

MICRON TECHNOLOGY INC  
Form DEF 14A  
November 05, 2007

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Micron Technology, Inc.**

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(Name of Registrant as Specified In Its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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**Notice of 2007 Annual Meeting of Shareholders**

**December 4, 2007**

To the Shareholders:

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Shareholders of Micron Technology, Inc., a Delaware corporation (the "Company"), will be held on December 4, 2007, at 9:00 a.m., Mountain Standard Time, at the Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632, for the following purposes:

1. To elect directors to serve for the ensuing year and until their successors are elected and qualified;
2. To approve the Company's 2007 Equity Incentive Plan with 30,000,000 shares reserved for issuance thereunder;
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ending August 28, 2008; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only shareholders of record at the close of business on October 10, 2007, are entitled to notice of and to vote at the meeting. A complete list of shareholders entitled to vote at the meeting will be open to the examination of any shareholder, for any purpose germane to the business to be transacted at the meeting, during ordinary business hours for the ten-day period immediately preceding the date of the meeting, at the Company's headquarters at 8000 South Federal Way, Boise, Idaho 83716-9632.

Attendance at the Annual Meeting will be limited to shareholders and guests of the Company. Shareholders may be asked to furnish proof of ownership of the Company's Common Stock before being admitted to the meeting. Directions to the meeting's location accompany the Proxy Statement.

To ensure your representation at the meeting, you are urged to vote, sign, date and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Alternatively, shareholders may vote by telephone or electronically via the internet. Please refer to the instructions included with the proxy for additional details. Shareholders attending the meeting may vote in person even if they have already submitted their proxy.

By Order of the Board of Directors

Roderic W. Lewis  
Vice President of Legal Affairs,  
General Counsel & Corporate Secretary

Boise, Idaho  
November 5, 2007

**YOUR VOTE IS IMPORTANT. PLEASE SUBMIT YOUR PROXY PROMPTLY.**



**8000 South Federal Way  
Boise, Idaho 83716-9632**

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**PROXY STATEMENT  
2007 ANNUAL MEETING OF SHAREHOLDERS**

**December 4, 2007  
9:00 a.m. Mountain Standard Time**

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed proxy is solicited on behalf of the Board of Directors of Micron Technology, Inc. (the "Company"), for use at the 2007 Annual Meeting of Shareholders to be held on December 4, 2007, at 9:00 a.m., Mountain Standard Time, or at any adjournment or postponement thereof (the "Annual Meeting"). The purpose of the Annual Meeting is set forth herein and in the accompanying Notice of 2007 Annual Meeting of Shareholders. The Annual Meeting will be held at the Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632. Directions to the Annual Meeting accompany this Proxy Statement. The Company's telephone number is (208) 368-4000.

This Proxy Statement and enclosed proxy card are first being distributed on or about November 5, 2007, to all shareholders entitled to vote at the meeting.

**Record Date**

Shareholders of record at the close of business on October 10, 2007 (the "Record Date") are entitled to notice of and to vote at the meeting.

**Revocability of Proxy**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by attending the Annual Meeting and voting in person or by delivering to the Company a written notice of revocation or another duly executed proxy bearing a date later than the earlier given proxy.

**Solicitation**

The cost of solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may be solicited by the Company's directors, officers and employees, without additional compensation, personally or by telephone or internet. The Company intends to use the services of Georgeson, Inc., a proxy solicitation firm, in connection with the solicitation of proxies. Although the exact cost of the solicitation services is not known at this time, it is anticipated that the fees and expenses paid by the Company for these services will be approximately \$30,000.

**Outstanding Shares**

The Company has one class of stock outstanding, common stock, \$.10 par value per share (the "Common Stock"). At October 10, 2007, the Record Date, 757,931,820 shares of Common Stock were issued and outstanding and entitled to vote.

### Voting Rights and Required Vote

Under the Delaware General Corporation Law and the Company's Restated Certificate of Incorporation and its Bylaws, each shareholder will be entitled to one vote for each share of the Company's Common Stock held at the Record Date for all matters, including the election of directors, unless cumulative voting for the election of directors is required. The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of the Company's Common Stock issued and outstanding on the Record Date. Shares that are voted "FOR," "AGAINST" or "ABSTAIN" and, with respect to the election of directors, "WITHHOLD" or "DO NOT VOTE FOR," are treated as being present at the Annual Meeting for the purposes of establishing a quorum and are tallied to determine the shareholders' decision with respect to the matter voted upon (the "Votes Cast"). Abstentions will have the same effect as voting against a proposal. Broker non-votes will be considered present and entitled to vote for purposes of determining the presence or absence of a quorum for the transaction of business, but such non-votes are not deemed to be Votes Cast and, therefore, will not be included in the tabulation of the voting results with respect to voting results for the election of directors or issues requiring the approval of a majority of Votes Cast.

Shares held in a brokerage account or by another nominee are considered held in "street name" by the shareholder or "beneficial owner." A broker or nominee holding shares for a beneficial owner may not vote on matters relating to equity compensation plans unless the broker or nominee receives specific voting instructions from the beneficial owner of the shares. As a result, absent specific instructions, brokers or nominees may not vote a beneficial owner's shares on Proposal 2 and such shares will be considered "broker non-votes" for such proposal.

The seven nominees for director receiving the highest number of "FOR" votes will be elected, regardless of whether any one of them receives the vote of a majority of the Votes Cast. With respect to each other item of business, the "FOR" vote of a majority of the Votes Cast is required in order for such matter to be considered approved by the shareholders.

Cumulative voting for the election of directors shall not be required unless a shareholder has requested cumulative voting by written notice to the Secretary of the Company at least 15 days prior to the date of the meeting. If cumulative voting is required, with respect to the election of directors, each voting shareholder may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or distribute the shareholder's votes among as many candidates as the shareholder thinks fit, provided that votes cannot be cast for more than seven candidates. If cumulative voting is required, the persons authorized to vote shares represented by proxies shall have the authority and discretion to vote such shares cumulatively for any candidate or candidates for whom authority to vote has not been withheld.

### Voting of Proxies

The shares of the Company's Common Stock represented by all properly executed proxies received in time for the meeting will be voted in accordance with the directions given by the shareholders. **If no instructions are given with respect to a properly executed Proxy timely received by the Company, the shares of the Company's Common Stock represented thereby will be voted (i) FOR each of the nominees named herein as directors, or their respective substitutes as may be appointed by the Board of Directors, (ii) FOR approval of the Company's 2007 Equity Incentive Plan with 30,000,000 shares reserved for issuance thereunder, (iii) FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ended August 28, 2008, and (iv) in the discretion of the proxy holders for such other matter or matters which may properly come before the Annual Meeting.**

## ITEM 1 ELECTION OF DIRECTORS

## Nominees

The Company's Bylaws currently authorize a Board of Directors comprised of seven members. A board of seven directors is to be elected at the Annual Meeting, all of whom have been recommended for nomination by a majority of the independent directors of the Board of Directors and all of whom are currently serving as directors of the Company. Unless otherwise instructed, the proxy holders will vote the proxies received by them for management's seven nominees named below, all of whom are presently directors of the Company. Your proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement. If any management nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. It is not expected that any nominee listed below will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Shareholders or until such person's successor has been elected and qualified, except in the case of earlier resignation or removal. Officers are appointed annually by the Board of Directors and serve until their successors are duly appointed and qualified, except in the case of earlier resignation or removal. The names of the nominees and certain information about them are set forth below:

Name of Nominee	Age	Principal Occupation	Served as a Director Since	Board Committees*		
				A	C	G
Teruaki Aoki	66	Executive Managing Director of Sony Foundation for Education	2006		X	X
Steven R. Appleton	47	Chairman and Chief Executive Officer of the Company	1994			
James W. Bagley	68	Executive Chairman of Lam Research Corporation	1997			
Robert L. Bailey	50	Chairman, President and Chief Executive Officer of PMC-Sierra, Inc.	2007	X		X
Mercedes Johnson	53	Senior Vice President and Chief Financial Officer of Avago Technologies Limited	2005			
Lawrence N. Mondry	47	President and Chief Executive Officer of CSK Auto Corporation	2005	X	X	X
Robert E. Switz	61	President and Chief Executive Officer of ADC Telecommunications, Inc.	2006	X		X

\*

A = Audit Committee, C = Compensation Committee, G = Governance Committee

Set forth below are the principal occupations of the nominees for at least the past five years:

*Teruaki Aoki* is Executive Managing Director of Sony Foundation for Education. Dr. Aoki has been associated with Sony since 1970 and has held various executive positions, including Senior Executive Vice President and Executive Officer of Sony Corporation as well as President and Chief Operating Officer of Sony Electronics, a U.S. subsidiary. Dr. Aoki holds a Ph.D. in Material Sciences from Northwestern University as well as a BS in Applied Physics from the University of Tokyo. He was elected as an IEEE Fellow in 2003 and serves as Advisory Board Member of Kellogg School of Management of Northwestern University. Dr. Aoki also serves on the board of Citizen Holdings Co. Ltd. Dr. Aoki is the Chairman of the Board's Governance Committee.

*Steven R. Appleton* joined the Company in February 1983 and has served in various capacities with the Company and its subsidiaries. Mr. Appleton first became an officer of the Company in August 1989 and has served in various officer positions with the Company since that time. From April 1991 until July 1992 and since May 1994, Mr. Appleton has served on the Company's Board of Directors. From September 1994 to June 2007, Mr. Appleton served as the Chief Executive Officer, President and Chairman of the Board of Directors of the Company. In June 2007, Mr. Appleton relinquished his position as President of the Company but retained his positions of Chief Executive Officer and Chairman of the Board. Mr. Appleton is a member of the Board of Directors of National Semiconductor Corporation. Mr. Appleton holds a BA in Business Management from Boise State University.

*James W. Bagley* became the Executive Chairman of Lam Research Corporation ("Lam"), a supplier of semiconductor manufacturing equipment, in June 2005. From August 1997 through June 2005, Mr. Bagley served as the Chairman and Chief Executive Officer of Lam. Mr. Bagley is a member of the Board of Directors of Teradyne, Inc. He has served on the Company's Board of Directors since June 1997. Mr. Bagley holds a MS and BS in Electrical Engineering from Mississippi State University.

*Robert L. Bailey* has served as the President and Chief Executive Officer of PMC-Sierra, a leading provider of broadband communication and storage semiconductor solutions for the next-generation Internet, since July 1997. He has been Chairman of the Board since May 2005 and was also Chairman from February 2000 until February 2003. Mr. Bailey has been a director of PMC since October 1996. Mr. Bailey has served as President, Chief Executive Officer and director of PMC-Sierra, Ltd., PMC's Canadian operating subsidiary ("LTD") since December 1993. Mr. Bailey was employed by AT&T-Microelectronics from August 1989 to November 1993, where he served as Vice President and General Manager, and by Texas Instruments in management from June 1979 to August 1989. Mr. Bailey holds a BS degree in Electrical Engineering from the University of Bridgeport and an MBA from the University of Dallas.

*Mercedes Johnson* has served as the Senior Vice President and Chief Financial Officer of Avago Technologies Limited, a semiconductor company, since December 2005. Prior to that, she served as the Senior Vice President, Finance, of Lam from June 2004 to January 2005 and as Lam's Chief Financial Officer from May 1997 to May 2004. Before joining Lam, Ms. Johnson spent 10 years with Applied Materials, Inc., where she served in various senior financial management positions, including Vice President and Worldwide Operations Controller. Ms. Johnson holds a degree in accounting from the University of Buenos Aires and currently serves on the Board of Directors for Intersil Corporation. Ms. Johnson served as the Chairman of the Board's Audit Committee in fiscal 2007.

*Lawrence N. Mondry* currently serves as the President and Chief Executive Officer of CSK Auto Corporation, ("CSK"), a specialty retailer of automotive aftermarket parts. Prior to his appointment at CSK, Mr. Mondry served as the Chief Executive Officer of CompUSA Inc. from November 2003 to May 2006. Mr. Mondry joined CompUSA in 1990. Mr. Mondry currently serves on the Board of Directors of CSK. Mr. Mondry is the Chairman of the Board's Compensation Committee.

*Robert E. Switz* is currently President and Chief Executive Officer of ADC Telecommunications, Inc., ("ADC"), a supplier of network infrastructure products and services. Mr. Switz has been with ADC since 1994 and prior to his current position, served ADC as Executive Vice President and Chief Financial Officer. Mr. Switz holds an MBA from the University of Bridgeport as well as a degree in marketing/economics from Quinnipiac University. Mr. Switz also serves on the Board of Directors for ADC and Broadcom Corporation. Mr. Switz is the Chairman of the Board's Audit Committee and served as the Chairman of the Board's Governance Committee in fiscal 2007.

There is no family relationship between any director or executive officer of the Company.

During portions of fiscal 2007, Robert A. Lothrop, Gordon C. Smith and William P. Weber served as members of the Company's Board of Directors.



### **Code of Business Conduct and Ethics**

The Board of Directors has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of the Company. A copy of the Micron Code of Business Conduct and Ethics is available on the Company's website at [www.micron.com/code](http://www.micron.com/code) and is also available in print upon request. Any amendments or waivers of the Code of Business Conduct and Ethics will also be posted on the Company's website within four business days of the amendment or waiver as required by applicable rules and regulations of the SEC and NYSE Listing Requirements.

### **Director Independence**

Under current NYSE rules, a director only qualifies as "independent" if the Company's Board of Directors affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). A director is not independent under Section 303A.02(b) of the NYSE List Company Manual if:

The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company.

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(A) The director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another Company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

The guidelines provide that ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship with the Company. For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists is made by the other members of the Company's Board of Directors who are independent.

As of October 31, 2007, the Company's Board of Directors has determined that each of Messrs. Bailey, Mondry, Switz, and Dr. Aoki is "independent" within the meaning of Section 303A.02(b) of the NYSE Listed Company Manual. Each of these directors has no relationship with the Company, other than any relationship that is categorically not material under the guidelines shown above and other than as disclosed in this Proxy Statement under "Compensation of Directors" and "Certain Relationships and Related Transactions."

## **Board Meetings and Committees**

The Board of Directors of the Company held five meetings during fiscal 2007. The Board of Directors met in Executive Session five times during fiscal 2007. In fiscal 2007, the Board of Directors had a standing Audit Committee, Governance Committee and Compensation Committee. During fiscal 2007, the Audit Committee met twelve times, the Compensation Committee met two times and the Governance Committee met once. In addition to formal committee meetings, the chairmen of the committees engaged in regular discussions with management regarding various issues relevant to their respective committees. All incumbent directors attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees of the Board on which they served, during fiscal 2007. Eight directors attended the Company's Annual Meeting of Shareholders in 2006.

The Audit Committee, the Governance Committee and the Compensation Committee each have written charters that comply with federal and NYSE rules relating to corporate governance matters. Copies of the committee charters as well as the Company's Corporate Governance Guidelines are available on the Company's website at [www.micron.com](http://www.micron.com) and are also available in print upon request. The Board has determined that all the members of the Audit Committee, the Governance Committee, and the Compensation Committee satisfy the independence requirements of applicable federal laws and the listing standards of the NYSE for such committees.

### *Audit Committee*

Messrs. Bailey, Mondry and Switz currently serve on the Audit Committee. On October 31, 2007, Mr. Switz was named Chairman of the Audit Committee and Mr. Bailey was appointed to the Audit Committee. Ms. Johnson served as the Chairman of the Audit Committee throughout fiscal 2007 and until the appointment of Mr. Switz. The Board has determined that Messrs. Bailey, Mondry and Switz each qualifies as an "audit committee financial expert" for purposes of the rules and regulations of the Securities and Exchange Commission. The purpose of the Audit Committee is to assist the Board in overseeing and monitoring (i) the integrity of the Company's financial statements, (ii) the performance of the Company's internal audit function and its Independent Registered Public Accounting Firm, (iii) the qualifications and independence of the Company's Independent Registered Public Accounting Firm, and (iv) the Company's compliance with legal and regulatory requirements. The Audit Committee is also responsible for preparing the Audit Committee report that is included in the Company's annual Proxy Statement. See "Report of the Audit Committee of the Board of Directors." The complete duties and responsibilities of the Audit Committee are set forth in its written charter, which is available at [www.micron.com](http://www.micron.com) and is also available in print upon request to [corporatesecretary@micron.com](mailto:corporatesecretary@micron.com). A copy of the Audit Committee charter was included as an appendix to the Company's 2006 Proxy Statement.

### *Governance Committee*

Dr. Aoki, and Messrs. Bailey, Mondry and Switz currently serve on the Governance Committee. Dr. Aoki is the Chairman of the Governance Committee. The responsibilities of the Governance Committee include assisting the Board in discharging its duties with respect to (i) the identification and selection of nominees to the Company's Board of Directors and (ii) the development of Corporate Governance Guidelines for the Company. The complete duties and responsibilities of the Governance Committee are set forth in its written charter, which is available at [www.micron.com](http://www.micron.com) and is also available in print upon request to [corporatesecretary@micron.com](mailto:corporatesecretary@micron.com).

The Governance Committee is responsible for identifying nominees for the Company's Board of Directors. There are no minimum qualifications that nominees must possess however the following factors are strongly considered by the Governance Committee in making its recommendations: substantial experience in the semiconductor industry or related industries; strong business acumen and judgment;

excellent interpersonal skills; business relationships with key individuals in industry, government and education that may be of significant assistance to the Company and its operations; familiarity with accounting rules and practices; and "independence" as defined and required by NYSE Listing Application Standards and relevant rules and regulations of the SEC. In fiscal 2006, the Board of Directors determined that it would be advisable to add additional members to the Board. To that end, the Governance Committee works with a third party executive search firm to assist them in the identification and evaluation of potential candidates to the Company's Board of Directors. As a result of the Governance Committee's efforts and the executive search firm's efforts, Dr. Aoki and Mr. Switz were added to the Company's Board of Directors in 2006. It is currently anticipated that additional candidates will join the Company's Board of Directors in fiscal 2008.

The Governance Committee will consider director nominee recommendations from shareholders. Shareholder recommendations are subject to the same criteria used to evaluate other candidates. Shareholders wishing to recommend a prospective nominee should submit the candidate's name and qualifications to the Company's Corporate Secretary at [corporatesecretary@micron.com](mailto:corporatesecretary@micron.com). The Company's Bylaws contain the provisions that address the process by which a shareholder may actually nominate an individual to stand for election to the Company's Board of Directors. A copy of the Company's Bylaws can be found on the Corporate Governance page of its website at [www.micron.com](http://www.micron.com) and is available in print upon request to [corporatesecretary@micron.com](mailto:corporatesecretary@micron.com). During fiscal 2007, the Company did not receive any director nominations from shareholders.

