap

Effective June 27, 2005, the Company entered into an interest rate swap agreement (the Swap) to hedge the effect of the volatility of the 3-month London Inter-Bank Offering Rate (LIBOR) resulting from the Company s $300 million of Floating Rate Second Priority Senior Secured Notes. Under the terms of the Swap, the Company received a variable interest rate equal to the three-month LIBOR rate plus 3.25%. In exchange, the Company paid interest at a fixed rate of 7.34%. The Swap effectively replaced the variable interest rate on the notes with a fixed interest rate through the expiration date of the Swap on June 15, 2008.

The Swap qualified as a cash flow hedge under ASC 815, since at both the inception of the hedge and on an ongoing basis, the hedging relationship was expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. The Company utilized the hypothetical derivative method to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the hypothetical derivative.

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14. Long-term Debt

Successor Company

In connection with the Predecessor Company s reorganization as described in Note 3, in complete satisfaction of the first lien lender claims arising from the senior secured credit facility (included in short-term borrowings) of $95,000 thousand, the Company made a cash payment of $33,250 thousand to the senior secured credit facility lenders and, together with its subsidiaries, including MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, entered into a $61,750 thousand Amended and Restated Credit Agreement (the Credit Agreement or the new term loan) with Avenue Investments, LP, Goldman Sachs Lending Partners LLC and Citicorp North America, Inc.

Long-term borrowings as of December 31, 2009 consisted of Eurodollar loans at an annual interest rate of 6 month LIBOR + 12% to Avenue Investments, LP, Goldman Sachs Lending Partners LLC and Citicorp North America, Inc. in the principal amount of $42,055 thousand, $12,285 thousand and $7,410 thousand, respectively. After deducting the current portion of long-term debt of $618 thousand, long-term borrowings as of December 31, 2009 were $61,132 thousand.

The Company may by written notice to the administrative agent elect to request the establishment of one or more new term loan or revolving loan commitments (the Incremental Loan Commitments) by an amount not in excess of $23,250 thousand in the aggregate less any incremental loans incurred after the effective date of the new term loan.

The principal balance of the new term loan is to be paid in quarterly installments of approximately $154 thousand with the first installment due on March 31, 2010, and ending with the last installment due on September 30, 2013. In addition, the Credit Agreement has optional and mandatory loan prepayment provisions as follows:

Optional Prepayments. The Company has the right at any time and from time to time to prepay the new term loan, in whole or in part.

Excess Cash Flow Prepayments. Not later than 90 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2010), the Company shall calculate the amount of Excess Cash Flow (as defined in the Credit Agreement) for such fiscal year, and shall prepay the new loan in an amount equal to the amount by which (A) 50% of such Excess Cash Flow exceeds (B) the sum of (x) the aggregate principal amount of voluntary prepayments of the new term loan during such fiscal year, and (y) in the case of the fiscal year ending December 31, 2010, the aggregate principal amount of any Early Excess Cash Flow Prepayments (as defined in the Credit Agreement), which is equal to the amount of dividends paid and the amount of subordinated indebtedness payments made on or prior to 90 days after the end of such fiscal year, or an Excess Cash Flow Prepayment; provided, that if the amount in clause (B) exceeds the amount in clause (A), no such prepayment of the new term loan is required.

Asset Sales. Not later than three business days following the receipt of any net cash proceeds of any asset sale, the Company shall make (with certain exceptions) prepayments in an aggregate amount equal to 100% of such net cash proceeds from such asset sale.

Dividend or Subordinated Indebtedness Payment. Concurrently with the making of any dividend and any subordinated indebtedness payment, in each case from any Cumulative Credit (as defined in the Credit Agreement) prior to the date that the first Excess Cash Flow Prepayment is required to be made, the Company shall make prepayments of the outstanding term loan in an

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amount equal to the amount of such dividend or subordinated indebtedness payment, as the case may be.

Casualty Events. Not later than three business days following the receipt by the Company of any net cash proceeds from a casualty event in excess of $3,000 thousand, the Company must use the full amount of such net cash proceeds to: (i) make prepayments of the outstanding term loan, or (ii) so long as no default shall have occurred and be continuing, repair, replace or restore the property in respect of which such net cash proceeds were repaid or reinvested in other fixed or capital assets no later than 360 days following receipt thereof.

The Company is required to pay the balance of the Credit Agreement, if any, on November 6, 2013. The Credit Agreement is collateralized by substantially all of the assets of the Company.

The Credit Agreement contains covenants that limit the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, (iii) make certain investments, (iv) incur liens, (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to the Company by its subsidiaries, (vii) sell all or substantially all of its assets or merge with or into other companies, (viii) issue specific equity interests and (ix) establish, create or acquire any additional subsidiaries. It also contains a minimum liquidity financial covenant and compliance with financial ratios.

As of December 31, 2009, the Company and all of its subsidiaries except for MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed, as a primary obligor, the payment and performance of the borrower s obligations under the Credit Agreement.

In connection with the entrance into the Credit Agreement, the Company capitalized certain costs and fees, which are being amortized using the straight-line method over the term of loan. Amortization costs, which were included in interest expense in the accompanying consolidated statements of operations, amounted to $0.3 thousand for the two-month period ended December 31, 2009, and total remaining capitalized costs as of December 31, 2009 were $235 thousand.

15. Accrued Severance Benefits

The majority of accrued severance benefits is for employees in the Company s Korean subsidiary, MagnaChip Semiconductor Ltd. (Korea). Pursuant to the Employee Retirement Benefit Security Act of Korea, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, 98% of all employees of the Company were eligible for severance benefits.

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Changes in accrued severance benefits for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ 72,243	$ 63,147	$ 75,869	$ 64,642
Provisions	1,851	8,835	14,026	18,834
Severance payments	(1,389)	(4,320)	(6,505)	(7,151)
Translation adjustments	941	4,581	(20,243)	(456)
	73,646	72,243	63,147	75,869
Less: Cumulative contributions to the National Pension Fund	(530)	(533)	(539)	(784)
Group severance insurance plan	(707)	(681)	(669)	(909)
	$ 72,409	$ 71,029	$ 61,939	$ 74,176

The severance benefits are funded approximately 1.68%, 1.91% and 2.23% as of December 31, 2009, 2008 and 2007, respectively, through the Company s National Pension Fund and group severance insurance plan which will be used exclusively for payment of severance benefits to eligible employees. These amounts have been deducted from the accrued severance benefit balance.

The Company is liable to pay the following future benefits to its employees upon their normal retirement age:

	Severance Benefit
2010	$ 33
2011	69
2012	135
2013	
2014	279
2015 - 2019	8,332

The above amounts were determined based on the employees current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement ages.

16. Redeemable Convertible Preferred Units

Predecessor Company

The Company issued 49,727 units as Series A redeemable convertible preferred units (the Series A units) and 447,420 units as Series B redeemable convertible preferred units (the Series B units) on September 23, 2004 and an additional 364 units of Series A units and 3,272 units of Series B units on November 30, 2004, respectively. Each Series A and Series B unit had a stated value of $1,000 per unit. As the Series A and B units were redeemable at the option of the holders,

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the Company classified the Series A units and B units outside of permanent equity. All Series A units were redeemed by cash on December 27, 2004 and a portion of the Series B units were redeemed by cash on December 15, 2004 and December 27, 2004.