#### ***Compensation Committee***

Mr. Mondry and Dr. Aoki currently serve on the Compensation Committee of the Board of Directors. Mr. Mondry is the Chairman of the Compensation Committee. The Compensation Committee is responsible for reviewing and approving the compensation of the Company's officers. See the "Compensation Discussion and Analysis" and the "Report of the Compensation Committee on Executive Compensation" for information how the Compensation Committee sets executive compensation levels. The complete duties of the Compensation Committee are set forth in its written charter, which is available at [www.micron.com](http://www.micron.com) and is also available in print upon request to [corporatesecretary@micron.com](mailto:corporatesecretary@micron.com).

#### ***Executive Sessions and Communications with the Board***

The Board of Directors meets regularly in executive sessions in which only non-employee directors are present. On October 9, 2007, Mr. Bagley was reappointed to preside at these executive sessions for fiscal 2008. He has served as presiding director since September 2002. Shareholders and interested parties wishing to communicate with the Company's Board of Directors may contact Mr. Bagley at [presidingdirector@micron.com](mailto:presidingdirector@micron.com).

## COMPENSATION OF DIRECTORS

The Governance Committee of the Board of Directors oversees the setting of compensation for the Company's non-employee members of its Board of Directors. In fiscal 2007, the Governance Committee worked with Mercer (formerly Mercer Human Resources Consulting, Inc.), an outside compensation consultant, to review and evaluate director compensation in light of prevailing market conditions. Mercer gathered compensation data from the Company's custom peer group of companies as well as from the 2006 Mercer Study of 350 large US public companies. (For a discussion of the peer group of companies, please see the Compensation Discussion and Analysis.) In September 2006, as a result of this evaluation, the Board of Directors approved the Governance Committee's recommendation that they:

Replace the annual stock option grant with an award of restricted stock.

Determine the amount of the annual restricted stock award on a pre-determined dollar value as opposed to a targeted number of shares.

Provide for immediate vesting of director equity awards upon termination due to retirement.

Increase the cash retainer for the Chair of the Audit Committee from \$10,000 to \$15,000.

Increase the value of the annual equity award from \$184,200 to \$225,000.

Leave the annual retainer unchanged at \$50,000.

In October 2007, the Governance Committee reviewed the Company's director compensation practices with Mercer and concluded that changes to the program were not warranted.

### Elements of Director Compensation

*Annual Retainer.* Directors who are not employees of the Company are entitled to receive an annual retainer of \$50,000. Pursuant to the Company's 1998 Non-Employee Director's Stock Incentive Plan ("DSIP"), non-employee directors may elect to take some or all of their annual retainer in the form of cash, shares of Common Stock or deferred rights to receive Common Stock upon termination as a director. During the period from October 1, 2006 to October 1, 2007, Ms. Johnson and Mr. Smith received 5,272 shares and 224 shares, respectively, of Common Stock under the DSIP. During the same period, Mr. Bagley deferred the receipt of 4,056 shares of Common Stock under the DSIP. Directors who are employees of the Company receive no additional or special remuneration for their service as directors.

The Company also reimburses directors for travel and lodging expenses, if any, incurred in connection with attendance at Board of Directors' meetings. The chairman of the Audit Committee receives \$15,000 per year for service as committee chair. The chairman of the Governance Committee and the Compensation Committee each receive \$10,000 per year for their services as committee chair. Except for the foregoing, directors do not receive any additional or special remuneration for their service on any of the committees established by the Board of Directors.

*Equity Award.* In fiscal 2007, a "targeted value" for annual non-employee director compensation was established as opposed to a set number of shares of equity. Following discussion of relevant data with Mercer, the Board determined that such targeted value should be \$225,000. Based on this amount for fiscal 2007, the Board approved an award of 12,583 shares of restricted Common Stock to each of the directors, derived by dividing the targeted value of \$225,000 by the Fair Market Value, as defined under the Company's equity plans, of the Company's Common Stock. For purposes of the Company's equity plans, "Fair Market Value" equals the average closing price of the Company's Common Stock on the last trading day prior to the date of grant. The restrictions on the shares awarded for fiscal 2007 will lapse as to 50% of such shares on the first anniversary of the date of grant and the remaining 50% as of the second anniversary of the date of grant (the "Vesting Period"). Notwithstanding the foregoing, the restrictions as to the fiscal 2007 shares will lapse as to 100% of such shares in the event a director either reaches the

mandatory retirement age during the Vesting Period or retires from the Board during the Vesting Period having achieved a minimum of three years of service with the Board of Directors prior to the effective date of his or her retirement.

### Director Summary Compensation

The following table details the total compensation earned by the Company's non-employee directors in fiscal 2007.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	All Other Compensation	Total
Teruaki Aoki	\$ 50,000	\$ 139,867	\$ 4,426(2)	\$ 194,293
James W. Bagley	50,026	260,174		310,200
Mercedes Johnson	63,596	153,824		217,420
Lawrence N. Mondry	59,375	171,715		231,090
Robert E. Switz	59,375	139,867		199,242
Robert A. Lothrop(3)	13,172	231,440		244,612
Gordon C. Smith(3)	46,886	231,440		278,326
William P. Weber(3)	14,005	231,440		245,445

(1)

On September 26, 2006, each director who was not an employee of the company was granted 12,583 shares of restricted stock with a grant date fair value of \$224,984 (\$17.88 per share). Amount shown is the expense recognized in the Company's financial statements for fiscal 2007 under Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payments," related to each director's outstanding restricted stock. The expense shown for these stock awards is based solely on the stock price as of the date of grant, disregarding any assumptions as to estimated forfeitures based on continued service. For information on the restrictions associated with these awards, see "Elements of Director Compensation Equity Awards" above. Specific amounts expensed for each director vary as a result of the director's holdings, length of service and age. Any dividends payable with respect to the Company's Common Stock will be payable with respect to all awards of restricted stock. The total number of restricted shares and options held as of August 30, 2007 for each non-employee director was as follows:

Name	Restricted Stock	Options*
Teruaki Aoki	14,771	4,375
James W. Bagley	15,083	72,000
Mercedes Johnson	15,083	17,500
Lawrence N. Mondry	15,083	17,500
Robert E. Switz	14,771	4,375

\*

All options are fully vested and exercisable.

(2)

Reflects amount incurred to cover tax services provided by Deloitte Touche Tohmatsu Japan.

(3)

Messrs. Lothrop and Weber resigned from the Board of Directors effective December 5, 2006. Mr. Smith resigned from the Board of Directors on July 25, 2007. Messrs. Lothrop, Weber and Smith did not hold any options or restricted stock at August 30, 2007.

## ITEM 2 APPROVAL OF 2007 EQUITY INCENTIVE PLAN

The 2007 Equity Incentive Plan was adopted by the Board of Directors on October 9, 2007, with 30,000,000 shares reserved for issuance thereunder. As of October 10, 2007, there were approximately 19,600 employees eligible to participate in the 2007 Equity Incentive Plan. Officers are not eligible to participate in the 2007 Equity Incentive Plan.

A summary of the plan is set forth below. This summary is qualified in its entirety by the full text of the plan, which is attached to this Proxy Statement as Appendix A.

### **Purpose**

The purpose of the plan is to promote the Company's success by linking the personal interests of its employees, non-employee directors and consultants to those of the Company's shareholders, and by providing participants with an incentive for outstanding performance. Officers of the Company are not eligible to participate in the plan.

*Permissible Awards.* The plan authorizes the grant of awards in any of the following forms:

Options to purchase shares of Common Stock, which may be nonstatutory stock options or incentive stock options under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The exercise price of an option granted under the plan may not be less than the fair market value of the Company's Common Stock on the date of grant.

Stock appreciation rights, which give the holder the right to receive the excess, if any, of the fair market value of one share of Common Stock on the date of exercise, over the base price of the stock appreciation right.

Performance shares, which are units valued by reference to a designated number of shares of Common Stock upon the attainment of performance goals set by the Compensation Committee of the Board of Directors (the "Committee").

Restricted stock, which is subject to restrictions on transferability and subject to forfeiture on terms set by the Committee.

Restricted stock units, which represent the right to receive shares of Common Stock (or an equivalent value in cash or other property) in the future, based upon the attainment of stated vesting or performance goals set by the Committee.

Deferred stock units, which represent the right to receive shares of Common Stock (or an equivalent value in cash or other property) in the future, generally without any vesting or performance restrictions.

Dividend equivalent rights, which entitle the participant to payments in cash or property calculated by reference to the amount of dividends paid on the shares of stock underlying an award.

Other stock-based awards in the discretion of the Committee, including unrestricted stock grants.

Any other right or interest relating to Stock.

All awards will be evidenced by a written award certificate between the Company and the participant, which will include such provisions as may be specified by the Committee.

### **Shares Available for Awards**

Subject to adjustment as provided in the plan, the aggregate number of shares of Common Stock reserved and available for issuance pursuant to awards granted under the plan is 30,000,000. The maximum number of shares that may be issued to one person upon exercise of incentive stock options granted under the plan is 2,000,000. *Each share issued pursuant to "full value" awards, such as restricted stock,*

*unrestricted*

*stock, restricted stock units, deferred stock units, performance shares, or other stock-based awards payable in stock, reduces the number of shares available for grant by two shares.*

#### **Limitations on Awards**

The maximum number of shares of Common Stock that may be covered by options and stock appreciation rights granted under the plan to any one person during any one calendar year is 2,000,000. The maximum number of shares of Common Stock that may be granted under the plan in the form of restricted stock, restricted stock units, deferred stock units, performance shares or other stock-based awards under the plan to any one person during any one calendar year is 2,000,000.

#### **Administration**

The plan will be administered by the Committee. The Committee will have the authority to designate participants; determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof; establish, adopt or revise any rules and regulations as it may deem advisable to administer the plan; and make all other decisions and determinations that may be required under the plan. The Board of Directors may at any time administer the plan. If it does so, it will have all the powers of the Committee under the plan.

In addition, the Board or the Committee may expressly delegate to a special committee some or all of the Committee's authority, within specified parameters, to grant awards to eligible participants who, at the time of grant, are not officers.

#### **Deductibility under Section 162(m)**

The 2007 Equity Incentive Plan is designed to comply with Code Section 162(m) so that grants of market-priced options and stock appreciation rights under the plan, and other awards that are conditioned on performance goals as described below, will be excluded from the calculation of annual compensation for purposes of Code Section 162(m) and will be fully deductible. While the Committee believes it is important to preserve the deductibility of compensation under Code Section 162(m) generally, the Board and the Committee reserve the right to grant or approve awards or compensation that is non-deductible.

#### **Performance Goals**

The Committee may designate any award as a qualified performance-based award in order to make the award fully deductible without regard to the \$1,000,000 deduction limit imposed by Code Section 162(m). If an award is so designated, the Committee must establish objectively determinable performance goals for the award. Performance goals for such awards shall be based on one or more of the following financial, strategic and operational business criteria:

gross and/or net revenue (including whether in the aggregate or attributable to specific products)

cost of Goods Sold and Gross Margin

costs and expenses, including Research & Development and Selling, General & Administrative expenses

income (gross, operating, net, etc.)

earnings, including before interest, taxes, depreciation and amortization (whether in the aggregate or on a per share basis)

cash flows and share price

return on investment, capital, equity



manufacturing efficiency (including yield enhancement and cycle time reductions), quality improvements and customer satisfaction

product life cycle management (including product and technology design, development, transfer, manufacturing introduction, and sales price optimization and management)

economic profit or loss

market share

employee retention, compensation, training and development, including succession planning

objective goals consistent with the Participant's specific duties and responsibilities, designed to further the financial, operational and other business interests of the Company, including goals and objectives with respect to regulatory compliance matters.

In order to meet the requirements of Section 162(m), the Committee must establish such goals within the first 90 days after the beginning of the period for which such performance goal relates (or such other time as may be required or permitted under applicable tax regulations) and the Committee may not increase any award or, except in the case of certain qualified terminations of employment, waive the achievement of any specified goal. Mid-term adjustments of a performance target are permitted only in the case of a corporate transaction or other event of the type that triggers an adjustment in stock based awards (as discussed below under "Adjustments").

The Committee may determine that any evaluation of performance will include, exclude or otherwise equitably adjust for unusual and non-recurring financial events such as asset write-downs or impairment charges; litigation or claim judgments or settlements; the effect of changes in tax laws or accounting principles affecting reported results; accruals for reorganization and restructuring programs; extraordinary nonrecurring items meriting special accounting treatment, as determined under generally accepted accounting principles; acquisitions or divestitures; and foreign exchange gains and losses. However, in order to meet the requirements of Section 162(m), in the event the Committee determines to include or exclude such unusual and nonrecurring events when measuring actual results, it must do so within the first 90 days after the beginning of the period for which such performance goal relates (or such other time as may be required or permitted under applicable tax regulations). Any payment of an award granted with performance goals will be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied.

#### **Limitations on Transfer; Beneficiaries**

No award will be assignable or transferable by a participant other than by will or the laws of descent and distribution or (except in the case of an incentive stock option) pursuant to a qualified domestic relations order; provided, however, that the Committee may permit other transfers where the Committee concludes that such transferability does not result in accelerated taxation, does not cause any option intended to be an incentive stock option to fail to qualify as such, and is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, any state or federal tax or securities laws or regulations applicable to transferable awards. A participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant's death.

#### **Acceleration Upon Certain Events**

Unless otherwise provided in an award certificate or other governing document, upon the occurrence of a "change in control" of the Company (as defined in the 2007 Equity Incentive Plan), all outstanding options and other awards in the nature of rights that may be exercised will become fully exercisable, all time-based vesting restrictions on outstanding awards will lapse, all outstanding performance-based awards will be fully earned based upon an assumed achievement of all relevant performance goals at "target" levels and there will be a pro-rata payout of such performance awards based upon the length of time within the performance period that has elapsed prior to the change in control.

Unless otherwise provided in an award certificate or other governing document, if a participant's service terminates by reason of death or disability, all of such participant's outstanding options, stock appreciation rights and other awards in the nature of rights that may be exercised will become fully vested and exercisable, all time-based vesting restrictions on outstanding awards will lapse, all outstanding performance-based awards will be fully earned based upon an assumed achievement of all relevant performance goals at "target" levels and there will be a pro-rata payout of such performance awards based upon the length of time within the performance period that has elapsed prior to the termination of service. In addition, the Committee may in its discretion accelerate awards for any other reason; provided, however, that the Committee shall not exercise such discretion with respect to restricted stock or restricted stock units that in the aggregate exceed 5% of the shares available for issuance under the plan (excluding from this calculation restricted shares or restricted stock units granted to non-employee directors or accelerations of vesting upon a change in control or other corporate transaction or restructuring, or a participant's death or disability or termination of employment for the convenience or in the best interests of the Company). The Committee may discriminate among participants or among awards in exercising such discretion.

### **Adjustments**

In the event of a stock split, a dividend payable in shares of Common Stock, or a combination or consolidation of the Common Stock into a lesser number of shares, the share authorization limits under the plan will automatically be adjusted proportionately, and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price for such award. If the Company is involved in another corporate transaction or event that affects the Common Stock, such as an extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares, the share authorization limits under the plan (including the number of shares reserved for issuance and the annual grant limits) will be adjusted proportionately, and the Committee shall adjust outstanding awards to preserve the benefits or potential benefits of the awards.

### **Termination and Amendment**

The 2007 Equity Incentive Plan was approved by the Company's Board of Directors in October 2007 and is being submitted to the Company's shareholders at the 2007 Annual Meeting. The 2007 Equity Incentive Plan has a term of ten years, unless earlier terminated by the Board or the Committee. The Board or the Committee may, at any time and from time to time, terminate or amend the plan, but if an amendment to the plan would materially increase the number of shares of stock issuable under the plan, expand the types of awards provided under the plan, materially expand the class of participants eligible to participate in the plan, materially extend the term of the plan or otherwise constitute a material amendment requiring shareholder approval under applicable listing requirements, laws, policies or regulations, then such amendment will be subject to shareholder approval. No termination or amendment of the plan may adversely affect any award previously granted under the plan without the written consent of the participant.

The Committee may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by the shareholders or otherwise permitted by the anti-dilution provisions of the plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

### **Prohibition on Repricing**

As indicated above under "Termination and Amendment," outstanding stock options cannot be repriced, directly or indirectly, without the prior consent of the Company's shareholders. The exchange of an "underwater" option (i.e., an option having an exercise price in excess of the current market value of

the underlying stock) for another award would be considered an indirect repricing and would, therefore, require the prior consent of the Company's shareholders.

#### **Certain Federal Tax Effects**

The following discussion is limited to a summary of the U.S. federal income tax provisions relating to the grant, exercise and vesting of awards under the plan and the subsequent sale of Common Stock acquired under the plan. The tax consequences of awards may vary according to country of participation. Also, the tax consequences of the grant, exercise or vesting of awards vary depending upon the particular circumstances, and it should be noted that the income tax laws, regulations and interpretations thereof change frequently. Participants should rely upon their own tax advisors for advice concerning the specific tax consequences applicable to them, including the applicability and effect of state, local, and foreign tax laws.

*Nonstatutory Stock Options.* There will be no federal income tax consequences to the optionee or to the Company upon the grant of a nonstatutory stock option under the plan. When the optionee exercises a nonstatutory option, however, he or she will recognize ordinary income in an amount equal to the excess of the fair market value of the Common Stock received upon exercise of the option at the time of exercise over the exercise price, and the Company will be allowed a corresponding deduction. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

*Incentive Stock Options.* There typically will be no federal income tax consequences to the optionee or to the Company upon the grant or exercise of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted or one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale, exchange, or other disqualifying disposition before the required holding period ends, he or she will recognize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the exercise price, and the Company will be allowed a federal income tax deduction equal to such amount. While the exercise of an incentive stock option does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee's alternative minimum taxable income.