Changes in Series B units for each period are as follows:

	Ten-Month Period Ended October 25, 2009		Predecessor Year Ended December 31, 2008		Year Ended December 31, 2007	
	Units	**Amount**	**Units**	**Amount**	**Units**	**Amount**
Series B Units						
Beginning of the period	93,997	$ 142,669	93,997	$ 129,405	93,997	$ 117,374
Accrual of preferred dividends		6,317		13,264		12,031
End of the period	93,997	$ 148,986	93,997	$ 142,669	93,997	$ 129,405

The Series B units were issued to the original purchasers of the Company in 2004. Holders of Series B units were entitled to receive cumulative dividends, whether or not earned or declared by the board of directors. The cumulative cash dividends accrued at the rate of 10% per unit per annum on the Series B units original issue price, compounded semi-annually.

The Series B units, which had a carrying amount of $148,986 thousand, were retired without consideration as part of the Company s reorganization as described in Note 3.

Conversion

The outstanding Series B units were convertible, in whole or in part, into common equity interests upon or concurrently with the first public offering of the common equity interests of the Company at the Company s option or the holder s option based on a formula, represented by the conversion ratio. The conversion ratio for the Series B units was an amount equal to the original issue price per unit plus an amount per unit equal to full cumulative dividends accrued and unpaid to the date of the consummation of the first public offering, divided by the per common equity interest price to the public in the Company s first public offering of equity securities.

Dividends

Holders of Series B units were entitled to receive cumulative dividends, whether or not earned or declared by the board of directors. The cumulative cash dividends accrued at the rate of 10% per unit per annum on the Series B units original issue price, compounded semi-annually. Such dividends were payable in semi-annual installments in arrears commencing March 15, 2005.

Liquidation

In the event of liquidation, the holders of Series B units were entitled to receive after all creditors of the Company have been paid in full but before any amounts were paid to the holders of any units ranking junior to the Series B units with respect to dividends or upon liquidation (including common units), out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, an amount equal to the Series B units original issue price in cash per unit plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution, and no more. If the net assets of the Company were insufficient to pay the holders of all

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outstanding Series B units and of any units ranking on parity with the Series B units, the full amounts to which they respectively were entitled, such assets, or the proceeds thereof, were to be distributed ratably among the holders of the Series B units and any units ranking on parity with the Series B units in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B units and any units ranking on a parity with the Series B units were entitled to be paid in full.

Voting

As provided in Predecessor Company s operating agreement, the holders of Series B units were not entitled to vote on any matter submitted to a vote of the Predecessor Company s members, and were not entitled to notice of any meeting of members.

Redemption

If any outstanding Series B units had remained outstanding on the 14th anniversary after issuance of the Series B units, then the holders of a majority of the then outstanding Series B units had the right to elect to have the Company redeem all outstanding Series B units from funds legally available, at a price per unit equal to $1,000 plus an amount per unit equal to full cumulative dividends accrued and unpaid thereon to the redemption date.

Also the Series B units were redeemable from funds legally available, in whole or in part, at the election of the Company, expressed by resolution of its board of directors, at any time and from time to time at a price of $1,000 per unit plus any cumulative accrued and unpaid dividends.

17. Warrants

Successor Company

In connection with the Company s reorganization, the Company issued warrants to purchase 15,000 thousand of the Company s new common units. The warrants were issued in partial satisfaction of the claims of the holders of the Company s Senior Subordinated Notes and are exercisable at a price of $1.97 per unit at any time following the issue date of the warrants, so long as the exercise of the warrants is exempt from the registration requirements of the Securities Act of 1933, as amended. The value of each warrant to purchase one common unit is $0.169, which was estimated using the Black-Scholes option pricing model using the following assumptions: fair value of $0.79 per common unit, exercise price of $1.97 per unit, risk free rate of interest of 2.3%, volatility of 50%, dividend rate of 0% and term of 5 years.

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18. Common Units

Successor Company

New common units with no par value were authorized in the amount of 375,000 thousand units, of which 307,084 thousand units were issued and outstanding as of December 31, 2009. Details of new common units as of December 31, 2009 are as follows:

	As of December 31, 2009	
	Units	**Amount**
Common units at the beginning of the period	299,999,996	$ 49,539
Restricted unit bonuses issued	7,084,000	5,596
Total common units issued and outstanding at the end of the period	307,083,996	$ 55,135

19. Equity Incentive Plans

Successor Company

The Successor Company adopted its 2009 Common Unit Plan effective December 8, 2009, which is administered by the board of directors. Under the plan, employees, consultants and non-employee directors are eligible for equity incentives, including grants of options to purchase the Company s common units or restricted unit bonuses or restricted unit purchase rights and deferred units awards, subject to terms and conditions determined by the board of directors. The term of options shall not exceed ten years from the date of grant. Restricted unit purchase rights shall be exercisable within a period established by the board of directors, which shall in no event exceed thirty days from the effective date of the grant. As of December 31, 2009, an aggregate maximum of 30,000,000 units were authorized and 7,551,000 units were reserved for all future grants of units.

Unit options are generally granted with exercise prices of no less than the fair market value of the Company s common units on the grant date. The requisite service period, or the period during which a grantee is required to provide service in exchange for option grants, coincides with the vesting period.

The purchase price for units issuable under each restricted unit purchase right shall be established by the board of directors in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving units pursuant to a restricted unit bonus, the consideration for which shall be services actually rendered to a participating company or for its benefit. Units issued pursuant to any restricted unit award may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the board of directors and set forth in the award agreement evidencing such award. During any period in which units acquired pursuant to a restricted unit award remain subject to vesting conditions, such units may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an ownership change event or transfer by will or the laws of descent and distribution. The grantee shall have all of the rights of a member of the Company holding units, including the right to vote such units and to receive all dividends and other distributions paid with respect to such units; provided, however, that if so determined by the board of directors and provided by the award agreement, such dividends and distributions shall be subject to the same vesting conditions as the units subject to the restricted unit

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award with respect to which such dividends or distributions were paid. If a grantee s service terminates for any reason, whether voluntary or involuntary (including the grantee s death or disability), then (a) the Company (or its assignee) has the option to repurchase for the purchase price paid by the grantee any units acquired by the grantee pursuant to a restricted unit purchase right which remain subject to vesting conditions as of the date of the grantee s termination of service and (b) the grantee shall forfeit to the Company any units acquired by the grantee pursuant to a restricted unit bonus which remain subject to vesting conditions as of the date of the grantee s termination of service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

No monetary payment (other than applicable tax withholding, if any) is required as a condition of receiving a deferred unit award, the consideration for which shall be services actually rendered to a participating company or for its benefit. Deferred unit awards may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the Committee and set forth in the award agreement evidencing such award. Grantees have no voting rights with respect to units represented by deferred unit awards until the date of the issuance of such units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). If a grantee s service terminates for any reason, whether voluntary or involuntary (including the grantee s death or disability), then the grantee shall forfeit to the Company any deferred units pursuant to the award which remain subject to vesting conditions as of the date of the grantee s termination of service, and, in the event of the grantee s termination for cause, such deferred unit award to the extent not yet settled. The Company shall issue to a grantee on the date on which deferred units subject to the grantee s deferred unit award vest or on such other date determined by the board of directors, in its discretion, and set forth in the award agreement one unit (and/or any other new, substituted or additional securities or other property) for each deferred unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any.