*Stock Appreciation Rights.* A participant receiving a stock appreciation right will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the participant exercises the stock appreciation right, the amount of cash and the fair market value of any shares of Common Stock received will be ordinary income to the participant and the Company will be allowed as a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Restricted Stock.* Unless a participant makes an election to accelerate recognition of the income to the date of grant as described below, the participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a restricted stock award is granted, provided that the award is subject to restrictions on transfer and is subject to a substantial risk of forfeiture. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the Common Stock as of that date (less any amount he or she paid for the stock), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m). If the participant files an election under Code Section 83(b) within 30 days after the date of grant of the restricted stock, he or she will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date (less any amount paid for the stock), and the Company will be

allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m). Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to the Code Section 83(b) election.

*Restricted Stock Units.* A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a restricted stock unit award is granted. Upon issuance of shares of Common Stock in settlement of a restricted stock unit award, a participant will recognize ordinary income equal to the fair market value of the Common Stock as of that date (less any amount he or she paid for the stock), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Deferred Stock Units.* A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a deferred stock unit award is granted. Upon issuance of shares of Common Stock in settlement of a deferred stock unit award, a participant will recognize ordinary income equal to the fair market value of the Common Stock as of that date (less any amount he or she paid for the stock), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Performance Shares.* A participant generally will not recognize income, and the Company will not be allowed a tax deduction, at the time performance shares are granted. When the participant receives settlement of the award, the fair market value of the shares of stock (or cash payment) will be ordinary income to the participant, and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Code Section 409A.* The plan permits the grant of various types of incentive awards, which may or may not be exempt from Code Section 409A. If an award is subject to Section 409A, and if the requirements of Section 409A are not met, the taxable events as described above could apply earlier than described, and could result in the imposition of additional taxes and penalties. Restricted stock awards, and stock options and stock appreciation rights that comply with the terms of the plan are designed to be exempt from the application of Code Section 409A. Restricted stock units, deferred stock units and performance shares granted under the plan would be subject to Section 409A unless they are designed to satisfy the short-term deferral exemption from such law. If not exempt, such awards must be specially designed to meet the requirements of Section 409A in order to avoid early taxation and penalties.

#### **Benefits to Named Executive Officers and Others**

Officers of the Company are not eligible to participate in the 2007 Equity Incentive Plan and therefore will not receive any benefits under the plan. No awards will be granted under the 2007 Equity Incentive Plan unless and until the plan has been approved by the Company's shareholders. All awards under the plan will be made at the discretion of the Committee. Therefore, it is not presently possible to determine the benefits or amounts that will be received by any individuals or groups pursuant to the Plan in the future.

#### **Vote Required**

Approval of the 2007 Equity Incentive Plan will require the affirmative vote of the holders of a majority of the shares of Common Stock that are represented in person or by proxy at the 2007 Annual Meeting. If the 2007 Equity Incentive Plan is approved by the shareholders, it will be effective as of the date of the 2007 Annual Meeting. If shareholders do not approve the 2007 Equity Incentive Plan, it will not become effective.

**The Board of Directors recommends voting "FOR" approval of the 2007 Equity Incentive Plan.**

**ITEM 3 RATIFICATION OF PRICEWATERHOUSECOOPERS LLP**

The Audit Committee of the Board has retained PricewaterhouseCoopers LLP ("PwC") as the Company's Independent Registered Public Accounting Firm to audit the consolidated financial statements of the Company for the fiscal year ending August 28, 2008. PwC and its predecessor, Coopers and Lybrand LLP, have been the Company's Independent Registered Public Accounting Firm since fiscal 1985. If the ratification of PwC's appointment is not approved by a majority of the shares voting thereon, the Audit Committee may reconsider its decision to appoint PwC as the Company's Independent Registered Public Accounting Firm. Representatives of PwC are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

**The Board of Directors recommends voting "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP.**

**Fees Paid**

Fees charged to the Company for services performed by PwC for fiscal 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
	(amounts in millions)	
Audit fees(1)	\$ 4.1	\$ 3.7
Audit-related fees(2)	0.2	0.3
Tax fees(3)	2.1	1.3
All other fees	0.0	0.0
	<u>\$ 6.4</u>	<u>\$ 5.3</u>

- (1) Includes fees related to the audit of the Company's financial statements, fees for services provided in connection with statutory and regulatory filings and fees for attestation services related to the Company's internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002.
- (2) For fiscal 2007, primarily reflects fees for audits of supply arrangements. For fiscal 2006, primarily reflects due diligence related to the Company's acquisition of Lexar Media, Inc.
- (3) Primarily reflects fees for expatriate tax services.

**Pre-Approval Policy**

The Audit Committee Charter provides that the Audit Committee will pre-approve all audit and non-audit services provided to the Company by the independent auditors, except for such de minimis non-audit services for which the pre-approved requirements are waived in accordance with the rules and regulations of the SEC. A copy of the Audit Committee charter is available on the Company's web site at [www.micron.com](http://www.micron.com). In fiscal 2007, all audit and non-audit services provided by PwC were approved by the Audit Committee in advance of services being provided.

**Report of the Audit Committee of the Board of Directors**

This report has been prepared by members of the Audit Committee of the Board of Directors who served on the Audit Committee in fiscal 2007. Ms. Johnson and Messrs. Mondry and Switz served on the Audit Committee in fiscal 2007, with Ms. Johnson serving as Chairman. The Board of Directors determined that each committee member qualified as an "audit committee financial expert" for purposes of the rules and regulations of the Securities and Exchange Commission. The Board of Directors also



determined that during their period of service on the Audit Committee each member satisfied the independence requirements of applicable federal laws and the listing standards of the NYSE.

The purpose of the Audit Committee is to assist the Board of Directors in overseeing and monitoring (i) the integrity of the Company's financial statements, (ii) the performance of the Company's internal audit function and its Independent Registered Public Accounting Firm, (iii) the qualifications and independence of the Company's Independent Registered Public Accounting Firm, and (iv) the Company's compliance with legal and regulatory requirements. The Audit Committee is also responsible for preparing this report for inclusion in the Proxy Statement.

The Audit Committee has reviewed and discussed the Company's audited financial statements with the Company's management, which has primary responsibility for such financial statements. PricewaterhouseCoopers LLP ("PwC"), the Company's Independent Registered Public Accounting Firm for fiscal 2007, has expressed in the Company's Annual Report on Form 10-K its opinion as to the conformity of the Company's consolidated financial statements with accounting principles generally accepted in the United States. The Audit Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 61 (*Communication with Audit Committees*). PwC has provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), and the Audit Committee discussed with PwC its independence. The Audit Committee also concluded that PwC's provision of non-audit services to the Company, as described below, is compatible with PwC's independence.

On the basis of the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that they approve the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K for fiscal 2007; appointed PwC as the Independent Registered Public Accounting Firm of the Company for the Company's fiscal year ending August 28, 2008, and approved and authorized PwC to carry out and perform certain specified non-audit services for the Company in fiscal 2008.

While the Audit Committee has performed the above functions, management, and not the Audit Committee, has the primary responsibility for (i) preparing the Company's consolidated financial statements and for the reporting process in general, and (ii) establishing and maintaining internal controls. Similarly, it is the responsibility of the Independent Registered Public Accounting Firm, and not the Audit Committee, to conduct the audit of the Company's consolidated financial statements and express an opinion as to the conformity of the financial statements with accounting principles generally accepted in the United States.

The Audit Committee  
Mercedes Johnson  
Lawrence N. Mondry  
Robert E. Switz



## PRINCIPAL SHAREHOLDERS

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Common Stock as of the Record Date (October 10, 2007), based on the most current information provided to the Company by the beneficial owners, available to the Company from its own records or provided in Securities and Exchange Commission ("SEC") filings made by the beneficial owners, for (i) persons known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director, (iii) each Named Executive Officer listed in the "Summary Compensation Table" set forth herein, and (iv) all directors and executive officers as a group:

Name and Address of Beneficial Owner	Number of Shares Owned(1)	Right to Acquire(2)	Total	Percent of Class(3)
Brandes Investment Partners, L.P.(4) 11988 El Camino Real, Suite 500 San Diego, CA 92130	81,759,015		81,759,015	10.79%
Capital Research and Management Company(5) 333 Hope Street Los Angeles, CA 90071-1406	40,542,140		40,542,140	5.35%
ClearBridge Advisors, LLC(6) 339 Park Avenue New York, NY 10022	50,348,500		50,348,500	6.64%
Goldman Sachs Asset Management, L.P.(7) 32 Old Slip New York, NY 10005	50,186,150		50,186,150	6.62%
PRIMECAP Management(8) 225 South Lake Avenue, Suite 400 Pasadena, CA 91101-3005	56,548,306		56,548,306	7.46%
Mark W. Adams	174,266	133,322	307,588	*
Teruaki Aoki	8,478	4,375	12,853	*
Steven R. Appleton(9)	1,802,204	2,800,000	4,602,204	*
James W. Bagley	43,417	98,669	142,086	*
D. Mark Durcan(10)	770,090	1,600,000	2,370,090	*
Mercedes Johnson	50,611	17,500	68,111	*
Robert A. Lothrop(11)	109,371	8,933	118,304	*
Lawrence N. Mondry	40,917	17,500	58,417	*
Brian M. Shirley	269,795	472,950	742,745	*
Gordon C. Smith(12)	29,062		29,062	*
Wilbur G. Stover, Jr.(13)	168,636	1,357,000	1,525,636	*
Robert E. Switz	37,792	4,375	42,167	*
William P. Weber(14)	108,931		108,931	*
All directors and executive officers as a group (20 persons)	5,735,959	12,662,948	18,398,907	2.43%

\*

Represents less than 1% of shares outstanding

(1)

Excludes shares that may be acquired through the exercise of outstanding stock options.

(2)

Represents shares that an individual has a right to acquire within 60 days of October 10, 2007.

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- (3) For purposes of calculating the Percent of Class, shares that the person or entity had a Right to Acquire are deemed to be outstanding when calculating the Percent of Class of such person or entity, but are not deemed to be outstanding for the purpose of calculating the Percent of Class of any other person or entity.
- (4) Brandes Investment Partners have shared voting power as to 63,978,532 shares. They have shared dispositive power as to 81,759,015 shares. This information is taken from a Schedule 13G dated April 30, 2007.
- (5) Capital Research Management has sole voting power as to 4,602,820 shares and sole dispositive power as to 40,542,140 shares. This information is taken from a Schedule 13G dated December 29, 2006.
- (6) ClearBridge Advisors LLC has shared voting power as to 43,009,668 shares and shared dispositive power as to 46,308,001 shares. ClearBridge Asset Management claims beneficial ownership as to 3,252,099 and shared voting power as to 131,583 shares and shared dispositive power as to 3,252,099 shares. Smith Barney Fund Management LLC claims beneficial shared voting and dispositive ownership as to 788,400 shares. This information was taken from a Schedule 13G dated December 31, 2006.
- (7) Goldman Sachs Asset Management, L.P. has sole voting power as to 40,551,288 shares and sole dispositive power as to 50,186,150 shares. This information was taken from a Schedule 13G dated December 31, 2006.
- (8) PrimeCap Management Company has sole voting power as to 7,794,669 shares and sole dispositive power as to 56,548,306 shares. This information was taken from a Schedule 13G dated December 31, 2006.
- (9) Includes 20,000 shares beneficially owned by Mesa L.P.
- (10) Includes 128,291 shares held by C & E Partners L.P. and 3,101 shares beneficially owned by Mr. Durcan's spouse.
- (11) Includes 82,464 shares beneficially owned in joint tenancy with Mr. Lothrop's spouse and 848 shares beneficially owned by Mr. Lothrop's spouse. Mr. Lothrop resigned from the Company's Board of Directors in December 2006.
- (12) Mr. Smith resigned from the Company's Board of Directors in July 2007.
- (13) Includes 3,900 shares beneficially owned by Mr. Stover's minor children.
- (14) Mr. Weber resigned from the Company's Board of Directors in December 2006.

### EXECUTIVE COMPENSATION AND RELATED INFORMATION COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis presents material information helpful or necessary to understand the objectives and policies of our compensation program for executive officers and the compensation reported in the tables that follow. Throughout this discussion, those individuals named in the "Summary Compensation Table" are referred to as our "Named Executive Officers" and the Compensation Committee of the Board of Directors is referred to as the "Committee."

#### **Oversight of the executive compensation program**

Our executive compensation program is administered by the Committee, which is composed entirely of independent directors (as defined in the listing standards of the NYSE as well as applicable federal law). The Committee is comprised of Mr. Mondry, who is the Chairman of the Committee, and Dr. Aoki. The Committee assists the Board of Directors in discharging its responsibilities with respect to the compensation of the Company's officers. The Committee has direct responsibility to review and approve corporate goals and objectives relevant to the chief

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executive officer's compensation, evaluate his performance in light of such goals and objectives, and determine and approve his compensation level based on this evaluation. The Committee also reviews the evaluation process and compensation structure for the Company's other officers, including the other Named Executive Officers, and approves their compensation.

The Committee annually engages an outside compensation consultant, currently Mercer. The Committee also works closely with the Company's chief executive officer. A more complete description of

the Committee's responsibilities is provided in the Committee's Charter approved by the Board of Directors, which can be found on the Company's website (www.micron.com) in the governance section. A more complete description of the role of the chief executive officer in the compensation process is described later in this compensation discussion and analysis.

### **The objective of our executive compensation program**

Our primary long-term *corporate* objective is to create superior value for our shareholders. The objective of the *executive compensation program* is to attract, motivate, reward, and retain highly qualified executive officers who are able to achieve the corporate objective of superior value for our shareholders. The executive compensation program is designed to provide a foundation of fixed-based compensation (base salary) and a significant portion of performance-based compensation (short-term and long-term incentive opportunities), that align executives' interests with those of our shareholders.

### **Guiding principles**

We believe we have the best opportunity to attract, motivate, reward and retain qualified individuals, and, thus, to meet our overall objective of increasing shareholder value and Company success, by offering a compensation package that is "reasonable" and "competitive" with what our executives could otherwise obtain in the market, and especially from companies within our Compensation Peer Group. Our Compensation Peer Group consists of companies that we believe are especially likely to be competitors for executive talent and is discussed further in "*Market Data Defined*" below.

What is "reasonable" and "competitive" is gauged by the Committee's review of the median Market Data (as defined below) for each of the primary elements of compensation. As a rough gauge of reasonableness, the Committee typically reviews the median of Market Data and a range of values of +/- 20% from the median.

In the case of base salary, we pay approximately at the median of the Market Data.

With respect to short-term bonus compensation, we pay for achievement of financial, operational and strategic objectives approved by the Committee at the beginning of each fiscal year. The short-term incentive opportunities are set to be competitive with market practices but actual incentive payouts are commensurate with achievement. Thus, we have adopted a "pay for performance" approach as it relates to short-term incentives. Although we review the short-term incentive opportunities against the median of Market Data and a range of +/- 20%, the opportunities are not necessarily limited to either the median of Market Data or the identified +/- 20% range as actual results drive payouts.

Finally, with respect to long-term incentive compensation, we believe such compensation should be tied to the success of the Company and more specifically, to increases in shareholder value (without subjecting such long-term incentive compensation to an identified boundary from the median of the Market Data). Accordingly, we make significant use of equity vehicles, such as awards of restricted stock subject to "performance-based" restrictions, as a key component of the executive compensation program. Nevertheless, to ensure the long-term incentive program helps to retain executives, we believe it is appropriate to have as a key component of our program, equity awards that are "time-based," such as awards of restricted stock where the restrictions will lapse based on continued service with the Company. The Company believes that a 50-50 split between the value of performance based-restricted shares and time-based restricted shares strikes the right balance between retentive effect and reward for long-term Company success. However, given a 50-50 split in value, the actual number of restricted shares awarded with performance-based restrictions will not be the same as the number of such shares awarded having time-based restrictions because there is a "probability of achievement" discount applied to the performance-based restricted shares. This results in the actual number of shares in the two categories being different from one another. The mechanics of the probability-of-discount factor are discussed later under the heading "Fiscal 2007 long-term equity incentives."

We believe it is important to retain flexibility, and when appropriate, to deviate from the above targets due to factors such as:

differences in position and level of responsibility among officers, both in absolute terms and relative to the other officers within the Company and as compared to similarly situated officers within the Compensation Peer Group,

past and anticipated financial and non-financial contributions by an officer,

technical expertise,

Company performance,

officer performance relative to his or her peers within the Company,

applicable business unit performance, and

length of service and/or experience both in absolute terms and relative to the other officers within the Company and as compared to officers within the Compensation Peer Group.

The semiconductor industry is highly volatile and changes in Market Data, which is a compilation of data from many companies, may be dramatic from year to year. Market Data can change as compensation practices change, executives retire or are replaced with less experienced and lower-paid executives, goals are achieved or not achieved resulting in varying payouts, participants in proprietary surveys change, and the completeness or accuracy of compensation data improves or deteriorates, etc. Accordingly, what may have been the "median" or within a reasonable range of competitiveness in one year, may be higher or lower for the next. For this reason, shareholders should understand that even though the Committee manages compensation in accordance with such guiding principles, officer compensation may vary, above or below the median, or a range from the median, year over year.

Given our experience, as well as advice we have received from Mercer, we believe a competitive compensation package will consider and measure compensation practices for executive positions with respect to three primary elements of compensation:

base compensation,

short-term incentive compensation and

long-term incentive compensation.

Executive perquisites, which for us are minor in scope and amount, are also reviewed but are not considered to be material elements of compensation. We also believe it is appropriate for the Named Executive Officers to participate on the same terms and conditions as all other employees of the Company in programs and benefits that are offered to the employee population at large. Generally, these programs consist of medical, dental, vision, short-term and long-term disability, life insurance, time-off with pay and a 401(k) retirement program. These benefits are viewed as important for competitive purposes but not material to the overall cost of an executive compensation package offered to our Named Executive Officers.

We do not require that a particular element comprise a set portion of the total compensation mix. We do believe, however, that a significant portion of the compensation should be variable (such as performance-based incentives) as compared to fixed (such as base salary and time-based restricted shares) and that such variable compensation should align executives' interests with those of the Company's shareholders. Additionally, although the Committee reviews total direct compensation, which is the sum of base salary, short-term incentive and long-term incentive compensation for the Named Executive Officers, it does not have a fixed objective with respect such total direct compensation. For informational purposes only, for fiscal 2007, the total direct compensation approved by the Committee with respect to our Named



Executive Officers, placed Messrs. Appleton and Stover below, Mr. Durcan at, and Messrs. Shirley and Adams above the median of the Market Data.