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The following summarizes unit option and restricted unit bonus activities for the two-month period ended December 31, 2009. At the date of grant, all options had an exercise price above the fair value of common units:

	Successor Company				
	Number of Restricted Unit Bonuses	Number of Options	Weighted Average Exercise Price of Unit Options	Aggregate Intrinsic Value of Unit Options	Weighted Average Remaining Contractual Life of Unit Options
Outstanding at October 25, 2009					
Granted	7,084,000	15,365,000	$ 1.16		
Released from restriction	2,408,560				
Outstanding at December 31, 2009	4,675,440	15,365,000	1.16		9.9 years
Vested and expected to vest at December 31, 2009		13,553,302			9.9 years
Exercisable at December 31, 2009					

Total compensation expenses recorded for the restricted unit bonuses and unit options pursuant to ASC 718 for the two-month period ended December 31, 2009 was $2,073 thousand and $126 thousand, respectively. As of December 31, 2009, there were $3,243 thousand and $2,811 thousand of total unrecognized compensation cost related to unvested restricted unit bonuses and unit options, which are expected to be recognized over a weighted average future periods of 1.4 years and 1.7 years, respectively. Total fair value of restricted unit bonuses released from restriction for the period from October 25 to December 31, 2009 is $1,903 thousand.

The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted for the two-month period ended December 31, 2009 and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Two-Month Period Ended December 31, 2009
Grant-date fair value of option (in US dollars)	$ 0.22

Expected term	2.9 Years
Risk-free interest rate	0.6%
Expected volatility	59.1%
Expected dividends	

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The number and weighted average grant-date fair value of the unit options are as follows:

	Two-Month Period Ended December 31, 2009	
	Number	Weighted Average Grant-Date Fair Value
Unvested options at the beginning of the period		$
Granted options during the period	15,365,000	0.22
Vested options during the period		
Unvested options at the end of the period	15,365,000	0.22

Predecessor Company

The Predecessor Company adopted two equity incentive plans effective October 6, 2004 and March 21, 2005, respectively, which were administered by the compensation committee designated by the board of directors. Employees, consultants and non-employee directors were eligible for the grant of options to purchase the Company s common units or restricted common units subject to terms and conditions determined by the compensation committee. The term of options could in no event exceed ten years from the date of grant. As of December 31, 2008, an aggregate maximum of 7,890,864 common units were authorized and reserved for all future and outstanding grants of options.

Unit options were generally granted with exercise prices of no less than the fair market value of the Company s common units on the grant date. Generally, options vested and became exercisable in periodic installments, with 25% of the options vesting on the first anniversary of the grant date and 6.25% of options vesting on the last day of each calendar quarter thereafter. In most cases, the requisite service period, or the period during which a grantee was required to provide service in exchange for option grants, coincided with the vesting period.

Upon the termination of a unit option grantee s employment prior to a public offering, the Company had the right to repurchase all or any of the common units acquired by the grantee upon exercise of any of his or her options for a cash payment equal to the fair market value of such common units on the date of repurchase. The Company s repurchase right would terminate ninety days after the termination date.

During the three months ended December 31, 2004, restricted units were issued upon the exercise of certain options to purchase restricted common units at the exercise price of $1 per unit. Restricted units issued were subject to restrictions which generally lapsed in installments over a four-year period. Under the terms and conditions of these restricted units, the restricted units were subject to forfeiture upon the termination of the restricted unitholder s employment with the Company. Upon termination, the Company could repurchase all, or any portion of the restricted common units for either $1 per unit (the exercise price) or the fair market value of the restricted common units at the time of repurchase. If the termination was for cause, as defined in the service agreements entered into with each restricted unitholder, the repurchase price per unit would be $1. However, if the termination was for any other reason, then the Company could repurchase all or any portion of the restricted units for which the restricted period had not lapsed as of the date of termination for a repurchase price per unit of $1, and could repurchase all or any portion of the restricted common units for which the restricted period had lapsed as of the date of termination for a repurchase price per unit equal to fair market value. Termination for cause was defined in the service agreements to mean a termination of the restricted unitholder s employment with the Company because of (a) a failure by the restricted unitholder to substantially perform the restricted unitholder s customary duties

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with the Company in the ordinary course (other than in certain specified circumstances); (b) the restricted unitholder s gross negligence, intentional misconduct or fraud in the performance of his or her employment; (c) the restricted unitholder s indictment for a felony or to a crime involving fraud or dishonesty; (d) a judicial determination that the restricted unitholder committed fraud or dishonesty against any person or entity; or (e) the restricted unitholder s material violation of one or more of the Company s policies applicable to the restricted unitholder s employment as may be in effect from time to time.

The Predecessor Company adopted fresh-start reporting (see Note 3) as of October 25, 2009, at which time it effectively cancelled all unit options under the Predecessor Company s equity incentive plans.

The following summarizes unit option and restricted unit activities for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008. At the date of grant, all options had an exercise price at or above the fair value of common units:

	Predecessor Company				
	Number of Restricted Units	Number of Options	Weighted Average Exercise Price of Unit Options	Aggregate Intrinsic Value of Unit Options	Weighted Average Remaining Contractual Life of Unit Options
Outstanding at January 1, 2008	268,343	4,916,840	$ 1.9		
Granted		315,000	5.8		
Exercised		161,460	1.1	$ 787	
Forfeited/Repurchased		853,780	3.1		
Released from restriction	268,343				
Outstanding at December 31, 2008		4,216,600	1.9	15,118	6.9 years
Vested and expected to vest at December 31, 2008		3,973,510	1.9	14,412	6.9 years
Exercisable at December 31, 2008		3,085,038	1.7	11,827	6.6 years
Outstanding at January 1, 2009		4,216,600	1.9		
Granted					
Exercised					
Forfeited / Repurchased		391,500	2.5		
Released from restriction					
		3,825,100	1.9		6.1 years

Outstanding at October 25, 2009 (Predecessor Company)	
Application of fresh-start reporting (Note 4)	(3,825,100)
Outstanding at October 25, 2009 (Successor Company)	

Total compensation expenses recorded for the restricted units and unit options pursuant to ASC 718 were $0 and $233 thousand for the ten-month period ended October 25, 2009, $16 thousand and $449 thousand for the year ended December 31, 2008 and $328 thousand and $276 thousand for the year ended December 31, 2007, respectively. As of October 25, 2009, total unrecognized compensation cost related to unvested unit options of $166 thousand, which were expected to be recognized over a weighted average future period of 0.7 years, was recognized as reorganization items, net, according to the Company s reorganization. As of December 31, 2008, there was $335

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thousand of total unrecognized compensation cost related to unvested unit options, which were expected to be recognized over a weighted average future period of 1.0 years. Total fair value of restricted units released from restriction for the year ended December 31, 2008 was $152 thousand. Total fair value of options vested for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008 was $266 thousand and $408 thousand, respectively.

The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted during the specified periods and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Predecessor	
	Year Ended December 31, 2008	December 31, Year Ended 2007
Grant-date fair value of option	$ 0.87	$ 0.67
Expected term	2.2 Years	2.1 Years
Risk-free interest rate	2.5%	4.4%
Expected volatility	42.0%	46.6%
Expected dividends		

The total cash received from employees as a result of option exercises was $0, $184 thousand and $151 thousand for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

The number and weighted average grant-date fair value of the unit options are as follows:

	Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value
Unvested options at the beginning of the period	1,131,563	$ 0.65	2,374,896	$ 0.43	3,481,528	$ 0.29
Granted options during the period			315,000	0.87	710,000	0.67
Vested options during the period	520,969	0.51	1,108,772	0.31	1,339,570	0.23
Forfeited options during the period	391,500	0.17	853,780	0.51	737,750	0.23

Unvested options at the end of the period	547,438	0.88	1,131,563	0.65	2,374,896	0.43

20. Discontinued Operations

On October 6, 2008, the Company announced the closure of its Imaging Solutions business segment. As of December 31, 2008, Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360, *Property, Plant and Equipment,* formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). As a

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result, the results of operations of the Imaging Solutions business segment were classified as discontinued operations. All prior period information has been reclassified to reflect this presentation on the statements of operations.

The results of operations of the Company s discontinued Imaging Solutions business consist of the following:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net sales	$ 947	$ 2,728	$ 65,862	$ 82,848
Cost of sales	369	3,617	81,789	75,930
Selling, general and administrative expenses	68	(6,355)	3,491	10,280
Research and development expenses			37,506	48,058
Restructuring and impairment charges		(1,120)	34,158	
Income tax expenses			373	304
Income (loss) from discontinued operations, net of taxes	$ 510	$ 6,586	$ (91,455)	$ (51,724)

In prior years the Company had entered into an agreement with a software company to purchase licensed software products (the Purchase Agreement), including the licensed CAD software, for the three-year period from January 31, 2008 to January 30, 2011. The licensed CAD software has been used across all lines of the Company s business for purposes of developing products by the Imaging Solutions business and the Display Solution business and verifying the origin of defects in the manufacturing process of the Semiconductor Manufacturing Services.

During the third quarter of 2009, due to the discontinuation of its Imaging Solutions business segment and the related declining usage of the licensed CAD software, the Company was able to renegotiate the Purchase Agreement with a software company. Such renegotiation resulted in a reduction of the total fee, which lowered the Company s future scheduled payments. Therefore, the Company adjusted the previously recorded restructuring charges related to this agreement s non-refundable future scheduled payments in the amount of $1,120 thousand. The Company had considered such payments as a contract termination cost. The adjustment of $1,120 thousand represents the amount by which the non-cancellable future payments that were to be incurred by the Imaging Solutions business segment were reduced as a result of the revised payment terms.

The Company renewed the Purchase Agreement exclusively for the use of other business segments and not for the use of the Imaging Solutions business segment and the Company has no continuing involvement in the Imaging Solutions business.

In connection with the closure of its Imaging Solutions business segment, the Company recorded impairment charges of $26,285 thousand during the third quarter ended September 28, 2008, in accordance with ASC 360. Also, the Company recorded restructuring charges of $7,873 thousand during the fourth quarter ended December 31, 2008, in accordance with ASC 420, *Exit or Disposal Cost Obligations,* formerly SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (ASC 420), related to one-time employee termination benefits, costs associated with the closing of the facilities and contract terminations. Actual payments of $4,989 thousand were

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charged against the restructuring accruals and the remaining accrual balance as of December 31, 2008 was $2,584 thousand.

21. Restructuring and Impairment Charges

Predecessor Company

2009 Restructuring and Impairment Charges

On March 31, 2009, the Company announced the closure of the Tokyo office of its subsidiary, MagnaChip Semiconductor Inc. (Japan). In connection with this closure, the Company recognized $439 thousand of restructuring charges, which consisted of one-time termination benefits and other related costs under ASC 420 for the ten-month period ended October 25, 2009. Actual payments of $439 thousand were charged against the restructuring accruals and there were no remaining restructuring accruals as of December 31, 2009.

2008 Restructuring and Impairment Charges

During the three months ended July 1, 2007, the Company recognized $1,978 thousand of restructuring accruals under ASC 420. The restructuring charges were related to the closure of the Company s five-inch wafer fabrication facilities located in Gumi and those charges consisted of one-time termination benefits and other associated costs. Up to the first quarter of 2008, actual payments of $1,103 were charged against the restructuring accruals and the Company believes the restructuring activities were substantially completed as of March 30, 2008. Accordingly, the Company reversed $875 thousand of unused restructuring accruals.

As of December 31, 2008, the Company performed an additional goodwill impairment test triggered by the significant adverse change in the revenue of the MDS reporting unit, and determined that total amount of goodwill was impaired. Revenue of the MDS reporting unit was expected to decrease due to the deterioration of the Company s financial credit status and the recession in the semiconductor industry resulting from the world-wide economic crisis beginning in the third quarter of 2008. Accordingly, an impairment charge of $14,245 thousand was recorded for the year ended December 31, 2008.

2007 Restructuring and Impairment Charges

During the year ended December 31, 2007, the Company recorded restructuring and impairment charges totaling $12,084 thousand, which included $10,106 thousand of impairment charges under ASC 360 and $1,978 thousand of restructuring charges under ASC 420. The impairment charges and restructuring charges that were recorded related to the closure of the Company s five-inch wafer fabrication facilities located in Gumi (the asset group) that had generated losses and no longer supported the Company s strategic technology roadmap.

ASC 360 requires the Company to evaluate the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The net book value of the asset group before the impairment charges as of July 1, 2007 was approximately $10,228 thousand.

The impairment charge was measured as the excess of the carrying amount of the asset group over its fair value. The fair value of the asset group was estimated using a present value technique, where expected future cash flows from the use and eventual disposal of the asset group were discounted by an interest rate commensurate with the risk of the cash flows.

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22. Income Taxes

The Company s income tax expenses are composed of domestic and foreign income taxes depending on the relevant tax jurisdiction. Domestic refers to the income before taxes, current income taxes and deferred income taxes generated or incurred in the United States, where the Parent resides.