**"Market Data" defined**

Compensation data is gathered by Mercer from proxy statements of the Compensation Peer Group and from published compensation surveys.

*Survey Data*

Survey data may vary from year to year. For fiscal 2007, Mercer used the CHiPS' Executive & Senior Management Total Compensation Survey, Radford's Executive Survey, and Buck's Executive Total Rewards Survey. These surveys, collectively, included compensation data from over 1,000 companies, national and international. The Company believes these surveys are particularly relevant for high technology companies given many of the survey participants.

*Compensation Peer Group Data*

Data is also gathered from proxy statements and other documents that are filed with the U.S. Securities & Exchange Commission for the Compensation Peer Group. The relevant survey and proxy data for fiscal 2007 were weighted equally and are collectively referred to throughout this discussion as the "Market Data."

Mercer works with our management team, including our chief executive officer, to identify peer companies for compensation comparison purposes. The peer companies are primarily selected based on their industry, degree of business match (i.e., semiconductor or electronics manufacturing), and comparability of revenue size. All the peer companies have a Global Industry Classification Standard economic sector classification of Information Technology and an industry classification related to semiconductor or other electronic equipment. The companies selected generally fall within a revenue range of approximately one-third to three times the size of Micron and have a high degree of business match. We believe our custom peer group is comprised of companies that are likely to be our competitors for executive talent.

The Committee is responsible for approving the custom peer group of companies. For fiscal 2007 (i.e., with respect to determinations that were made in September of 2006), the custom peer group of companies consisted of the following: Advanced Micro Devices, Agilent Technologies Inc., Applied Materials Inc., Analog Devices, Broadcom Corporation, Freescale Semiconductors, Inc., Jabil Circuit, Inc., Nvidia Corp., National Semiconductor Corp., SanDisk Corporation, Spansion, Inc., and Texas Instruments, Inc. These companies are referred to in the compensation discussion and analysis as the "Compensation Peer Group."

We believe it is appropriate and important to reevaluate the make up of our Compensation Peer Group annually to reflect the fact that companies are acquired or divested, product lines come and go, companies increase and decrease in revenue, operations change in scope, and the availability and accuracy of information with respect to companies change. For fiscal 2007, and based on the foregoing factors, four companies were dropped from the fiscal 2006 list (Agere Systems, Corning, Energizer Holdings and Vishay Intertechnology) and three companies, comparable in size and business scope were added (Broadcom Corporation, SanDisk Corporation and Spansion, Inc).

When collecting and assessing market compensation data we collect data based on job descriptions first. This permits the Committee to "match" positions held by our executives with those of other companies and, as described more fully below, deviate from benchmarked data based on the factors described earlier. If we are not able to match positions to a reasonable number of companies within the Compensation Peer Group, we look to the rank of the person involved and match ranks, e.g., highest paid Company officer is ranked to the highest paid officer at each company within the Compensation Peer Group.

**The compensation-setting process and the determination of compensation levels**

The Committee reviews the compensation of our Named Executive Officers on an annual basis in connection with the annual financial results for the fiscal year just ended and projections for the current fiscal year. As mentioned previously, the Committee annually engages a compensation consultant, currently Mercer, to provide a comprehensive review of cash and non-cash elements, and also to review payment data, both historical and trend with respect to all of the Company's officers, including the Named Executive Officers.

Mercer reviews and identifies the most recent available data and identifies the Market Data for the 25th, 50th and 75th percentile with respect to each position or rank. Mercer compares the Company's compensation data, both as to elements and amounts to be paid or potential value to be delivered, with that of the Market Data and reports its findings to the chief executive officer and the Committee chair. The Company's chief executive officer works with the consultant by providing actual Company financial data with respect to the most-recently completed fiscal year. The chief executive officer also reviews projected Company financial results for the current fiscal year and the Company's strategic business plan. The chief executive officer makes suggestions as to base salary, recommends a potential set of Company-wide, business unit and personal metrics and targets for the current fiscal year with respect to short-term incentives and offers suggestions as to long-term incentive compensation for the Named Executive Officers other than himself. He makes no recommendations as to his own level of compensation.

The Committee reviews the Market Data, discusses the Market Data with the chief executive officer and with Mercer, discusses individual officer performance based on input from the chief executive officer, and without the chief executive officer present, the chief executive officer's own performance for the most-recently completed fiscal year and anticipated performance for the current year. The Committee uses the Market Data and the deliberations to determine whether our compensation is competitive and reasonable as described above and whether, and to what extent, the Committee believes it would be appropriate to deviate from the Market Data and competitive practices. Following this deliberation, the Committee exercises its business judgment to certify the payment of compensation based on the financial results for the most-recently completed fiscal year, to approve the compensation, including the metrics and targets for the current year and, if judged appropriate, to deviate from the Market Data, based on the factors described earlier.

The Committee has established procedures that it considers adequate to ensure that Mercer's advice to the Committee remains objective and is not influenced by the Company's management. These procedures include: a direct reporting relationship to the Committee; a provision in the Committee's engagement letter with Mercer specifying what information, data, and recommendations can be shared with management; an annual update to the Committee on Mercer's relationship with the Company, including a summary of the work performed for the Company during the preceding 12 months; and written assurances from Mercer that, within the Mercer organization, the Mercer consultant who performs services for the Company has a reporting relationship and compensation determined separately from Mercer's other lines of business and from its other work for the Company.



## The individual components of the executive compensation program

### *Fiscal 2007 base salaries*

The purpose of a competitive base salary is to compensate executives for performing their day-to-day job responsibilities. Base salaries are generally targeted to approximate the median of the Market Data. At the end of fiscal 2006, the Market Data for such year showed that Mr. Appleton's base salary of \$910,000 was below the median of the Market Data. Given the Market Data median and the Company's positive financial results, not only as to net income but across the Company's operations for fiscal 2006, the Committee determined to raise Mr. Appleton's base salary for fiscal 2007 to \$950,000, an amount that was at the approximate median of the Market Data for such year. At the completion of fiscal 2006, the Market Data showed that with respect to the other Named Executive Officers, all of their base salaries were below the median for their positions or ranks. The margin by which the salaries deviated from the Market Data median ranged from -3% to -23%. The Committee determined, following a recommendation by the chief executive officer and upon review by Mercer, to increase base salaries for fiscal 2007 for the remaining Named Executive Officers to reduce the margin of deviation and reflect the overall positive results for fiscal 2006. The average base salary increase for the other Named Executive Officers was approximately 12% of base salary, which was effective as of October 1, 2006. Following the increase, the base salaries for the remaining Named Executive Officers deviated from the Market Data median by a range of approximately -3% to -9%. Effective June 26, 2007, and in connection with his promotion to President of the Company, Mr. Durcan's base salary was increased from \$500,000 to \$600,000. His current base salary is at the median of the most recently available Market Data.

### *Fiscal 2007 short-term incentive awards*

Annual cash awards are made to the Company's officers under the Executive Officer Performance Incentive Plan ("EIP"). The full text of the EIP, can be found at the following websites: <http://www.sec.gov> and [www.micron.com](http://www.micron.com). Consistent with the Company's guiding principles regarding annual bonus amounts, the short-term incentive "opportunity" is stated in terms of a specified percentage of each Named Executive Officer's base salary ("Target Award") and is designed to reward participants for the achievement of specified short-term individual, business-unit and/or Company-wide financial, operation or strategic goals. The Committee believes the pre-determined goals, regardless of whether tied to individual, business unit or Company-wide performance, should promote the Company's long-term success and shareholder value.

In September 2006, and in accordance with the provisions of the EIP, the Committee met and established goals for fiscal 2007. The fiscal 2007 goals were as follows:

- (a) net income of the Company expressed as a percentage of net revenue,
- (b) revenue growth year-over-year for the Company expressed as a percentage,
- (c) gross margin target percentages for the memory products group and imaging products group,
- (d) on-time DRAM, NAND and Imaging product delivery performance expressed as a percentage,
- (e) an absolute number of centimeters of silicon manufactured expressed in terms of square centimeters shipped and
- (f) an individual goal, tailored to each Named Executive Officer, given his role and responsibility within the Company.

The corporate goals of net income and revenue growth were chosen due to their direct correlation to shareholder value creation. The other business unit or operational goals were chosen primarily for their potential indirect positive impact on the Company's net income and revenue growth. The threshold, target and maximum incentive amounts that could be payable under the EIP for achievement of the goals

established at the beginning of fiscal 2006 are shown in the columns "Estimated Future Payouts under Non-Equity Incentive Plan Awards" of the "Grants of Plan-Based Awards" table. The aggregate threshold amount requires considerable effort without assurance of achievement and represents the minimum level of achievement before any amounts are paid. The target payout requires a significant level of effort without assurance of goal achievement. The target level payout represents full achievement of the relevant goal. The maximum payout requires an exceptional amount of effort for results that are very aggressive, beyond target, and thought unlikely to be achieved based on information available at the time the goal was set. Not all goals, such as the manufacturing output and individual goals, had a threshold, target or maximum payout. In the case of the manufacturing output goal and the individual goals, the targets were set with the expectation that they would be achieved at no less than "target" or not at all.

The Target Awards established in September of 2006 for fiscal 2007 for the Named Executive Officers were measured against the median Market Data. As previously discussed, although we review the short-term incentive opportunities against the median of Market Data and a range of +/- 20%, the opportunities are not necessarily limited to either the median of Market Data or the identified +/- 20% range. Actual results drive payouts and the Company pays for achievement of the pre-determined goals. For fiscal 2007 the following Target Awards were established for the Named Executive Officers:

Mr. Appleton 150% of base salary (which was 2% below the median of the relevant Market Data)

Mr. Durcan 90% of base salary (which was 1% above the median of the relevant Market Data)

Mr. Stover 80% of base salary (which was 2% above the median of the relevant Market Data)

Messrs. Shirley and Adams 80% and 80%, respectively (each of which was above the median of the relevant Market Data by approximately 10% for their positions/ranks)

Given that Mr. Appleton served in a position tied closely to corporate-wide results, his Target Award was heavily weighted (i.e., 90%) toward the successful completion of goals (a) and (b) described above. Given that Mr. Durcan and Mr. Stover oversaw operations that largely affected not only the Company as a whole, but the business units within the Company, it was judged appropriate to weight their Target Awards across nearly all fiscal 2007 goals with no single goal receiving more than a 25% weight and no less than a 5% weight. Messrs. Shirley and Adams, each of whom had responsibility for a significant business unit had their goals weighted toward a blend of the above corporate goals and business unit/operational goals.

Following a review of the fiscal 2007 results, the Committee determined the Company did not meet goals (a) through (c). The on-time product delivery and manufacturing output goals, (d) and (e) above, were met between target and maximum. Results between target and maximum are interpolated on a linear basis. Individual goals were met or exceeded except in the case of Mr. Adams. These varying levels of achievement resulted in amounts being paid to the Named Executive Officers as indicated in the column "Non-Equity Incentive Plan Compensation" in the "Summary Compensation Table." Amounts paid were a function of the Named Executive Officer's base salary times percent achieved times weight given to the achieved goal. Notwithstanding Mr. Appleton having achieved the individual goal assigned to him by the Committee for fiscal 2007, in light of the Company's recent restructuring efforts, the current negative market environment and the Company's fiscal 2007 financial results, Mr. Appleton requested, and the Committee acted in accordance with such request, that he receive no short-term incentive payment.

The EIP calls for certain performance goals to be modified under the EIP if permitted by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to major corporate transactions. These events are more fully described in the EIP. Additionally, the Committee has the discretion to modify performance goals with respect to Target Awards that are not intended to satisfy Section 162(m) if the Committee determines that due to changes in business, operations, corporate or capital structure of the Company render existing performance goals to be unsuitable for a given performance period. Upon the occurrence of a "change in control" (as defined in the EIP), performance periods are deemed to have ended and the Committee will determine whether performance goals were

achieved. Finally, the Committee always retains the ability to exercise "negative discretion" and reduce an amount otherwise earned pursuant to the EIP. In fiscal 2007 the Committee did not exercise any discretion, positive or negative, in connection with the EIP, except, as noted above, with respect to Mr. Appleton's short-term incentive award.

*Fiscal 2007 long-term equity incentives*

Pursuant to the Company's objective to provide a competitive compensation package, with variable compensation being a significant portion of such package, the Company provided the Named Executive Officers with equity awards in fiscal 2007. In connection therewith, the Committee reviewed the Market Data for the Compensation Peer Group for fiscal 2007. The Committee determined that all of the companies in the Compensation Peer Group used stock options and nearly two-thirds of the companies used time-based restricted shares as compensation vehicles. Approximately one-third also used performance-based restricted shares as a compensation vehicle for their executives.

The Committee noted that, except with respect to fiscal 2006, all prior equity awards at the Company had taken the form of stock options. Consequently, in order to bring the officers mix of equity compensation more in line with the practices of the Compensation Peer Group and to account for the fact that virtually all prior awards had been in the form of stock options, the Committee determined that it would be appropriate to grant awards comprised of restricted stock only for fiscal 2007.

Finally, in reviewing the Market Data in September 2006, the Committee further noted that of the companies of the Compensation Peer Group awarding restricted stock, a number of them awarded both time-based and performance-based restricted shares (a majority, however, used time-based restricted shares only). Consistent with our guiding principles that equity awards should not only tie executive compensation to long-term Company success but also have retentive effect, the Committee determined to approve awards of restricted stock with one-half of the value of the awards being subject to time-based restrictions and the other half being subject to performance-based restrictions. The Committee judged the 50-50 split value approach as an appropriate balance between the focus on retention and performance.

With respect to the *time-based* restricted stock awards for fiscal 2007, the restrictions lapse as to one-fourth of the shares on each anniversary of the date of grant. With respect to the *performance-based* restricted stock awards granted in fiscal 2007, the restrictions will lapse, if ever, provided the Company achieves a certain percentage return on invested capital ("ROIC") over a rolling four quarter period between the beginning of fiscal 2006 and the end of fiscal 2008 (the "Share Performance Period"). The achievement during the Share Performance Period of a lower, threshold ROIC percentage will result in the restrictions lapsing as to one-half of the fiscal 2007 performance-based shares. The achievement during the Share Performance Period of a higher, target ROIC percentage will result in the restrictions lapsing as to all of the fiscal 2007 performance-based shares. Both the threshold (lower) and target (higher) ROIC percentages require significant effort with the achievement of neither ROIC percentage being assured. In the absence of at least the threshold ROIC percentage being achieved during the Share Performance Period, the restrictions will not lapse and all of the fiscal 2007 performance-based shares set forth in the column titled "Estimated Future Payouts under Equity Incentive Plan Awards-Target" of the "Grants of Plan-Based Awards" table will be forfeited. For example, please refer to the discussion following the "Grant of Plan Based Awards" table where we indicate that it is probable our Named Executive Officers will forfeit all of their fiscal 2006 performance-based shares because the minimum specified rolling four quarter ROIC percentage will not be achieved during the relevant performance period.

In determining the amount of the long-term equity incentive awards to be received by each of the Named Executive Officers for fiscal 2007 (made in September 2006), the Committee reviewed the Market Data with respect to long-term equity incentives. The Market Data showed that Mr. Appleton's then current long-term equity incentive opportunity based on value was nearly 40% below the median of approximately \$6,000,000. Consequently, for fiscal 2007, and partially due to the positive financial results

for fiscal 2006, the Committee awarded Mr. Appleton a long-term equity incentive award for fiscal 2007 of \$6,500,000.

Consistent with the guiding principles that call for a 50-50 split in the value of the award, one-half with respect to time-based restricted shares and one-half with respect to performance-based shares, the Committee awarded Mr. Appleton the following number of shares, calculated as follows:

$\$3,250,000/\$17.24$  (a twenty day average of the Company's stock price immediately prior to award) = 188,500 shares; and

$\$3,250,000/\$13.79$  (the above price per share discounted by 20% due to the performance-based restrictions) = 235,600 shares

The time-based share amounts (188,500) can be found listed in the column "Stock Awards: Number of Shares of Stock or Units" of the "Grants of Plan-Based Awards" table. The performance-based share amounts (235,600) can be found listed in the column "Estimated Future Payouts under Equity Incentive Plan Awards-Target" of the "Grants of Plan-Based Awards" table. Value differences between the above and what is found in the table are attributable to the difference between the 20-day average, the 20% discount applied to the performance-based shares, and the SFAS No. 123(R) fair valuation method.

Upon recommendation by the chief executive officer and following a performance appraisal by him of each of the other Named Executive Officers, the Committee approved long-term incentive opportunities for fiscal 2007, all of which fell between the 25th and 75th percentile of the Market Data for their position or rank. The share amounts for the Named Executive Officers other than Mr. Appleton were calculated in the same fashion and appear in the same columns as were used for Mr. Appleton in the "Grants of Plan-Based Awards" table.

The Company has not and does not plan to time the granting of long-term incentive awards (or the payment of any other compensation) with the release of material, non-public information. Historically, long-term incentive awards have been made in the first quarter of the fiscal year with the exact grant date corresponding with the date of the meeting of the Committee (which typically occurs within approximately one week of the Company's announcement of its results for the fiscal year). Historically, long-term incentive grants to the Named Executive Officers are approved by the Committee on the same day as the grants to other officers and the exercise price of stock options is equal to the fair market value of the Company's Common Stock as defined by the applicable Company equity plan pursuant to which the award is granted. For purposes of the Company's equity plans, fair market value is defined as the average closing price as quoted on the NYSE for the last market trading day prior to the date of grant.

***Other fiscal 2007 employee benefits***

The Company provides medical, dental, disability, life insurance and defined contribution retirement benefit programs, in which substantially all employees, including the Named Executive Officers, are entitled to participate. The role of these plans is to provide a competitive level of health, welfare, and retirement benefits to substantially all employees.

*Time off with Pay.* In addition to cash and equity compensation programs, the Named Executive Officers participate in various other employee benefit plans, including, but not limited to, a time-off plan. Under the time-off plan, all employees of the Company, including the Named Executive Officers, are allowed to accumulate up to 999 hours of time-off to be used for vacation, holiday, sick time, emergencies and personal needs. Amounts accumulated in excess of 999 hours, if any, are paid out as regular compensation to participants, including the Named Executive Officers, and, with respect to the latter are included in the "Summary Compensation Table."

*401(k) Retirement Benefits.* The Company provides retirement benefits to its employees, including the Named Executive Officers, under its tax-qualified 401(k) plan. In fiscal 2007, the Company made discretionary matching contributions on behalf of each participant equal to 4% of annual eligible earnings or \$2,000, whichever was greater. In addition, during fiscal 2007, the Company made a final discretionary contribution to each participant's account based on the Company's return on equity ("ROE"). The 401(k) Plan was amended to eliminate the ROE contribution for future periods. Matching contributions and ROE contributions made to the accounts of the Named Executive Officers are included in the "Summary Compensation Table." The Named Executive Officers participate in the 401(k) Plan on the same terms as all other Company employees.

### **Stock ownership guidelines**

We have established stock ownership guidelines for our officers and directors. The Committee believes that officers will more effectively manage the Company in the best interests of the shareholders if they are also shareholders. The minimum ownership guideline for officers ranges from 10,000 to 90,000 shares, depending on the officer's position with the Company. Officers are given five years to meet the ownership guidelines. Sales restrictions may be imposed upon the Company's officers and directors if the stock ownership guidelines are not met.

The Committee reviews the Ownership Guidelines at least annually and monitors each covered executive's progress toward, and continued compliance with, the guidelines. For fiscal 2007, all officers were in compliance with the guidelines.

### **Consideration of tax consequences when making compensation decisions**

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to the Named Executive Officers. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. Historically, we have structured the key component of our long-term incentives in the form of stock option grants or performance-based restricted stock awards to comply with the statute. Awards under the Company's EIP are also generally designed to comply with the statute. Although the Committee believes it is important to preserve the deductibility of compensation under Section 162(m) whenever practicable, it reserves the right to grant or approve compensation or awards that may be non-deductible when it believes such compensation or awards are in the best interests of the Company and its shareholders. For fiscal 2007, the Committee believes the EIP payments complied with Section 162(m) and that the lapse of restrictions on the performance-based restricted shares, if ever, should comply with Section 162(m) at the time of lapse. Other tax consequences, whether to the Named Executive Officer or to the Company, did not influence an initial recommendation or change in an award or compensation for fiscal 2007.

### **Accounting implications of our executive compensation program**

We recognize expense for our stock compensation plans using the fair value method in accordance with the adoption in 2006 of SFAS No. 123(R). Prior to fiscal 2006, we have recorded our compensation cost in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," which did not

require the recording of an expense for stock options if they were granted at a price equal to the fair market value of our common stock on the grant date.

*Severance agreements*

We have historically approved severance agreements for each of the Company's Named Executive Officers. In general, they provide for severance payments upon termination of employment with the Company or loss of officer status, for any reason, including death, voluntary or involuntary termination, or termination with or without cause. We believe severance agreements are in the best interests of the Company and its shareholders because we believe they are necessary to attract and maintain qualified executive talent, promote candid discussion among the officers of the Company, help provide for a smooth transition when there is a change in management, provide the officer with benefits in consideration of a promise not to compete with the Company after termination of employment with the Company and release the Company, officers, directors, employees and agents from any and all claims.

For fiscal 2007, each of our Named Executive Officers had a severance agreement in place with the Company ("Fiscal 2007 Severance Agreement"). The Fiscal 2007 Severance Agreements provide for a "Transition Period," which begins upon termination of the officer's employment or loss of officer status and ends after a period of 184 days plus any unused time the officer has remaining under the Company's time-off plan (often an additional 6 months). Provided the officer complies with noncompetition obligations following employment to which he is subject and all other terms of the Fiscal 2007 Severance Agreement, the officer is entitled to receive compensation during the Transition Period equivalent to all benefits customarily provided to such officer while employed including, but not limited to, salary, bonuses, executive bonuses, benefits and continued vesting of any granted stock options and restricted shares. With respect to short-term incentive awards and long-term equity awards that are performance-based, the officer is entitled to receive such awards only if the goals are achieved prior to or during the applicable Transition Period. "Customarily provided" refers to the Company's practices and plans with respect to the officer's benefits and compensation in effect as of the date of the officer's termination of employment or status as an officer ("Termination Date"). However, such terminated officers are not entitled to any new grants of stock options, awards of restricted shares or interests in future executive bonus pools (cash or equity) or the payment of any compensation that would be deferred past the Transition Period due to payment criteria of an incentive program, as those criteria exist as of the Termination Date.

Terminated officers are also subject to the following restrictions:

a one year noncompetition obligation,

confidentiality obligations related to the Company's proprietary and confidential information that last indefinitely,

a nondisparagement and confidentiality obligation surrounding the reasons for, and circumstances of, the officer's termination of employment or change in officer status that lasts indefinitely. However, the Company may disclose such information as it determines, in its sole discretion, is either required by law to be disclosed or necessary to be disclosed to serve a valid business purpose.

Non-solicitation and non-interference provisions relating to the Company's employees and business partners

Upon receipt of all benefits under the Fiscal 2007 Severance Agreement, the officer and Company are considered to have settled, waived, and voluntarily released any and all claims each has or may have against the other, inclusive of any of the Company's affiliates, officers, directors, employees or agents, both individually and in their official capacities, which claims are accruing prior to the end of the Transition Period.

Amounts that would be paid to the Named Executive Officers under the Fiscal 2007 Severance Agreements assuming they had terminated employment with the Company as of our fiscal year end, August 30, 2007, can be found in the table "Voluntary or Involuntary Termination of Employment."

In October of 2007, and subsequent to fiscal 2007, the Committee approved amendments to the severance agreements for all of the officers of the Company, including the Named Executive Officers (the "Restated Severance Agreements"). We are currently in the process of obtaining executed Restated Severance Agreements from each such officer and, except as noted below, we expect that each of our officers, including the Named Executive Officers, will enter into a form of Restated Severance Agreement consistent with that described below. Mr. Stover, our Chief Financial Officer, recently announced his intention to retire and the terms and conditions of his retirement are not yet finalized. Accordingly, we are not able to represent that he will enter into a Restated Severance Agreement, and if so, whether its terms will be materially consistent with the Restated Severance Agreement described below. For purposes of disclosure pursuant to this Proxy Statement, however, we have assumed that he will enter into a Restated Severance Agreement and that it will contain terms that are materially consistent with those described below. Should Mr. Stover enter into a new or amended severance agreement following the date of this Proxy Statement and such agreement differs materially from the form of Restated Severance Agreement described below, such agreement will be summarized and disclosed pursuant to our filing a Form 8-K with the United States Securities & Exchange Commission with respect to such event.

In connection with the Company's approval of the Restated Severance Agreements, the Committee engaged Mercer to review the form of Restated Severance Agreement as well as severance practices among the Compensation Peer Group. Mercer reported that cash severance protection levels for chief executive officers among the Compensation Peer Group, ranged from one to three times the individual's base salary and bonus for non-change of control severance and approximated three times the individual's base salary and bonus for change of control related severance. Chief executive officers also received continuation of Company provided benefits for typically 1.5 to 3 years. As to other named executive officers among the Compensation Peer Group, Mercer reported that cash severance protection levels were generally limited to change of control situations and approximated one to three times the individual's base salary and bonus. Company provided benefits continued for the same period of years as they did for the chief executive officers in the Compensation Peer Group.

For both chief executive officers and named executive officers in the Compensation Peer Group, unvested equity incentives typically vested upon a change of control and termination. The treatment of unvested equity for non-change of control severance was typically not dealt with in the individual severance arrangements but in the general provisions of the equity plans pursuant to which such equity awards were made. Mercer advised the Committee that given their survey of the relevant and available severance data from the Compensation Peer Group, the terms and protection levels of the Restated Severance Agreements, taken as a whole, were reasonable.

The Restated Severance Agreements amend and restate the Fiscal 2007 Severance Agreements. The benefits under the Restated Severance Agreements did not affect the Committee's decisions with respect to other elements of compensation described earlier. The form of Restated Severance Agreement is designed to:

provide a unified benefit for all Company officers,

simplify the administration of benefit payments under such agreements,

avoid the need to "grandfather" certain portions of the severance benefits pursuant to Section 409A of the Code,

conform the new severance agreements to the requirements of Section 409A, and

conform the period of severance benefits to the period of non-competition required of departing officers.

The principal differences between a Named Executive Officer's severance agreement in effect for fiscal 2007 and the Restated Severance Agreement are as follows:

payment will commence upon a separation of service as defined in Section 409A, regardless of when a termination of employment or loss of officer status occurs,

payments to Named Executive Officers will be subject to a 6-month delay in benefit commencement as required by Section 409A,

the Transition Period will be calculated as a 12-month period regardless of unused time the officer may have remaining under the Company's time-off plan, and

the benefits Customarily Provided to the separating officer will include amounts accrued under the Company's time-off plan paid at 50% of the time accrued as of the separation from service, the same as for all other Company employees (except in California where the law requires a 100% payout of accrued and unpaid time off for Company employees working in California). To simplify the administration of the severance agreements, no amounts of severance pay will be considered "grandfathered" under Section 409A.

Amounts that would be paid to the Named Executive Officers under the Restated Severance Agreements assuming they had terminated employment with the Company as of our fiscal year end, August 30, 2007, can be found in the table "Voluntary or Involuntary Termination of Employment."

#### **Change-in-control arrangements**

The Company does not have separate change-in-control arrangements *per se* for its executive officers or directors. However, the severance agreements described above, including the Restated Severance Agreements, provide for transitional benefits in the event of termination of employment, regardless of the reason for the termination, including a change in control. In addition, under the terms of the Company's equity compensation plans, equity awards may be substituted, assumed or accelerated upon a change in control, depending upon the circumstances.

### **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Proxy Statement. Based upon this review and our discussions, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee  
Lawrence N. Mondry  
Dr. Teruaki Aoki

#### **Compensation Committee Interlocks and Insider Participation**

During fiscal 2007, no members of the Compensation Committee (Dr. Aoki and Messrs. Lothrop, Mondry, Smith and Weber) were officers or employees of the Company or any of its subsidiaries. During fiscal 2007, no executive officer of the Company served on the Compensation Committee (or equivalent), or the board of directors of another entity whose executive officer(s) served on the Company's Compensation Committee.



**FISCAL 2007 SUMMARY COMPENSATION TABLE**

The following table details the total compensation earned by the Company's Named Executive Officers in fiscal 2007.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Stock Awards(1)</b>	<b>Option Awards (1)</b>	<b>Non-Equity Incentive Plan Compensation (2)</b>	<b>All Other Compensation (3)</b>	<b>Total</b>
Steven R. Appleton Chief Executive Officer (Principal Executive Officer)	2007	\$ 948,169	\$ 2,334,443	\$ 22,547		\$ 63,157	\$ 3,368,316
W. G. Stover, Jr. Chief Financial Officer (Principal Financial Officer)	2007	449,870	502,953	11,273	\$ 127,080	28,457	1,119,633
D. Mark Durcan Chief Operating Officer and President	2007	515,115	1,325,986	11,273	203,850	10,284	2,066,508
Mark W. Adams Vice President of Digital Media	2007	342,000	505,607	498,677	70,840	10,284	1,427,408
Brian M. Shirley Vice President of Memory	2007	394,854	649,917	244,928	128,960	10,284	1,428,943

- (1) Amount shown is the expense recognized in the Company's financial statements for fiscal 2007 under SFAS No. 123(R) for each Named Executive Officer's outstanding restricted stock and stock options. Assumptions used in determining the fair values of these option awards is set forth in the "Equity Plans" notes to the Company's financial statements included in its annual reports on Form 10-K for fiscal 2007, 2006 and 2005, which are incorporated herein by reference. The expense shown for these stock awards is based solely on the fair market value as of the date of grant, disregarding any assumptions as to estimated forfeitures based on continued service. No other assumptions are used in the expense calculation for the stock awards. Under the Company's equity plans fair market value is defined as the average closing price on the last trading day prior to the date of grant. Any dividends payable with respect to the Company's Common Stock will be payable with respect to all awards of restricted stock.
- (2) All amounts shown were paid pursuant to the Executive Officer Incentive Plan ("EIP") and relate to the achievement of certain performance milestones.
- (3) Amounts shown reflect the following compensation for each Named Executive Officer:

Matching contributions allocated by the Company to each of the Named Executive Officers pursuant to the Company's 401(k) retirement plan. The contribution for each of the Named Executive Officers for fiscal 2007 was \$9,000.

In fiscal 2007, the Company made return on equity contributions to employees 401(k) accounts based on the Company's return of equity ("ROE"). The ROE contribution for each of the Named Executive Officers was \$1,284.

Under the Company's time-off plan unused time off in excess of 999 hours cannot be carried forward and is paid out in cash. Amounts paid to Messrs. Appleton and Stover in fiscal 2007 under the time-off plan were \$52,873 and \$18,173, respectively.

## GRANTS OF PLAN-BASED AWARDS IN FISCAL 2007

The following table sets forth the plan-based award grants to the Company's Named Executive Officers in fiscal 2007.

Name	Plan Name	Grant Date	Approval Date	Estimated Future Payouts under Equity Incentive Plan Awards(1)			Estimated Future Payouts under Non-equity Incentive Plan Awards(2)		Stock Awards: Number of Shares or Units(3)	Close Price on Grant Date	Grant Date Fair Value of Stock or Units(4)
				Threshold	Target	Max	Threshold	Target			
Steven R. Appleton	2004 Plan	09/26/2006	09/25/2006						188,500	\$ 17.73	\$ 3,370,380
Chief Executive Officer	EIP	09/26/2006	09/25/2006	\$ 783,750	\$ 1,425,000	\$ 2,070,750	117,800	235,600			4,212,528
W. G. Stover, Jr.	2004 Plan	09/26/2006	09/25/2006						39,200	17.73	700,896
Chief Financial Officer	EIP	09/26/2006	09/25/2006	216,000	360,000	648,000	24,450	48,900			874,332
D. Mark Durcan	2004 Plan	09/26/2006	09/25/2006						87,000	17.73	1,555,560
Chief Operating Officer	EIP	09/26/2006	09/25/2006	292,500	450,000	765,000	54,400	108,800			1,945,344
	2004 Plan	08/27/2007	08/27/2007						45,000	11.23	495,900
Mark W. Adams	2004 Plan	09/26/2006	09/25/2006						23,200	17.73	414,816
Vice President of Digital Media	EIP	09/26/2006	09/25/2006	182,000	280,000	476,000	14,500	29,000		17.73	518,520
Brian M. Shirley	2004 Plan	09/26/2006	09/25/2006						39,200	17.73	700,896
Vice President of Memory	EIP	09/26/2006	09/25/2006	160,000	320,000	592,000	24,450	48,900		17.73	874,332

- (1) Represents bonuses set in fiscal 2007 under the Executive Officer Incentive Plan ("EIP"). Payment of bonuses under the EIP is dependent upon meeting specified performance goals. Target amounts represent the aggregate amount that would be paid upon the successful achievement of each goal assigned to the Named Executive Officer. Actual amounts paid pursuant to these bonuses are included in the Summary Compensation Table under the heading "Non-equity Incentive Plan Compensation."
- (2) Represents restricted stock awarded in fiscal 2007 under the 2004 Equity Incentive Plan (the "2004 Plan") with performance-based restrictions. Information related to the performance-based restrictions associated with these shares is contained in Compensation Discussion and Analysis.
- (3) Represents restricted stock awarded in fiscal 2007 under the 2004 Plan with time-based restrictions. Time based restrictions lapse in four equal installments over a four year period from the date of the award.
- (4) The expense shown for these stock awards is based solely on the fair market value as of the date of grant, disregarding any assumptions as to estimated forfeitures based on continued service. No other assumptions are used in the expense calculation for the stock awards. Under the Company's equity plans fair market value is defined as the average closing price on the last trading day prior to the date of grant. For purposes of the Company's equity plans and the calculation of "Grant Date Fair Value", the fair market value of the Company's Common Stock on the dates of grant referenced in this table (September 26, 2006 and August 24, 2007) were \$17.88 and \$11.02, respectively (the average closing prices on September 25, 2006 and August 24, 2007). The closing price of the Company's Common Stock on the dates of grant referenced in this table (September 26, 2006 and August 27, 2007) were \$17.73 and \$11.23, respectively.

**Plan Information:** In fiscal 2007, compensatory awards were made to the Named Executive Officers pursuant to the Executive Officer Incentive Plan (the "EIP") and the 2004 Equity Incentive Plan (the "2004 Plan"). The EIP was approved by the Company's shareholders in November 2004. The purpose of the EIP is to attract, retain and reward qualified executives who are important to the Company's success by providing cash awards for outstanding performance at the individual, business-unit and Company-wide level. The 2004 Plan was also approved by the Company's shareholders in November 2004. The purpose of the 2004 Plan is to promote the Company's success by linking the personal interests of its employees, officers, directors and consultants to those of the Company's shareholders, and by providing participants with an incentive for outstanding performance. Permissible awards under the 2004 Plan include: options, restricted stock, restricted stock units, stock appreciation rights, deferred stock units and dividend equivalent rights. The Company has issued options, restricted stock and restricted stock units under the 2004 Plan.

**Lapsing of Restrictions Associated with Restricted Stock Awards:** The restrictions associated with the restricted stock granted to the Named Executive Officers include both time-based restrictions and performance-based restrictions. Time-based restrictions applicable to awards made in fiscal 2005 and 2006 lapse in three equal installments over a three-year period from the date of the award. Time-based restrictions applicable to awards made in fiscal 2007 lapse in four equal installments over a four-year

period. For information on the restrictions associated with performance-based awards see, the Compensation Discussion and Analysis.

**Issuance of Performance-Based Awards:** In fiscal 2006 the Company's executive officers were granted restricted stock with performance-based restrictions related to the achievement of a minimum specified ROIC goal. While the executive officers have until the end of fiscal 2008 to achieve the performance goals associated with these shares, during fiscal 2007 it was determined that achievement of the goals was not probable and the expense the Company had previously recorded related to those shares was reversed. Specifically, for Mr. Appleton, an expense of \$540,264 related to 145,000 shares was reversed and for each of Messrs. Stover and Durcan, an expense of \$167,668 related to 45,000 shares was reversed. Similarly, the performance milestones related to the payment of bonuses under the EIP for fiscal 2007 were only partially achieved or not achieved at all. As a result, bonuses for fiscal 2007 were not paid out at the levels indicated in the columns labeled "Estimated Future Payouts under Non-equity Incentive Plan Awards" on the "Grants of Plan Based Awards" table. The actual amount of the EIP bonuses paid in for fiscal 2007 performance are included in the "Summary Compensation Table" in the column labeled "Non-Equity Plan Incentive Compensation." The performance milestones related to the EIP are discussed in the Compensation Discussion and Analysis.