The components of income tax expense are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Income (loss) from continuing operations before income taxes				
Domestic	$ (4)	$ 774,188	$ 18,442	$ 16,031
Foreign	(523)	67,627	(332,696)	(136,022)
	$ (527)	$ 841,815	$ (314,254)	$ (119,991)
Current income taxes expense (benefits)				
Domestic	$ 16	$ (143)	$ 1,335	$ 230
Foreign	1,244	6,033	8,530	8,103
Uncertain tax position liability (domestic)	9	256	92	
Uncertain tax position liability (foreign)	23	95	138	163
	1,292	6,241	10,095	8,496
Deferred income taxes expense (benefits)				
Domestic				
Foreign	654	1,054	1,490	339
	654	1,054	1,490	339
Total income tax expense	$ 1,946	$ 7,295	$ 11,585	$ 8,835

The Parent is a limited liability company and a non-taxable entity for US tax purposes, and thus the Company expects the statutory income tax rate to be zero. MagnaChip Semiconductor, Ltd. (Korea) is the principal operating entity within the consolidated Company. The statutory income tax rate of MagnaChip Semiconductor, Ltd. (Korea), including tax surcharges, applicable to the consolidated Company was approximately 24.2% in 2009 and 27.5% in 2008 and 2007. MagnaChip Semiconductor, Ltd. (Korea) was eligible for a tax exemption for companies qualified as direct foreign investments under the Korean tax code until 2008, and, accordingly, its corporate income tax was reduced by 30% from 2007 to 2008.

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The provision for domestic and foreign income taxes incurred is different from the amount calculated by applying the statutory tax rate to the net income before income taxes. The significant items causing this difference are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Provision computed at statutory rate	$	$	$	$
Permanent differences	(693)	(19,500)	(1,076)	4,831
Change in statutory tax rate	(265)	118	8,173	(18,242)
Adjustment for overseas tax rate	3,139	8,192	(52,569)	(27,028)
Change in valuation allowance	(267)	18,134	56,827	49,111
Uncertain tax positions liability	32	351	230	163
Income tax expenses	$ 1,946	$ 7,295	$ 11,585	$ 8,835

A summary of the composition of net deferred income tax assets (liabilities) at December 31, 2009 and 2008 are as follows:

	Successor December 31, 2009	Predecessor December 31, 2008
Deferred tax assets		
Inventories	$	$ 9,086
Accrued expenses	2,056	1,419
Product warranties	322	152
Other reserves	530	356
Accumulated severance benefits	12,042	9,908
Property, plant and equipments	15,503	13,981
NOL carry-forwards	146,833	98,745
Tax credit	31,558	23,947
Royalty income	5,985	10,629
Foreign currency translation loss	30,198	40,916
Debt issuance costs	284	397
Others	3,081	1,402
Total deferred tax assets	248,392	210,938
Less: valuation allowance	(225,704)	(196,093)
	22,688	14,845

Deferred tax liabilities		
Inventories	1,721	
Intangible assets	12,247	
Others	243	4,450
Total deferred tax liabilities	14,211	4,450
Net deferred tax assets	$ 8,477	$ 10,395

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Changes in valuation allowance for deferred tax assets for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008 are as follows:

	Successor	Predecessor	
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008
Beginning balance	$ 223,367	$ 196,093	$ 165,977
Charge to expenses	(409)	17,090	79,438
Translation adjustment	2,746	10,184	(49,322)
Ending balance	$ 225,704	$ 223,367	$ 196,093

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is more likely than not. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company s ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the economic environment in which the Company operates and the overall future industry outlook. Based on the Company s historical accounting and tax losses, management determined that it was more likely than not that the Company would realize benefits related to its deferred tax assets in the amount of $8,477 thousand, $9,238 thousand and $10,395 thousand as of December 31, 2009, October 25, 2009 and December 31, 2008, respectively. Accordingly, the Company recorded a valuation allowance of $225,704 thousand, $223,367 thousand and $196,093 thousand on its net deferred tax assets as of December 31, 2009, October 25, 2009 and December 31, 2008, respectively.

At December 31, 2009, the Company had approximately $625,616 thousand of net operating loss carry-forwards available to offset future taxable income. The majority of net operating loss is related to MagnaChip Korea, which expires in varying amounts starting from 2010 to 2019. The Company also has Korean and Dutch tax credit carry-forwards of approximately $11,446 thousand and $20,103 thousand, respectively, as of December 31, 2009. The Korean tax credits expire at various dates starting from 2010 to 2013, and the Dutch tax credits are carried forward to be used for an indefinite period of time.

Uncertainty in Income Taxes

The Company s subsidiaries file income tax returns in Korea, Japan, Taiwan, the U.S. and in various other jurisdictions. The Company is subject to income tax examinations by tax authorities of these jurisdictions for all years since the beginning of its operation as an independent company in October 2004.

The Company adopted the provisions of ASC 740 guidance on uncertain tax positions on January 1, 2007. As a result of the implementation of ASC 740 guidance on uncertain tax positions, the Company recognized $1,554 thousand of liabilities for unrecognized tax benefits, which are related to the temporary difference arising from the timing of expensing certain inventories. Such liabilities were accounted for as an increase to the January 1, 2007 balance of accumulated deficits. As of December 31, 2009 and 2008, the Company recorded $1,997 thousand and $1,490 thousand of liabilities for unrecognized tax benefits, respectively.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expenses. The Company recognized $26 thousand, $206 thousand and $155 thousand of interest and penalties as income tax expense for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008, respectively. Total interest and penalties accrued as of December 31, 2009, December 31, 2008 and as of the ASC 740 guidance on uncertain tax positions adoption date were $946 thousand, $652 thousand and $530 thousand, respectively.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period is as follows:

	Successor	Predecessor	
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008
Unrecognized tax benefits, balance at the beginning	$ 2,874	$ 2,293	$ 1,593
Additions based on tax positions related to the current year		33	
Additions for tax positions of prior years	123	635	748
Reductions for tax positions of prior years	(18)	(88)	(64)
Settlements			
Lapse of statute of limitations			
Translation adjustment		1	16
Unrecognized tax benefits, balance at the ending	$ 2,979	$ 2,874	$ 2,293

23. Geographic and Segment Information

On October 6, 2008, the Company announced the closure of its Imaging Solutions business segment, subject to support for existing customers. As of December 31, 2008, the Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360. As a result, the results of operations of the Imaging Solutions business and reportable segment have been classified as discontinued operations. Accordingly, the Company has restated prior periods segment information to conform to the current presentation.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

The following sets forth information relating to the reportable segments:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net Sales				
Display Solutions	$ 51,044	$ 231,894	$ 304,095	$ 331,684
Semiconductor Manufacturing Services	54,759	206,662	287,111	321,034
Power Solutions	4,746	7,627	5,437	
All other	533	2,801	5,021	56,790
Total segment net sales	$ 111,082	$ 448,984	$ 601,664	$ 709,508
Gross Profit				
Display Solutions	$ 8,747	$ 61,788	$ 57,386	$ 41,524
Semiconductor Manufacturing Services	10,657	71,825	98,411	67,127
Power Solutions	736	1,431	(4,272)	
All other	534	2,801	4,885	22,000
Total segment gross profit	$ 20,674	$ 137,845	$ 156,410	$ 130,651

The following is a summary of net sales by region, based on the location of the customer:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Korea	$ 62,241	$ 244,309	$ 301,006	$ 404,276
Asia Pacific	25,573	116,920	144,482	155,488
Japan	6,477	31,641	79,892	71,211
North America	14,910	48,458	61,346	58,506
Europe	1,881	7,656	14,938	20,027
	$ 111,082	$ 448,984	$ 601,664	$ 709,508

Over 99% of the Company s property, plant and equipment are located in Korea as of December 31, 2009.

Net sales from the Company s top ten largest customers accounted for 66%, 69%, 63% and 63% for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

The Company recorded $25.3 million, $121.5 million, $152.4 million and $182.6 million of sales to one customer within its Display Solutions segment, which represents greater than 10% of net sales, for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

24. Commitments and Contingencies

Operating Agreements with Hynix

In connection with the acquisition of the non-memory semiconductor business from Hynix on October 4, 2004 (the Original Acquisition), the Company entered into several agreements with Hynix, including a non-exclusive cross license that provides the Company with access to certain of Hynix s intellectual property for use in the manufacture and sale of non-memory semiconductor products. The Company also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide certain of these services lasts indefinitely.

Upon the closing of the Original Acquisition, MagnaChip Korea and Hynix also entered into lease agreements under which MagnaChip Korea leases space from Hynix in several buildings, primarily warehouses and utility facilities, in Cheongju, Korea. These leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days notice by the lessee. The Company also leases certain land from Hynix located in Cheongju, Korea. The term of this lease is indefinite unless otherwise agreed by the parties, and as long as the buildings remain on the lease site and are owned and used by the Company for permitted uses.

Operating Leases

The Company leases land, office building and equipment under various operating lease agreements that expire through 2034. Rental expenses were approximately $2,472 thousand, $11,775 thousand, $13,380 thousand and $11,614 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2009, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows:

2010	6,840
2011	1,883
2012	1,883
2013	1,883
2014	1,883
2015 and thereafter	37,244
	$ 51,616

Payments of Guarantee

As of December 31, 2009 and 2008, the Company has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix in 1999. The outstanding balances of guarantees for payments provided by the Company amounted to approximately $163 thousand and $138 thousand as of December 31, 2009 and 2008, respectively.

Loss contingency

Samsung Fiber Optics has made a claim against the Company for the infringement of the certain patent rights of Caltech in relation to imaging sensor products provided by the Company to Samsung Fiber Optics. The Company believes it is probable that the pending claim will have an unfavorable outcome and further believes the associated loss can be reasonably estimated according

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

to ASC 450 Contingencies (ASC 450). The Company accrued $718 thousand of estimated liabilities as of October 25 and December 31, 2009 as the Company believes its accrual of $718 thousand is its best estimate if the final outcome is unfavorable. Estimation was based on the Company s most recent communication with Samsung Fiber Optics. Accordingly, the Company cannot provide assurance that the estimated liabilities will be realized, and actual results could vary materially.

25. Related Party Transactions

Unitholders

Funds affiliated with Avenue Capital Management II, L.P. are the majority unitholders of the Company, owning 69.8% of the common units outstanding at December 31, 2009.

Backstop Commitment Agreement

Funds affiliated with Avenue Capital Management II, L.P. were paid an amount in new common units equal to 10% of the new common units (the standby commitment fee), or 30,000,000 units. The standby commitment fee was deemed fully earned and payable upon the Reorganization Effective Date, regardless of whether the offering was fully subscribed by eligible holders of the second lien noteholder claims.

Loans to employees

Loans to employees as of December 31, 2009 and 2008 were as follows:

	Successor December 31, 2009	Predecessor December 31, 2008
Short-term loans	$ 40	$ 94
Long-term loans	45	46
Total	$ 85	$ 140

New Term Loan

A portion of the new term loan equal to $42,055 thousand was borrowed from Avenue Investments, LP, which is an affiliate of Avenue Capital Management II, L.P., and related interest expense of $822 thousand was recorded in relation to this new term loan and remains as accrued interest as of December 31, 2009.

Warrants

Funds affiliated with Avenue Capital Management II, L.P. own warrants for the purchase of 4,447,680 common units out of the total warrants for the purchase of 15,000,000 units outstanding as of December 31, 2009.

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

26. Earnings (loss) per Unit

The following table illustrates the computation of basic and diluted earnings (loss) per common unit:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Income (loss) from continuing operations	$ (2,473)	$ 834,520	$ (325,839)	$ (128,826)
Income (loss) from discontinued operations, net of taxes	510	6,586	(91,455)	(51,724)
Net income (loss)	(1,963)	841,116	(417,294)	(180,550)
Dividends accrued on preferred unitholders		(6,317)	(13,264)	(12,031)
Income (loss) from continuing operations attributable to common units	$ (2,473)	$ 828,203	$ (339,103)	$ (140,857)
Net income (loss) attributable to common units	$ (1,963)	$ 834,789	$ (430,558)	$ (192,581)
Weighted average common units outstanding	300,862,764	52,923,483	52,768,614	52,297,192
Basic and diluted earnings (loss) per unit from continuing operations	$ (0.01)	$ 15.65	$ (6.43)	$ (2.69)
Basic and diluted earnings (loss) per unit from discontinued operations	0.00	0.12	(1.73)	(0.99)
Basic and diluted net earnings (loss) per unit	$ (0.01)	$ 15.77	$ (8.16)	$ (3.68)

The following outstanding redeemable convertible preferred units, unit options, restricted units and warrants were excluded from the computation of diluted earnings (loss) per unit, as they would have an anti-dilutive effect on the calculation:

	Successor		**Predecessor**	
	Two-Month Period Ended December 31, 2009	**Ten-Month Period Ended October 25, 2009**	**Year Ended December 31, 2008**	**Year Ended December 31, 2007**
Redeemable convertible preferred units	NA	93,997	93,997	93,997
Options	15,365,000	3,825,100	4,216,600	4,916,840
Restricted Units	4,675,440			268,343
Warrants	15,000,000			

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MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
(Tabular dollars in thousands, except unit data)

27. Unaudited Pro forma December 31, 2009 Balance Sheet

Subsequent to December 31, 2009, the Company declared a distribution to unitholders would be made using the proceeds from the sale of $250 million in aggregate principal amount of 10.5% senior notes. As the declaration was made after the balance sheet date, an unaudited pro forma balance sheet has been presented to show the pro forma liability due to unitholders and decrease in additional paid in capital as if the declaration of the distribution to unitholders was made prior to December 31, 2009.

28. Subsequent Events

The Company has evaluated subsequent events requiring recognition or disclosure in the consolidated financial statements during the period from January 1, 2010 through March 13, 2010, the date the consolidated financial statements were available to be issued.

Cash Flow Hedge Transactions

Effective January 11, 2010, the Company s Korean subsidiary entered into option and forward contracts to hedge the risk of changes in the functional-currency-equivalent cash flows attributable to currency rate changes on U.S. dollar denominated revenues. Total notional amounts for the options and forward contracts were $50,000 thousand and $135,000 thousand, respectively, and monthly settlements for the contracts will be made from February to December 2010.