**Compensation Expense Related to Stock Options:** Compensation expense related to stock options held by the Named Executive Officers is significantly less than the expense related to restricted stock for two reasons. First, since fiscal 2005 the Company has not regularly granted stock options to its executive officers. While the Company retains the flexibility to award stock options to executive officers, in recent years only shares of restricted stock have been awarded. The shift to restricted stock was made in an effort to bring the composition of the executive officers' equity awards in line with that of the executive officers at other corporations within the Company's compensation peer group. (See the Compensation Discussion and Analysis for additional information related to the Company's peer group.) Second, in April 2005, the Company accelerated the vesting of outstanding options in an attempt to reduce compensation costs associated with the adoption of SFAS No. 123(R). As a result, the expenses associated with accelerated options for the Named Executive Officers' options were never required to be recorded in the Company's financial statements.

**Stock Option Vesting:** Since September 2004, options granted by the Company generally vest in four equal installments over a four-year period from the date of grant and have a term of six years. Mr. Adams holds options that were originally issued by Lexar Media, Inc. ("Lexar") and subsequently converted into Micron options in connection with the Company's acquisition of Lexar in June 2006. His Lexar options vest over a four-year period, with 25% vesting in the first year and the remaining 75% vesting in monthly increments thereafter. The Lexar options have a term of 10 years.

**Determination of Stock-based Compensation:** Under the provisions of SFAS No. 123(R), stock-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates. The Company develops its estimates based on historical data and market information which can change significantly over time. A small change in the estimates used can result in a relatively large change in the estimated valuation.

The Company uses the Black-Scholes option valuation model to value employee stock awards. The Company estimates stock price volatility based on an average of its historical volatility and the implied volatility derived from traded options on the Company's stock. Estimated option life and forfeiture rate assumptions and derived from historical data. For stock based compensation awards with graded vesting that were granted after 2005, the Company recognizes compensation expense using the straight-line amortization method.

## OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END

The following table provides information with respect to outstanding stock options and restricted shares held by the Company's Named Executive Officers as of August 30, 2007.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (1)
Steven R. Appleton Chief Executive Officer	200,000		\$ 14.02	9/21/2008	23,333(2)	\$ 261,563	145,000(3)	\$ 1,625,450
	250,000		39.94	9/27/2009	110,000(4)	1,233,100	235,600(5)	2,641,076
	250,000		78.31	9/1/2010	188,500(6)	2,113,085		
	400,000		21.11	9/21/2011				
	600,000		17.43	9/10/2012				
	80,000		9.16	4/22/2013				
	300,000		14.35	9/23/2013				
	300,000		15.91	3/29/2014				
	420,000		12.03	10/1/2010				
W. G. Stover, Jr. Chief Financial Officer	122,000		14.02	9/21/2008	6,667(2)	74,737	45,000(3)	504,450
	200,000		39.94	9/27/2009	33,333(4)	373,663	48,900(5)	548,169
	200,000		78.31	9/1/2010	39,200(6)	439,432		
	300,000		21.11	9/21/2011				
	300,000		17.43	9/10/2012				
	10,000		9.16	4/22/2013				
	112,500		14.35	9/23/2013				
	112,500		15.91	3/29/2014				
D. Mark Durcan President and Chief Operating Officer	180,000		14.02	9/21/2008	11,667(2)	130,787	45,000(3)	504,450
	200,000		39.94	9/27/2009	33,333(4)	373,663	108,800(5)	1,219,648
	200,000		78.31	9/1/2010	33,333(7)	373,663		
	300,000		21.11	9/21/2011	87,000(6)	975,270		
	300,000		17.43	9/10/2012	45,000(8)	504,450		
	40,000		9.16	4/22/2013				
	125,000		14.35	9/23/2013				
	125,000		15.91	3/29/2014				
	130,000		12.03	10/1/2010				
Mark W. Adams Vice President of Digital Media	25,000	75,000(9)	16.68	6/27/2012				
	32,407	26,842(10)	14.52	1/4/2016	30,000(11)	336,300	29,000(5)	325,090
	64,804	53,695(10)	10.89	2/10/2016	23,200(6)	260,072		
Brian M. Shirley Vice President of Memory	16,000		14.36	7/30/2008	8,800(12)	98,648	48,900(5)	548,169
	28,000		14.02	9/21/2008				
	60,000		32.06	10/20/2009				
	50,100		28.56	10/18/2010	20,000(7)	224,200		
	6,250	18,750(13)	13.23	9/15/2011				
	70,100		21.11	9/21/2011	39,200(6)	439,432		
	16,250	48,750(14)	13.55	12/16/2011				
	65,000		12.44	10/16/2012				
	5,000		9.00	5/5/2013				
100,000		12.52	11/19/2013					
	25,000	50,000(15)	11.51	9/1/2014				

(1)

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Calculated by multiplying the number of shares of restricted stock by \$11.21, the closing price of the Company's common stock on August 30, 2007.

- (2) Restrictions on shares lapse on November 19, 2007.
- (3) Performance-based restrictions on shares lapse upon the achievement of a specified minimum ROIC goal by the fourth fiscal quarter of 2008. The Company currently anticipates that the performance goals related to these shares will not be met and that the shares will be forfeited.
- (4) Restrictions on shares lapse in equal installments on September 30, 2007, and September 30, 2008.
- (5) Performance-based restrictions on shares lapse upon the achievement of a specified minimum ROIC goal by the fourth fiscal quarter of 2009
- (6) Restrictions on shares lapse in 25% increments annually beginning on September 26, 2007.
- (7) Restrictions on shares lapse in equal installments on February 13, 2008, and February 13, 2009.
- (8) Restrictions on shares lapse in 25% increments annually beginning on August 27, 2008.
- (9) Options vest in 33.3% increments annually beginning on June 27, 2008.
- (10) Options vest in 3.45% increments monthly beginning on September 4, 2007, and ending on January 4, 2010.
- (11) Restrictions on shares lapse in equal installments on June 27, 2008, and June 27, 2009.
- (12) Restrictions on shares lapse in equal installments on December 16, 2007, and December 16, 2008.
- (13) Options vest in 33.3% increments annually beginning on September 15, 2007.
- (14) Options vest in 33.3% increments annually beginning on December 16, 2007
- (15) Options vest in equal installments on September 1, 2007, and September 1, 2008.

**OPTION EXERCISES AND STOCK VESTED**

The following table sets forth information related to the number of options and restricted shares held by each of the Named Executive Officers, that were exercised or vested in fiscal 2007, and the value realized.

Name	Option Awards		Stock Awards	
	Option Awards Number of Shares Acquired On Exercise	Value Realized on Exercise (1)	Stock Awards Number of Shares Acquired On Vesting	Value Realized On Vesting (2)
Steven R. Appleton Chief Executive Officer			78,333	\$ 1,296,962
W. G. Stover, Jr. Chief Financial Officer	10,000	\$ 43,700	23,333	387,129
D. Mark Durcan President and Chief Operating Officer			45,000	664,484
Mark W. Adams Vice President of Digital Media			15,000	186,750
Brian M. Shirley Vice President of Memory			14,400	182,980

- (1) Value calculated by multiplying the exercise price of the option by the market value of the shares on the exercise date.
- (2) Value calculated by multiplying number of shares by the market value of the shares on the vesting date.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following tables quantify the estimated payments and benefits for each of the Named Executive Officers pursuant to the Fiscal 2007 Severance Agreements and the Restated Severance Agreements described in the "Severance Agreements" section of the "Compensation Discussion and Analysis." The Restated Severance Agreements amend and restate the Fiscal 2007 Severance Agreements so it is not possible to receive a payment under both agreements. The amounts were calculated as if the Named Executive Officer separated from service on August 30, 2007, the last day of fiscal 2007. Stock calculations are based on \$11.21 per share, which was the closing price of the Company's stock on August 30, 2007.

The "Salary" portion of severance payments are paid on the Company's regular bi-weekly payroll schedule during the officer's Transition Period subject to the possibility of a 6-month delay that may be required by Section 409A of the Code. If Section 409A imposes a 6-month delay, payments during the delay would be accumulated and paid to the officer on the first day of the seventh month following the officer's separation from service. The remaining payments would then be paid according the Company's regular payroll schedule.

The "Bonus" portion of the severance payments is paid only if the applicable performance goals are achieved prior to or during the applicable Transition Period. Such payments are made at the same time as the other officers participating in the applicable bonus plan receive their payments, if any, and typically would occur during the Company's first fiscal quarter.

The "Cash in Lieu of Benefits" portion of the severance payments is calculated based on the difference between the amount of premiums the Named Executive Officer paid each month for benefits coverage as an employee of the Company and the estimated premiums the Named Executive Officer would need to pay each month for the same or similar coverage as a former employee of the Company.



This monthly amount is multiplied by the number of months in the Named Executive Officer's Transition Period and is grossed-up for taxes. In addition, a portion of the "Cash in Lieu of Benefits" payments consist of the amount of matching contribution the Named Executive Officer would have received in the Company's 401(k) plan if the Named Executive Officer had continued to participate in such plan during the Transition Period. This payment is grossed-up for taxes. All gross-up calculations and payments are based on the standard supplemental withholding rates provided by federal and state guidelines. The Company does not use the Named Executive Officer's actual tax rate for these calculations. The "Cash in Lieu of Benefits" payment is made within 30 days after the officer's separation from service, subject to the possibility of a 6-month delay that may be required by Section 409A of the Code. If Section 409A imposes a 6-month delay, the payment would be made to the officer on the first day of the seventh month following the officer's separation from service.

The "Value of Extended Option Vesting and Exercise Period" and the "Value of Extended Restricted Stock Vesting" portions of the severance arrangement have been estimated assuming the continued vesting and exercisability during the Transition Period.

The "Value of Unearned Stock Awards" was determined in the manner described below in footnote (6).

**Voluntary or Involuntary Termination of Employment**

*Fiscal 2007 Severance Agreement*

	<b>Salary (1)</b>	<b>EIP Bonus (2)</b>	<b>Cash in Lieu of Benefits Payment (3)</b>	<b>Value of Extended Option Vesting and Exercise Period (4)</b>	<b>Value of Extended Restricted Stock Vesting (5)</b>	<b>Value of unearned Stock Awards (6)</b>	<b>Total</b>
Steven R. Appleton Chief Executive Officer	\$ 936,494		\$ 104,050	\$ 1,566,425	\$ 1,406,384		\$ 4,013,353
W. G. Stover, Jr. Chief Financial Officer	443,602	\$ 127,080	78,465	452,899	371,432		1,473,478
D. Mark Durcan Chief Operating Officer	546,588	203,850	79,173	663,036	748,279		2,240,926
Mark W. Adams Vice President of Digital Media	233,167	70,840	38,037	326,058	271,282		939,384
Brian M. Shirley Vice President of Memory	316,525	128,960	35,908	101,111	65,018		647,522

- (1) Represents the continuation during the Transition Period of the Named Executive Officer's monthly salary as of August 30, 2007. The estimated Transition Period used with respect to each Named Executive Officer is as follows: Mr. Appleton, 359 days; Mr. Stover, 359 days; Mr. Durcan, 332 days; Mr. Adams, 242 days; Mr. Shirley, 288 days.
- (2) Represents the cash bonus actually earned by each Named Executive Officer for fiscal 2007, as determined by the Compensation Committee on October 8, 2007.
- (3) Represents a cash payment for an amount estimated to allow the Named Executive Officer to purchase during the Transition Period benefits similar to those he received while an employee of the Company and to compensate the Named Executive Officer for the loss of his 401(k) plan match

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during the Transition Period. The amount listed includes a gross-up calculation for the federal and state tax impact of the payment.

- (4) Represents the option value resulting from the additional vesting and exercise period provided by the Named Executive Officer's Transition Period. The fair value of each option award is estimated as of August 30, 2007 using the Black-Scholes model. Expected volatility is based on the implied volatility from traded options on the Company's stock and historical volatility. The expected term is based on the length of transition period. The risk-free rates are based on the U.S. Treasury yield.
- (5) Represents the restricted share value resulting from the additional vesting provided by the Named Executive Officer's Transition Period. Amount shown is calculated as the number of shares multiplied by \$11.21 per share, the Company's closing stock price on August 30, 2007.
- (6) The Company's performance-based goals have been established on a long-term basis using a four-quarter rolling average. Due to the Company's performance in recent fiscal quarters, the Company has assumed for purposes of this presentation that the performance-based goals related to these shares would not have been met during the Named Executive Officer's Transition Period.

### *Restated Severance Agreement*

	Salary (1)	Bonus (2)	Cash in Lieu of Benefits Payment (3)	Value of Extended Option Vesting and Exercise Period (4)	Value of Extended Restricted Stock Vesting (5)	Value of unearned Stock Awards (6)	Total
Steven R. Appleton Chief Executive Officer	\$ 950,000		\$ 118,042	\$ 1,596,835	\$ 1,406,384		\$ 4,071,261
W. G. Stover, Jr. Chief Financial Officer	450,000	\$ 127,080	92,457	463,856	371,432		1,504,825
D. Mark Durcan Chief Operating Officer	600,000	203,850	93,166	744,302	874,391		2,515,709
Mark W. Adams Vice President of Digital Media	350,000	70,840	64,708	401,779	271,282		1,158,609
Brian M. Shirley Vice President of Memory	400,000	128,960	57,082	157,680	233,168		976,890

- (1) Represents 12 months of the Named Executive Officer's monthly salary as of August 30, 2007.
- (2) Represents the cash bonus actually earned by each Named Executive Officer for fiscal 2007, as determined by the Compensation Committee on October 8, 2007.
- (3) Represents a cash payment for an amount estimated to allow the Named Executive Officer to purchase during the Transition Period benefits similar to those he received while an employee of the Company and to compensate the Named Executive Officer for the loss of his 401(k) plan match during the 12-month Transition Period. The amount listed includes a gross-up calculation for the tax impact of the payment.
- (4) Represents the option value resulting from the additional vesting and exercise period provided by the Named Executive Officer's 12-month Transition Period. The fair value of each option award is estimated as of August 30, 2007 using the Black-Scholes model. Expected volatility is based on the implied volatility from traded options on the Company's stock and historical volatility. The expected



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term is based on the length of transition period. The risk-free rates are based on the U.S. Treasury yield.

- (5) Represents the restricted share value resulting from the additional vesting provided by the Named Executive Officer's 12-month Transition Period. Amount shown is calculated as the number of shares multiplied by \$11.21 per share, the Company's closing stock price on August 30, 2007.
- (6) The Company's performance-based goals have been established on a long-term basis using a four-quarter rolling average. Due to the Company's performance in recent fiscal quarters, the Company has assumed for purposes of this presentation that the performance-based goals related to these shares would not have been met during the Named Executive Officer's 12-month Transition Period.

### Change in Control

The Company does not have change-in-control arrangements for its Named Executive Officers. However, the severance agreements described above provide for transitional benefits in the event of termination of employment, whether or not the termination is in connection with a change in control. In addition, under the Company's equity plans, upon a change in control or corporate transaction, outstanding awards become fully vested or may be accelerated at the discretion of the administrator of the plan. A change in control is generally defined as a change in the majority of the Board's directors within a specified time period or the acquisition of 35% or more of the Company's outstanding Common Stock. A corporate transaction is generally defined as merger or sale of substantially all of the Company's assets.

Under the Company's annual incentive plan, the EIP, a change in control results in an early payout of awards, to the extent earned. Upon a change in control, performance achievement is measured as of the last day of the month preceding the change in control and is paid within 30 days.

The following table sets forth the estimated benefits payable to the Named Executive Officers assuming a change in control or corporate transaction occurred on August 30, 2007. We have assumed for simplicity of presentation that benefits earned as of August 31, 2007, would have equaled benefits earned as of the end of the preceding month in the event of a change of control.

Name	EIP Bonus(1)	Value of Options(2)	Value of Restricted Stock(3)	Total
Steven R. Appleton Chief Executive Officer			\$ 7,874,274	\$ 7,874,274
W. G. Stover, Jr. Chief Financial Officer	\$ 127,080		1,940,451	2,067,531
D. Mark Durcan Chief Operating Officer	203,850		4,081,931	4,285,781
Mark W. Adams Vice President of Digital Media	70,840	\$ 5,653	921,462	997,955
Brian M. Shirley Vice President of Memory	128,960		1,310,449	1,439,409

- (1) Based on performance measured as of August 30, 2007 and the target award for the officer for fiscal 2007, as determined by the Compensation Committee on October 8, 2007.
- (2) Assumes the acceleration of vesting for all outstanding options. Amount shown is calculated as the excess of \$11.21, the closing price of the Company's stock on August 30, 2007, over the accelerated option's exercise price.
- (3) Assumes the lapsing of all restrictions associated with the shares. Amount shown is calculated as the number of shares on which restrictions would lapse multiplied by \$11.21 per share.



## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of August 30, 2007, regarding Common Stock that may be issued pursuant to the Company's equity compensation plans:

	(a) Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price Of Outstanding Options, Warrants and Rights	(c) Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders(1)	87,416,976	\$ 20.21	44,218,471(2)
Equity Compensation Plans Not Approved By Shareholders(3)(4)	34,039,142	18.28	15,280,042
<b>Totals</b>	<b>121,456,118</b>	<b>19.67</b>	<b>59,498,513</b>

- (1) Includes shares issuable upon exercise of options and restricted stock units granted pursuant to the Company's 1994 Stock Option Plan, 2001 Stock Option Plan, 2004 Equity Incentive Plan, 1996 Lexar Stock Option Plan and 2000 Lexar Stock Option Plan and rights under the 1998 Director's Stock Incentive Plan.
- (2) Includes 2,092,682 shares reserved for issuance under the Company's Employee Stock Purchase Plan.
- (3) Includes shares assumable upon exercise of options granted pursuant to the Company's Nonstatutory Stock Option Plan, 1998 Nonstatutory Stock Option Plan, 1997 Nonstatutory Stock Option Plan and the 2002 Employee Inducement Stock Option Plan. Options granted under the aforementioned plans have terms ranging from six to ten years. The exercise price and the vesting schedule of the options granted under the Nonstatutory Plans are determined by the administrators of the plans or the Company's Board of Directors. Executive officers and directors do not participate in the aforementioned plans.
- (4) Does not include 9,095 shares with a weighted average exercise price of \$6.85 issuable upon exercise of options outstanding under the Rendition 1994 Equity Incentive Plan, which was assumed by the Company in connection with its acquisition of Rendition, Inc. in September 1998. Does not include 14,694 shares with a weighted average exercise price of \$0.88 issuable upon exercise of options outstanding under the Micron Quantum Devices ("MQD") 1996 Stock Option Plan, which was assumed by the Company in connection with the merger of MQD (a former subsidiary of the Company) into the Company in February 1998.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related party transactions are reviewed by the Company's Board of Directors. Related parties include the Company's directors and officers, their family members and affiliates. In cases where the related party is a director, that director does not participate in the review of the proposed transaction. In reviewing a proposed related party transaction, the Board considers all the relevant facts and circumstances of the transaction, such as (i) the nature and terms of the transactions, (ii) the dollar value of the transaction, (iii) whether the terms of the transaction are at least as favorable as they would have been if a related party was not involved, (iv) the business reasons for the transaction, (v) whether the transaction would result in an improper conflict of interest and (vi) the effects of the transaction on the ongoing relationship between the Company and the related party.

During fiscal 2007, the Company paid \$213 million to Lam Research Corporation ("Lam") for semiconductor manufacturing equipment and related services. The Company also received approximately \$232,000 from Lam for the sale of used equipment in fiscal 2007. Mr. Bagley is the Executive Chairman of Lam.

In December 2006, the Company acquired the CMOS image sensor business of Avago Technologies Limited ("Avago"). In connection with the acquisition, the Company paid Avago \$55 million in fiscal 2007. With an additional \$2 million payable to Avago at August 30, 2007.

Under the acquisition agreement the Company is obligated to pay additional contingent payments of up to \$13 million through December 2008 if certain milestones are met. The Company also paid Avago approximately \$513,000 in fiscal 2007 for transition and other related services in connection with the acquisition. Ms. Johnson is the Senior Vice

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President, Finance and Chief Financial Officer of Avago. Ms. Johnson did not participate in any deliberations of the Company's Board of Directors concerning this transaction.

During fiscal 2007, the Grove Hotel and Qwest Arena in Boise, Idaho, received approximately \$291,000 for business conducted with the Company. The Company uses the Grove Hotel for business visitors and conferences, and leases a suite for events at the Qwest Arena. Mr. Appleton has an interest in a limited liability company that is a minority owner of the Grove Hotel and Qwest Arena.

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities and Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own beneficially more than 10% of the Common Stock of the Company, to file reports of ownership and changes of ownership with the Securities and Exchange Commission and the New York Stock Exchange ("NYSE"). Copies of all filed reports are required to be furnished to the Company pursuant to Section 16(a) of the Exchange Act. Based solely on the reports received by the Company and on written representations from reporting persons, the Company believes that the directors, executive officers, and greater than 10% beneficial owners complied with all applicable filing requirements during the fiscal year ended August 30, 2007.

### **DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS FOR 2008 ANNUAL MEETING**

Proposals of shareholders of the Company which are intended to be presented at the Company's 2008 Annual Meeting of Shareholders must be received by the Company at its principal executive offices located at 8000 South Federal Way, Boise, Idaho 83716-9632, no later than July 8, 2008, and must also be in compliance with the Company's Restated Certificate of Incorporation and its Bylaws and with applicable laws and regulations in order to be included in the Proxy Statement and form of proxy relating to that meeting. Proposals which are received after July 8, 2008, will be untimely and will not be considered at the meeting.

November 5, 2008

THE BOARD OF DIRECTORS



**MICRON TECHNOLOGY, INC.  
2007 EQUITY INCENTIVE PLAN**

**ARTICLE 1  
PURPOSE**

1.1. *GENERAL.* The purpose of the Micron Technology, Inc. 2007 Equity Incentive Plan (the "Plan") is to promote the success, and enhance the value, of Micron Technology, Inc. (the "Company"), by linking the personal interests of employees, non-employee directors and consultants of the Company or any Affiliate (as defined below) to those of Company stockholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, non-employee directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, non-employee directors and consultants of the Company and its Affiliates; provided, however, that no officer, including without limitation the chief executive officer of the Company, is eligible to be a Participant in the Plan.

**ARTICLE 2  
DEFINITIONS**

2.1. *DEFINITIONS.* When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) "Affiliate" means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) "Award" means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Deferred Stock Unit Award, Performance Share, Dividend Equivalent Award, Other Stock-Based Award, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

(c) "Award Certificate" means a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award. Award Certificates may be in the form of individual award agreements or certificates or a program document describing the terms and provisions of an Awards or series of Awards under the Plan. The Committee may provide for the use of electronic, internet or other non-paper Award Certificates, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means and includes the occurrence of any one of the following events:

(i) individuals who, on the Effective Date, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the Effective Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; *provided, however*, that no individual

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initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any person is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of either (A) 35% or more of the then-outstanding shares of common stock of the Company ("Company Common Stock") or (B) securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors (the "Company Voting Securities"); *provided, however*, that for purposes of this subsection (ii), the following acquisitions shall not constitute a Change in Control: (w) an acquisition directly from the Company, (x) an acquisition by the Company or a Subsidiary of the Company, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary of the Company, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a "Reorganization"), or the sale or other disposition of all or substantially all of the Company's assets (a "Sale") or the acquisition of assets or stock of another corporation (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Reorganization, Sale or Acquisition (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets or stock either directly or through one or more subsidiaries, the "Surviving Corporation") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any Subsidiary of the Company, (y) the Surviving Corporation or its ultimate parent corporation, or (z) any employee benefit plan or related trust) sponsored or maintained by any of the foregoing is the beneficial owner, directly or indirectly, of 35% or more of the total common stock or 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Corporation, and (C) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future law, legislation or regulation amending, supplementing or superseding such Section or regulation.

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- (g) "Committee" means the committee of the Board described in Article 4.
- (h) "Company" means Micron Technology, Inc., a Delaware corporation, or any successor corporation.
- (i) "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee, officer, consultant or non-employee director of the Company or any Affiliate, as applicable; provided, however, that for purposes of an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee of the Company or any Parent or Subsidiary, as applicable, pursuant to applicable tax regulations. Continuous Status as a Participant shall not be considered interrupted in the case of any leave of absence authorized in writing by the Company prior to its commencement; provided, however, that for purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.
- (j) "Covered Employee" means a covered employee as defined in Code Section 162(m)(3).
- (k) "Disability" or "Disabled" has the same meaning as provided in the long-term disability plan or policy maintained by the Company or if applicable, most recently maintained, by the Company or if applicable, an Affiliate, for the Participant, whether or not such Participant actually receives disability benefits under such plan or policy. If no long-term disability plan or policy was ever maintained on behalf of Participant or if the determination of Disability relates to an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for any Awards that constitute a nonqualified deferred compensation plan within the meaning of Section 409A(d) of the Code, Disability has the meaning given such term in Section 409A of the Code. In the event of a dispute, the determination whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.
- (l) "Deferred Stock Unit" means a right granted to a Participant under Article 11.
- (m) "Dividend Equivalent" means a right granted to a Participant under Article 12.
- (n) "Effective Date" has the meaning assigned such term in Section 3.1.
- (o) "Eligible Participant" means an employee, consultant or non-employee director of the Company or any Affiliate; provided, however, that no officer, including without limitation the chief executive officer of the Company, is eligible to be a Participant in the Plan.
- (p) "Exchange" means the New York Stock Exchange or any other national securities exchange or national market system on which the Stock may from time to time be listed or traded.
- (q) "Fair Market Value" of the Stock, on any date, means: (i) if the Stock is listed or traded on any Exchange, the closing sales price for such Stock (or the closing bid, if no sales were reported) as quoted on such Exchange (or, if more than one Exchange, the Exchange with the greatest volume of trading in the Stock) for such date, or if no sales or bids were reported for such date, on the last market trading day prior to the day of determination, as reported by Market Sweep, a service from Interactive Data Services, Inc., or such other source as the Committee deems reliable; (ii) if the Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of the Stock shall be the mean between the high bid and low asked prices for the Stock on such date, or if no sales or bids were reported for such date,

on the last market trading day prior to the day of determination, as reported by Market Sweep, a service from Interactive Data Services, Inc. or such other source as the Committee deems reliable, or (iii) in the absence of an established market for the Stock, the Fair Market Value shall be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

(r) "Full Value Award" means an Award other than in the form of an Option or SAR, and which is settled by the issuance of Stock.

(s) "Grant Date" of an Award means the first date on which all necessary corporate action has been taken to approve the grant of the Award as provided in the Plan, or such later date as is determined and specified as part of that authorization process. Notice of the grant shall be provided to the grantee within a reasonable time after the Grant Date.

(t) "Incentive Stock Option" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

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

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

(w) "Option" means a right granted to a Participant under Article 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(x) "Other Stock-Based Award" means a right, granted to a Participant under Article 13 that relates to or is valued by reference to Stock or other Awards relating to Stock.

(y) "Parent" means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

(z) "Participant" means a person who, as an employee, non-employee director or consultant of the Company or any Affiliate, has been granted an Award under the Plan; provided that in the case of the death of a Participant, the term "Participant" refers to a beneficiary designated pursuant to Section 14.5 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision. Notwithstanding the foregoing, a Participant shall not include the chief executive officer or any other officers of the Company.

(aa) "Performance Share" means any right granted to a Participant under Article 9 to a unit to be valued by reference to a designated number of Shares to be paid upon achievement of such performance goals as the Committee establishes with regard to such Performance Share.

(bb) "Person" means any individual, entity or group, within the meaning of Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(cc) "Plan" means the Micron Technology, Inc. 2007 Equity Incentive Plan, as amended from time to time.

(dd) "Qualified Performance-Based Award" means an Award that is either (i) intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Business Criteria as set forth in Section 14.10(b), or (ii) an Option or SAR.

(ee) "Qualified Business Criteria" means one or more of the Business Criteria listed in Section 14.10(b) upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee.

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

(gg) "Restricted Stock Unit Award" means the right granted to a Participant under Article 10 to receive shares of Stock (or the equivalent value in cash or other property if the Committee so provides) in the future, which right is subject to certain restrictions and to risk of forfeiture.

(hh) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

(ii) "Shares" means shares of the Company's Stock. If there has been an adjustment or substitution pursuant to Section 15.1, the term "Shares" shall also include any shares of stock or other securities that are substituted for Shares or into which Shares are adjusted pursuant to Section 15.1.

(jj) "Stock" means the \$.10 par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 15.

(kk) "Stock Appreciation Right" or "SAR" means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the base price of the SAR, all as determined pursuant to Article 8.

(ll) "Subsidiary" means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Subsidiary shall have the meaning set forth in Section 424(f) of the Code.

(mm) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(nn) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

### **ARTICLE 3 EFFECTIVE TERM OF PLAN**

3.1. *EFFECTIVE DATE.* The Plan shall be effective as of the date it is approved by both the Board and the stockholders of the Company (the "Effective Date").

3.2. *TERMINATION OF PLAN.* The Plan shall terminate on the tenth anniversary of the Effective Date unless earlier terminated as provided herein, which shall continue to be governed by the applicable terms and conditions of this Plan. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination. No Incentive Stock Options may be granted more than ten years after the earlier of (a) adoption of this Plan by the Board, or (b) the Effective Date.

### **ARTICLE 4 ADMINISTRATION**

4.1. *COMMITTEE.* The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of at least two directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that at least two of the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and "outside directors" (within the meaning of Code Section 162(m)) and that any such members of the Committee who do not so qualify shall abstain from participating in any decision to make or administer Awards that are made to Eligible Participants who at the time of consideration for such Award (i) are persons subject to the short-swing profit rules of Section 16 of the 1934 Act, or (ii) are reasonably anticipated to become Covered Employees during the term of the Award. However, the mere fact that a Committee member shall fail to qualify under either of the foregoing

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requirements or shall fail to abstain from such action shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board may reserve to itself any or all of the authority and responsibility of the Committee under the Plan or may act as administrator of the Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board. To the extent any action of the Board under the Plan conflicts with actions taken by the Committee, the actions of the Board shall control.

4.2. *ACTION AND INTERPRETATIONS BY THE COMMITTEE.* For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3. *AUTHORITY OF COMMITTEE.* Except as provided below, the Committee has the exclusive power, authority and discretion to:

- (a) Grant Awards;
- (b) Designate Participants;
- (c) Determine the type or types of Awards to be granted to each Participant;
- (d) Determine the number of Awards to be granted and the number of Shares or dollar amount to which an Award will relate;
- (e) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, base price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;
- (f) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, in accordance with Article 14, based in each case on such considerations as the Committee in its sole discretion determines;
- (g) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (h) Prescribe the form of each Award Certificate, which need not be identical for each Participant;
- (i) Decide all other matters that must be determined in connection with an Award;
- (j) Establish, adopt or revise any rules, regulations, guidelines or procedures as it may deem necessary or advisable to administer the Plan;
- (k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan;
- (l) Amend the Plan or any Award Certificate as provided herein; and

(m) Adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or any Affiliate may operate, in order to assure the viability of the benefits of Awards granted to participants located in such other jurisdictions and to meet the objectives of the Plan.

Notwithstanding the foregoing, grants of Awards to Non-Employee Directors hereunder shall be made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Non-Employee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Non-Employee Directors.

Notwithstanding the above, the Board may, by resolution, expressly delegate to a special committee, consisting of one or more directors who may but need not be officers of the Company, the authority, within specified parameters, to (i) designate officers, employees and/or consultants of the Company or any of its Affiliates to be recipients of Awards under the Plan, and (ii) to determine the number of such Awards to be received by any such Participants; provided, however, that such delegation of duties and responsibilities to an officer of the Company may not be made with respect to the grant of Awards to eligible participants (a) who are subject to Section 16(a) of the 1934 Act at the Grant Date, or (b) who as of the Grant Date are reasonably anticipated to become Covered Employees during the term of the Award. The acts of such delegates shall be treated hereunder as acts of the Board and such delegates shall report regularly to the Board and the Compensation Committee regarding the delegated duties and responsibilities and any Awards so granted.

4.4. *AWARD CERTIFICATES.* Each Award shall be evidenced by an Award Certificate. Each Award Certificate shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

## **ARTICLE 5 SHARES SUBJECT TO THE PLAN**

5.1. *NUMBER OF SHARES.* Subject to adjustment as provided in Sections 5.2 and 15.1, the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan shall be 30,000,000; provided, however, that each Share issued under the Plan pursuant to a Full Value Award shall reduce the number of available Shares by two (2) shares. The maximum number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall be 2,000,000.

5.2. *SHARE COUNTING.* Shares covered by an Award shall be subtracted from the Plan share reserve as of the date of grant, but shall be added back to the Plan share reserve in accordance with this Section 5.2.

(a) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued or forfeited Shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under the Plan.

(c) To the extent that the full number of Shares subject to an Option or SAR is not issued upon exercise of the Option or SAR for any reason, including by reason of net-settlement of the Award, only the number of Shares issued and delivered upon exercise of the Option or SAR shall be considered for purposes of determining the number of Shares remaining available for issuance pursuant to Awards granted under the Plan.

(d) Substitute Awards granted pursuant to Section 14.14 of the Plan shall not count against the Shares otherwise available for issuance under the Plan under Section 5.1.

5.3. *STOCK DISTRIBUTED.* Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4. *LIMITATION ON AWARDS.* Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 15.1), the maximum number of Shares with respect to one or more Options and/or SARs that may be granted during any one calendar year under the Plan to any one Participant shall be 2,000,000. The maximum aggregate grant with respect to Awards of Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares or other Stock-Based Awards (other than Options or SARs) granted in any one calendar year to any one Participant shall be 2,000,000.

## ARTICLE 6 ELIGIBILITY

6.1. *GENERAL.* Awards may be granted only to Eligible Participants; except that Incentive Stock Options may be granted to only to Eligible Participants who are employees of the Company or a Parent or Subsidiary as defined in Section 424(e) and (f) of the Code. Eligible Participants who are service providers to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

## ARTICLE 7 STOCK OPTIONS

7.1. *GENERAL.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) *EXERCISE PRICE.* The exercise price per Share under an Option shall be determined by the Committee; provided that the exercise price for any Option (other than an Option issued as a substitute Award pursuant to Section 14.14) shall not be less than the Fair Market Value as of the Grant Date.

(b) *PROHIBITION ON REPRICING.* Except as otherwise provided in Section 15.1, the exercise price of an Option may not be reduced, directly or indirectly by cancellation and regrant or otherwise, without the prior approval of the shareholders of the Company.

(c) *TIME AND CONDITIONS OF EXERCISE.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(e). The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested.

(d) *PAYMENT.* The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, Shares, or other property (including "cashless exercise" arrangements), and the methods by which Shares shall be delivered or deemed to be delivered to Participants.

(e) *EXERCISE TERM.* Except for Nonstatutory Options granted to Participants outside the United States, no Option granted under the Plan shall be exercisable for more than ten years from the Grant Date.

(f) *NO DEFERRAL FEATURE.* No Option shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the Option.



(g) *SUSPENSION.* Any Participant who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions and employee contributions including, without limitation on the foregoing, the exercise of any Option granted from the date of receipt by that employee of the RAM hardship distribution.

7.2. *INCENTIVE STOCK OPTIONS.* The terms of any Incentive Stock Options granted under the Plan must comply with the requirements of Section 422 of the Code. If all of the requirements of Section 422 of the Code are not met, the Option shall automatically become a Nonstatutory Stock Option.

## **ARTICLE 8 STOCK APPRECIATION RIGHTS**

8.1. *GRANT OF STOCK APPRECIATION RIGHTS.* The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(a) *RIGHT TO PAYMENT.* Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

(1) The Fair Market Value of one Share on the date of exercise; over

(2) The base price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date.

(b) *PROHIBITION ON REPRICING.* Except as otherwise provided in Section 15.1, the base price of a SAR may not be reduced, directly or indirectly by cancellation and regrant or otherwise, without the prior approval of the shareholders of the Company.