Issuance of $250 million of Senior Notes and Applications of Net Proceeds (Unaudited)

On April 9, 2010 the Company s Luxembourg subsidiary and United States finance subsidiary completed the sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018. Of the $239.6 million of net proceeds, $130.7 million was used to make a distribution to the Company s unitholders and $61.8 million was used to repay all outstanding borrowings under the term loan. The remaining proceeds were retained to fund working capital and for general corporate purposes.

Regarding the distribution made to unitholders, the Company has presented pro forma balance sheet information in the face of consolidated balance sheets.

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MagnaChip Semiconductor Corporation

Depositary Shares

Representing Shares of Common Stock

Goldman, Sachs & Co. **Barclays Capital** **Deutsche Bank Securities**

Citi **UBS Investment Bank**

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. ***Other Expenses of Issuance and Distribution.***

The following table sets forth all expenses other than the underwriting discount, payable by the registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the SEC registration fee.

SEC Registration Fee	$	17,825
FINRA Fees	$	25,500
New York Stock Exchange Listing Fee	$	*
Legal Fees and Expenses	$	*
Printing Expenses	$	*
Blue Sky Fees	$	*
Transfer Agent s Fees	$	*
Accounting Fees and Expenses	$	*
Miscellaneous	$	*
Total	$	*

* To be provided by amendment

ITEM 14. ***Indemnification of Officers and Directors.***

Section 145 of the Delaware General Corporation Law (DGCL) provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party or who is threatened to be made a party by reason of such person being or having been a director, officer, employee of or agent to the registrant. The statute provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

As permitted by the DGCL, our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability is not permitted by DGCL.

As permitted by the DGCL, our bylaws provide that (1) we are required to indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain exceptions; (2) we are permitted to indemnify our other employees and agents to the extent that we indemnify our officers and directors; (3) we are required to advance expenses, as incurred, to our directors and officers in connection with any legal proceeding, subject to certain exceptions; and (4) the rights conferred in our bylaws are not exclusive.

We intend to enter into indemnification agreements with our directors and officers. The indemnification agreements will provide for indemnification and advancement of expenses to our directors and officers under certain circumstances for acts or omissions to the extent permissible under Delaware law. We also obtained directors and officers liability insurance, which insures against liabilities that our directors or officers may incur in such capacities. At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted. We believe that our charter and bylaw provisions are necessary to attract and retain qualified persons as directors and officers.

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Item 15. *Recent Sales of Unregistered Securities.*

The following relates to sales of securities that have occurred since January 1, 2007 and that have not been registered under the Securities Act:

Prior to the closing of the offering, we will convert from a Delaware limited liability company into a Delaware corporation. At the time of the corporate conversion, all of the outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of our common stock and all of the outstanding warrants to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into warrants to purchase shares of our common stock. The issuance of common stock and warrants to purchase common stock to our members in the corporate conversion will be exempt from registration under the Securities Act by virtue of the exemption provided under Section 3(a)(9) thereof as the common stock and warrants will be exchanged by us with our existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. The issuance of common stock and warrants will also be exempt from registration under the Securities Act by virtue of Section 4(2) thereof as a transaction not involving a public offering or, with respect to certain of our existing security holders, Regulation S thereof as an issuance to non-U.S. persons in transactions that will take place outside of the U.S. In addition, as part of our corporate conversion, we will convert outstanding options to purchase common units of MagnaChip Semiconductor LLC into options to purchase shares of our common stock. The issuance of such options to purchase shares of our stock pursuant to such corporate conversion will be exempt from registration in reliance upon exemptions from the registration requirements provided by Rule 701 under the Securities Act relating to transactions occurring under compensatory benefit plans or provided by Regulation S to non-U.S. persons in transactions that will take place outside of the U.S.

In April 2010, our subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, sold (and certain of our subsidiaries guaranteed) $250 million aggregate principal amount of 10.500% senior notes due 2018. We received net proceeds of approximately $239.6 million pursuant to the sale of such notes. The initial purchasers of the foregoing notes were Goldman, Sachs & Co., Barclays Capital Inc., Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and UBS Securities LLC. The issuance of the notes to the initial purchasers was made in reliance on Section 4(2) under the Securities Act and the notes were subsequently resold by the initial purchasers pursuant to Rule 144A and Regulation S thereunder.

In March 2010, we issued to our director Nader Tavakoli a restricted unit bonus for 150,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan. In March 2010, we also issued to certain of our directors and employees options to purchase up to 914,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan at an exercise price of $2.12 per unit. The issuance of such restricted unit bonuses and options to purchase our common units was exempt from registration in reliance upon exemptions from the registration requirements provided by Rule 701 under the Securities Act relating to transactions occurring under compensatory benefit plans or provided by Regulation S to non-U.S. persons in transactions that took place outside of the U.S.

In December 2009, we issued to certain of our employees restricted unit bonuses for an aggregate of 7,084,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan. In December 2009, we also issued to certain of our employees options to purchase up to 15,365,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan at an exercise price of $1.16 per unit. The issuance of such restricted unit bonuses and options to purchase our common units was exempt from registration in reliance upon exemptions from the registration requirements provided by Rule 701 under the Securities Act relating to transactions occurring under compensatory benefit plans or provided by Regulation S to non-U.S. persons in transactions that took place outside of the U.S.

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In November 2009, in connection with our emergence from reorganization proceedings, we issued an aggregate of 17,999,996 common units and warrants to purchase 15,000,000 common units to certain of our former creditors in satisfaction and retirement of their claims. The issuance of such common units and warrants and the distribution thereof was exempt from registration under applicable securities laws pursuant to Section 1145(a) of the U.S. Bankruptcy Code.

In November 2009, in connection with our emergence from reorganization proceedings, we issued an aggregate of 252,000,000 common units in a rights offering to affiliated funds of Avenue Capital Management II, L.P. and certain of our other former creditors who were accredited investors, as defined in Regulation D of the Securities Act, for an aggregate purchase price of $35,280,000. In connection with such rights offering we issued an additional 30,000,000 common units to affiliated funds of Avenue Capital Management II, L.P. as payment of a backstop commitment fee payable pursuant to our Chapter 11 plan of reorganization. The sale and issuance of such securities was exempt from registration under applicable securities laws pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 4, 2008, one of our former employees exercised options to acquire 4,375 of our common units at a purchase price of $12,040.87. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act, by reason of the fact that the offering was a limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

On April 14, 2008, one of our former executives exercised options to acquire 143,272.50 of our common units at a purchase price of $143,272.50. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On March 12, 2008, one of our former employees exercised options to acquire 2,437.50 of our common units at a purchase price of $7,312.50. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On February 19, 2008, two of our former employees exercised options to acquire 11,375 of our common units for an aggregate purchase price of $20,890. Because the offering transactions took place outside the U.S. and neither of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On December 24, 2007, one of our former executives exercised options to acquire 12,500 of our common units at a purchase price of $37,500. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On October 25, 2007, one of our former employees exercised options to acquire 1,500 of our common units at a purchase price of $3,000. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On August 22, 2007, one of our former executives exercised options to acquire 30,937.50 of our common units at a purchase price of $30,937. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On May 4, 2007, one of our former executives exercised options to acquire 80,000 of our common units for an aggregate purchase price of $80,000. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act, by reason of the fact that the offering was a limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

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ITEM 16. ***Exhibits.***

1.1	Form of Underwriting Agreement*
2.1	Second Amended Chapter 11 Plan of Reorganization Proposed by the Official Committee of Unsecured Creditors of MagnaChip Semiconductor Finance Company, et al., dated as of September 24, 2009
3.1	Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)(3)
3.2	Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC(3)
3.3	Fifth Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC
3.4	Form of Certificate of Incorporation of MagnaChip Semiconductor Corporation(3)
3.5	Form of Bylaws of MagnaChip Semiconductor Corporation(3)
3.6	Plan of Conversion of MagnaChip Semiconductor LLC*
4.1	Registration Rights Agreement, dated as of November 9, 2009, by and among MagnaChip Semiconductor LLC and each of the securityholders named therein
4.2	Form of Deposit Agreement, among MagnaChip Semiconductor Corporation, American Stock Transfer & Trust Company, LLC, as the depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares*
4.3	Specimen Depositary Share (included in Exhibit 4.2)*
4.4	Indenture, dated as of April 9, 2010, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and Wilmington Trust FSB, as trustee
4.5	Form of 10.500% Senior Notes due 2018 and related notation of guarantee (included in Exhibit 4.4)
4.6	Exchange and Registration Rights Agreement, dated as of April 9, 2010, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, and Goldman, Sachs & Co., Barclays Capital Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated, as representatives of the several purchasers named therein
5.1	Form of Opinion of DLA Piper LLP (US)*
10.1	Amended and Restated Credit Agreement, dated as of November 6, 2009, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, and Wilmington Trust FSB, as Administrative Agent
10.2	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.3	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.4	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.5	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.6	First Amendment to the General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.7	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(3)
10.8	Amended & Restated License Agreement (TrenchDMOS), dated as of September 19, 2007, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)(3)
10.9	Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)(3)

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10.10	Amendment to the Technology License Agreement, dated as of October 16, 2006, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea)(2)(3)
10.11	ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)(3)
10.12	Technology License Agreement, dated as of October 5, 1995, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(2)(3)
10.13	Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)(3)
10.14	Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)(3)
10.15	Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(3)
10.16	Design Migration Agreement, dated as of May 1, 2007, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea)(2)(3)
10.17	Basic Agreement on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works (English translation)(3)
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10.49	MagnaChip Semiconductor Corporation Form of Indemnification Agreement with Directors and Officers(3)
10.50	Form of Accredited Investor Certification delivered to the Official Committee of Unsecured Creditors of MagnaChip Semiconductor Finance Company, et al.
10.51	Form of Subscription Agreement for common units of MagnaChip Semiconductor LLC (in connection with the Committee s Plan of Reorganization under Chapter 11 of the Bankruptcy Code)
10.52	Subscription Form for Rights Offering in connection with the Committee s Plan of Reorganization under Chapter 11 of the Bankruptcy Code
10.53	$35,000,000 Common Stock Backstop Commitment letter, dated as of September 23, 2009, from Avenue Capital Management II, L.P., solely in its capacity as investment advisor to Avenue Investments, L.P., Avenue International Master, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P. and Avenue CDP-Global Opportunities Fund, L.P. (included in Exhibit 2.1)
10.54	MagnaChip Semiconductor LLC Profit Sharing Plan as adopted on December 31, 2009 and as amended on February 15, 2010(2)
21.1	Subsidiaries of the Registrant(3)
23.1	Consent of Samil PricewaterhouseCoopers

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23.2	Consent of DLA Piper LLP (US) (contained in Exhibit 5.1)*
24.1	Power of Attorney of officers and directors of MagnaChip Semiconductor LLC(3)

* To be filed by amendment.

Footnotes:

(1) Certain portions of this document have been omitted pursuant to a grant of confidential treatment by the SEC.

(2) Certain portions of this document have been omitted pursuant to a request for confidential treatment by the SEC.

(3) Previously filed.

Item 17. ***Undertakings.***

We hereby undertake to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(2) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, MagnaChip Semiconductor LLC has duly caused this Amendment No. 1 to Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, The Republic of Korea on April 20, 2010.

MagnaChip Semiconductor LLC

By: /s/ Sang Park

Sang Park, Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement on Form S-1 has been signed below by the following persons on behalf of MagnaChip Semiconductor LLC and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Sang Park **Sang Park**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 20, 2010
* **Margaret Sakai**	Chief Financial Officer (Principal Financial and Accounting Officer)	April 20, 2010
* **Michael Elkins**	Director	April 20, 2010
* **Randal Klein**	Director	April 20, 2010
* **R. Douglas Norby**	Director	April 20, 2010
* **Gidu Shroff**	Director	April 20, 2010
* **Steven Tan**	Director	April 20, 2010
* **Nader Tavakoli**	Director	April 20, 2010

*By /s/ Sang Park

Attorney-in-fact

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Exhibit Index

1.1	Form of Underwriting Agreement*
2.1	Second Amended Chapter 11 Plan of Reorganization Proposed by the Official Committee of Unsecured Creditors of MagnaChip Semiconductor Finance Company, et al., dated as of September 24, 2009
3.1	Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)(3)
3.2	Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC(3)
3.3	Fifth Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC
3.4	Form of Certificate of Incorporation of MagnaChip Semiconductor Corporation(3)
3.5	Form of Bylaws of MagnaChip Semiconductor Corporation(3)
3.6	Plan of Conversion of MagnaChip Semiconductor LLC*
4.1	Registration Rights Agreement, dated as of November 9, 2009, by and among MagnaChip Semiconductor LLC and each of the securityholders named therein
4.2	Form of Deposit Agreement, among MagnaChip Semiconductor Corporation, American Stock Transfer & Trust Company, LLC, as the depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares*
4.3	Specimen Depositary Share (included in Exhibit 4.2)*
4.4	Indenture, dated as of April 9, 2010, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and Wilmington Trust FSB, as trustee
4.5	Form of 10.500% Senior Notes due 2018 and notation of guarantee (included in Exhibit 4.4)
4.6	Exchange and Registration Rights Agreement, dated as of April 9, 2010, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, and Goldman, Sachs & Co., Barclays Capital Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated, as representatives of the several purchasers named therein
5.1	Form of Opinion of DLA Piper LLP (US)*
10.1	Amended and Restated Credit Agreement, dated as of November 6, 2009, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, and Wilmington Trust FSB, as Administrative Agent
10.2	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.3	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.4	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.5	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.6	First Amendment to the General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.7	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(3)
10.8	Amended & Restated License Agreement (TrenchDMOS), dated as of September 19, 2007, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)(3)
10.9	Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)(3)
10.10	

Amendment to the Technology License Agreement, dated as of October 16, 2006, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea)(2)(3)

10.11	ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)(3)
10.12	Technology License Agreement, dated as of October 5, 1995, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(2)(3)
10.13	Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)(3)
10.14	Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)(3)
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