(c) *EXERCISE TERM.* Except for SARs granted to Participants outside the United States, no SAR shall be exercisable for more than ten years from the Grant Date.

(d) *NO DEFERRAL FEATURE.* No SAR shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the SAR.

(e) *OTHER TERMS.* All awards of Stock Appreciation Rights shall be evidenced by an Award Certificate. Subject to the limitations of this Article 8, the terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Certificate.

## **ARTICLE 9 PERFORMANCE SHARES**

9.1. *GRANT OF PERFORMANCE SHARES.* The Committee is authorized to grant Performance Shares to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Shares granted to each Participant, subject to Section 5.4, and to designate the provisions of such Performance Shares as provided in Section 4.3. All Performance Shares shall be evidenced by an Award Certificate or a written program established by the Committee, pursuant to which Performance Shares are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

9.2. *PERFORMANCE GOALS.* The Committee may establish performance goals for Performance Shares which may be based on any criteria selected by the Committee. Such performance goals may be described in terms of Company-wide objectives or in terms of objectives that relate to the performance of

the Participant, an Affiliate or a division, region, department or function within the Company or an Affiliate. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Committee may determine that the performance goals or performance period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the participant in amount determined by the Committee. The foregoing two sentences shall not apply with respect to an Award of Performance Shares that is intended to be a Qualified Performance-Based Award.

9.3. *RIGHT TO PAYMENT.* The grant of a Performance Share to a Participant will entitle the Participant to receive at a specified later time a specified number of Shares, or the equivalent value in cash or other property, if the performance goals established by the Committee are achieved and the other terms and conditions thereof are satisfied. The Committee shall set performance goals and other terms or conditions to payment of the Performance Shares in its discretion which, depending on the extent to which they are met, will determine the number of the Performance Shares that will be earned by the Participant.

9.4. *OTHER TERMS.* Performance Shares may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Certificate.

## **ARTICLE 10 RESTRICTED STOCK AND RESTRICTED STOCK UNIT AWARDS**

10.1. *GRANT OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS.* Subject to the terms and conditions of this Article 10, the Committee is authorized to make Awards of Restricted Stock or Restricted Stock Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. An Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Certificate setting forth the terms, conditions, and restrictions applicable to the Award.

10.2. *ISSUANCE AND RESTRICTIONS.* Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock); provided, however, at a minimum, all Restricted Stock and Restricted Stock Units shall be subject to the restrictions set forth in Section 14.4 for a period of no less than (a) one year from the date of award with respect to Restricted Stock or Restricted Stock Units subject to restrictions that lapse based upon satisfaction of performance goals, and (b) three years from the date of award with respect to Restricted Stock or Restricted Stock Units subject to time-based restrictions that lapse based upon one's Continuous Status as a Participant. For avoidance of doubt, nothing in the foregoing shall preclude any applicable restriction, including those set forth in Section 14.4 hereof, from lapsing ratably, including, but not limited to, roughly annual increments over three years, with respect to the Restricted Stock or Restricted Stock Units referred to in Section 10.2(b). Moreover, nothing in the foregoing shall preclude or be interpreted to preclude Awards to Non-employee Directors from containing a period of restriction shorter than that set forth above. Finally, nothing in this Section 10.2 shall be deemed or interpreted to preclude the waiver, lapse or the acceleration of lapse, of any restrictions with respect to Restricted Stock or Restricted Stock Units in accordance with or as permitted by Sections 14.7 through Section 14.9, respectively, Article 15 or any other provision of the Plan. Subject to the remaining terms and conditions of the Plan, these restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Except as otherwise

provided in an Award Certificate or any special Plan document governing an Award, the Participant shall have all of the rights of a stockholder with respect to the Restricted Stock, and the Participant shall have none of the rights of a stockholder with respect to Restricted Stock Units until such time as Shares of Stock are paid in settlement of the Restricted Stock Units.

10.3. *FORFEITURE.* Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Continuous Status as a Participant during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide in any Award Certificate, subject to the terms and conditions of the Plan, that restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units will be waived in whole or in part in the event of terminations resulting from specified causes, including, but not limited to, death, Disability, or for the convenience or in the best interests of the Company.

10.4. *DELIVERY OF RESTRICTED STOCK.* Shares of Restricted Stock shall be delivered to the Participant at the time of grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its employees) designated by the Committee, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing shares of Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

#### **ARTICLE 11 DEFERRED STOCK UNITS**

11.1. *GRANT OF DEFERRED STOCK UNITS.* The Committee is authorized to grant Deferred Stock Units to Participants subject to such terms and conditions as may be selected by the Committee. Deferred Stock Units shall entitle the Participant to receive Shares of Stock (or the equivalent value in cash or other property if so determined by the Committee) at a future time as determined by the Committee, or as determined by the Participant within guidelines established by the Committee in the case of voluntary deferral elections. An Award of Deferred Stock Units shall be evidenced by an Award Certificate setting forth the terms and conditions applicable to the Award.

#### **ARTICLE 12 DIVIDEND EQUIVALENTS**

12.1. *GRANT OF DIVIDEND EQUIVALENTS.* The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to all or a portion of the number of Shares subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional Shares, or otherwise reinvested. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be paid or distributed no later than the 15<sup>th</sup> day of the 3<sup>rd</sup> month following the later of (i) the calendar year in which the corresponding dividends were paid to shareholders, or (ii) the first calendar year in which the Participant's right to such Dividends Equivalents is no longer subject to a substantial risk of forfeiture.

#### **ARTICLE 13 STOCK OR OTHER STOCK-BASED AWARDS**

13.1. *GRANT OF STOCK OR OTHER STOCK-BASED AWARDS.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in,

valued in whole or in part by reference to, or otherwise based on or related to Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation Shares awarded purely as a "bonus" and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, and Awards valued by reference to book value of Shares or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.

**ARTICLE 14**  
**PROVISIONS APPLICABLE TO AWARDS**

14.1. *STAND-ALONE AND TANDEM AWARDS.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, any other Award granted under the Plan. Subject to Section 16.2, awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

14.2. *TERM OF AWARD.* The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from its Grant Date.

14.3. *FORM OF PAYMENT FOR AWARDS.* Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or (except with respect to Options or SARs) on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

14.4. *LIMITS ON TRANSFER.* No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable Awards.

14.5. *BENEFICIARIES.* Notwithstanding Section 14.4, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Certificate applicable to the Participant, except to the extent the Plan and Award Certificate otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

14.6. *STOCK TRADING RESTRICTIONS.* All Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with

federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

14.7. *ACCELERATION UPON A CHANGE IN CONTROL.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, all outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, and all time-based vesting restrictions on outstanding Awards shall lapse. Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the occurrence of a Change in Control, the target payout opportunities attainable under all outstanding performance-based Awards shall be deemed to have been fully earned as of the effective date of the Change in Control based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be prorata payout to Participants within thirty (30) days following the effective date of the Change in Control (or any later date required by Section 17.3 of the Plan) based upon the length of time within the performance period that has elapsed prior to the Change in Control.

14.8. *ACCELERATION UPON DEATH OR DISABILITY.* Except as otherwise provided in the Award Certificate or any special Plan document governing an Award, upon the Participant's death or Disability during his or her Continuous Status as a Participant, (i) all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, (ii) all time-based vesting restrictions on the Participant's outstanding Awards shall lapse, and (iii) the target payout opportunities attainable under all of such Participant's outstanding performance-based Awards shall be deemed to have been fully earned as of the date of termination based upon an assumed achievement of all relevant performance goals at the "target" level and there shall be a prorata payout to the Participant or his or her estate within thirty (30) days following the date of termination (or any later date required by Section 17.3 of the Plan) based upon the length of time within the performance period that has elapsed prior to the date of termination. Any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Awards Certificate. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Code Section 422(d), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.9. *ACCELERATION FOR ANY OTHER REASON.* Regardless of whether an event has occurred as described in Section 14.7 or 14.8 above, and subject to Section 14.11 as to Qualified Performance-Based Awards, the Committee may in its sole discretion at any time determine that all or a portion of a Participant's Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully or partially exercisable, that all or a part of the time-based vesting restrictions on all or a portion of the outstanding Awards shall lapse, and/or that any performance-based criteria with respect to any Awards shall be deemed to be wholly or partially satisfied, in each case, as of such date as the Committee may, in its sole discretion, declare; provided, however, the Committee shall not exercise such discretion with respect to Full Value Awards comprised of Shares of Restricted Stock or Restricted Stock Units which, in the aggregate, exceed five percent (5%) of the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan; provided, further, that when calculating whether the five percent (5%) maximum has been reached, the Committee shall not count or consider any Shares of Restricted Stock or Restricted Stock Units granted to Non-Employee Directors or regarding which the Committee accelerated vesting rights, waived restrictions or determined performance-based criteria had been satisfied resulting from an event described in Section 14.7, Article 15, a Participant's termination of employment or separation from service resulting from death, Disability or for the convenience or in the best interests of the Company. The Committee may discriminate among Participants and among Awards granted to a Participant in exercising its discretion pursuant to this Section 14.9.

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14.10. *EFFECT OF ACCELERATION.* If an Award is accelerated under Section 14.7, Section 14.8 or Section 14.9, the Committee may, in its sole discretion, provide (i) that the Award will expire after a designated period of time after such acceleration to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to a transaction giving rise to the acceleration or otherwise be equitably converted or substituted in connection with such transaction, (iv) that the Award may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. To the extent that such acceleration causes Incentive Stock Options to exceed the dollar limitation set forth in Code Section 422(d), the excess Options shall be deemed to be Nonstatutory Stock Options.

### 14.11. *QUALIFIED PERFORMANCE-BASED AWARDS.*

(a) The provisions of the Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Covered Employee shall qualify for the Section 162(m) Exemption; provided that the exercise or base price of such Award is not less than the Fair Market Value of the Shares on the Grant Date.

(b) When granting any other Award, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for such Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Business Criteria, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of an Affiliate or a unit, division, region, department or function within the Company or an Affiliate:

Gross and/or net revenue (including whether in the aggregate or attributable to specific products)

Cost of Goods Sold and Gross Margin

Costs and expenses, including Research & Development and Selling, General & Administrative

Income (gross, operating, net, etc.)

Earnings, including before interest, taxes, depreciation and amortization (whether in the aggregate or on a per share basis)

Cash flows and share price

Return on investment, capital, equity

Manufacturing efficiency (including yield enhancement and cycle time reductions), quality improvements and customer satisfaction

Product life cycle management (including product and technology design, development, transfer, manufacturing introduction, and sales price optimization and management)

Economic profit or loss

Market share

Employee retention, compensation, training and development, including succession planning

Objective goals consistent with the Participant's specific duties and responsibilities, designed to further the financial, operational and other business interests of the Company, including goals and objectives with respect to regulatory compliance matters.

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Performance goals with respect to the foregoing Qualified Business Criteria may be specified in absolute terms (including completion of pre-established projects, such as the introduction of specified products), in percentages, or in terms of growth from period to period or growth rates over time as well as measured relative to an established or specially-created performance index of Company competitors, peers or other members of high tech industries. Any member of an index that disappears during a measurement period shall be disregarded for the entire measurement period. Performance Goals need not be based upon an increase or positive result under a business criterion and could include, for example, the maintenance of the status quo or the limitation of economic losses (measured, in each case, by reference to a specific business criterion).

(c) Each Qualified Performance-Based Award (other than an Option or SAR) shall be earned, vested and payable (as applicable) only upon the achievement of performance goals established by the Committee based upon one or more of the Qualified Business Criteria, together with the satisfaction of any other conditions, including the condition as to continued employment as set forth in subsection (g) below, as the Committee may determine to be appropriate; provided, however, that the Committee may provide, in its sole and absolute discretion, either in connection with the grant thereof or by amendment thereafter, that achievement of such performance goals will be waived upon the death or Disability of the Participant, or upon a Change in Control. In addition, the Committee has the right, in connection with the grant of a Qualified Performance-Based Award, to exercise negative discretion to determine that the portion of such Award actually earned, vested and/or payable (as applicable) shall be less than the portion that would be earned, vested and/or payable based solely upon application of the applicable performance goals. Performance periods established by the Committee for any such Qualified Performance-Based Award may be as short as ninety (90) days and may be any longer period.

(d) The Committee may provide in any Qualified Performance-Based Award, at the time the performance goals are established, that any evaluation of performance shall include, exclude or otherwise equitably adjust for any of the following events that occurs during a performance period: (a) asset write-downs or impairment charges; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (f) acquisitions or divestitures; and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form and at a time that meets the requirements of Code Section 162(m) for deductibility.

(e) Any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied. Written certification may take the form of a Committee resolution passed by a majority of the Committee at a properly convened meeting or through unanimous action by the Committee via action by written consent. The certification requirement also may be satisfied by a separate writing executed by the Chairman of the Committee, acting in his capacity as such, following the foregoing Committee action or by the Chairman executing approved minutes of the Committee in which such determinations were made. Except as specifically provided in subsection (c), no Qualified Performance-Based Award held by a Covered Employee or an employee who in the reasonable judgment of the Committee may be a Covered Employee on the date of payment, may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under the Plan with respect to a Qualified Performance-Based Award under the Plan, in any manner to waive the achievement of the applicable performance goal based on Qualified Business Criteria or to increase the amount payable pursuant thereto or the



value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

(f) Section 5.4 sets forth the maximum number of Shares that may be granted in any one-year period to a Participant in designated forms of stock-based Awards.

(g) With respect to a Participant who is an officer of the Company, any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the officer having remained continuously employed by the Company or an Affiliate for the entire performance or measurement period, including, as well, through the date of determination and certification of the payment of any such Award pursuant to subsection (e) above (the "Certification Date"). For purposes of the Plan, with respect to any given performance or measurement period, an officer of the Company (i) who terminates employment (regardless of cause) or who otherwise ceases to be an officer, prior to the Certification Date, and (ii) who, pursuant to a separate contractual arrangement with the Company is entitled to receive payments from the Company thereunder extending to or beyond such Certification Date as a result of such termination or cessation in officer status, shall be deemed to have been employed by the Company as an officer through the Certification Date for purposes of payment eligibility.

14.12. *TERMINATION OF EMPLOYMENT.* Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A Participant's Continuous Status as a Participant shall not be deemed to terminate (i) in a circumstance in which a Participant transfers from the Company to an Affiliate, transfers from an Affiliate to the Company, or transfers from one Affiliate to another Affiliate, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Affiliate. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Sections 424(e) and 424(f) of the Code, the Options held by such Participant shall be deemed to be Nonstatutory Stock Options.

14.13. *FORFEITURE EVENTS.* The Committee may specify in an Award Certificate that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Affiliate policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate.

14.14. *SUBSTITUTE AWARDS.* The Committee may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another entity who become employees of the Company or an Affiliate as a result of a merger or consolidation of the former employing entity with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the former employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

## **ARTICLE 15 CHANGES IN CAPITAL STRUCTURE**

15.1. *MANDATORY ADJUSTMENTS.* In the event of a nonreciprocal transaction between the Company and its stockholders that causes the per-share value of the Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the authorization limits under Section 5.1 and 5.4 shall be adjusted proportionately, and the Committee shall

make such adjustments to the Plan and Awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. Action by the Committee may include: (i) adjustment of the number and kind of shares that may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Awards or the measure to be used to determine the amount of the benefit payable on an Award; and (iv) any other adjustments that the Committee determines to be equitable. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 and 5.4 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically, without the necessity for any additional action by the Committee, be adjusted proportionately without any change in the aggregate purchase price therefor.

15.2 *DISCRETIONARY ADJUSTMENTS.* Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization, combination or exchange of shares, or any transaction described in Section 15.1), the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, (v) that performance targets and performance periods for Performance Awards will be modified, consistent with Code Section 162(m) where applicable, or (vi) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

15.3 *GENERAL.* Any discretionary adjustments made pursuant to this Article 15 shall be subject to the provisions of Section 16.2. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options.

## **ARTICLE 16 AMENDMENT, MODIFICATION AND TERMINATION**

16.1 *AMENDMENT, MODIFICATION AND TERMINATION.* The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without stockholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Board or the Committee, either (i) materially increase the number of Shares available under the Plan, (ii) expand the types of awards under the Plan, (iii) materially expand the class of participants eligible to participate in the Plan, (iv) materially extend the term of the Plan, or (v) otherwise constitute a material change requiring stockholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of an Exchange, then such amendment shall be subject to stockholder approval; and provided, further, that the Board or Committee may condition any other amendment or modification on the approval of stockholders of the Company for any reason, including by reason of such approval being necessary or deemed advisable to (i) to comply with the listing or other requirements of an Exchange, or (ii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

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16.2. *AWARDS PREVIOUSLY GRANTED.* At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however:

(a) Subject to the terms of the applicable Award Certificate, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment or termination over the exercise or base price of such Award);

(b) The original term of an Option may not be extended without the prior approval of the stockholders of the Company;

(c) Except as otherwise provided in Article 15, the exercise price of an Option may not be reduced, directly or indirectly, without the prior approval of the stockholders of the Company; and

(d) No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant affected thereby. An outstanding Award shall not be deemed to be "adversely affected" by a Plan amendment if such amendment would not reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment over the exercise or base price of such Award).

16.3. *COMPLIANCE AMENDMENTS.* Notwithstanding anything in the Plan or in any Award Certificate to the contrary, the Committee may amend the Plan or an Award Certificate, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or Award Certificate to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 16.3 to any Award granted under the Plan without further consideration or action.

### ARTICLE 17 GENERAL PROVISIONS

17.1. *NO RIGHTS TO AWARDS; NON-UNIFORM DETERMINATIONS.* No Participant or any Eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Affiliates nor the Committee is obligated to treat Participants or Eligible Participants uniformly, and determinations made under the Plan may be made by the Committee selectively among Eligible Participants who receive, or are eligible to receive, Awards (whether or not such Eligible Participants are similarly situated).

17.2. *NO STOCKHOLDER RIGHTS.* No Award gives a Participant any of the rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

17.3. *SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE.*

(a) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Award Certificate by reason of the occurrence of a Change in Control, or the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to

the Participant by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any Award upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A.

(b) If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Company's President) shall determine which Awards or portions thereof will be subject to such exemptions.

(c) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

17.4. **WITHHOLDING.** The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the Plan. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award Shares having a Fair Market Value on the date of

withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. All such elections shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

17.5. *NO RIGHT TO CONTINUED SERVICE.* Nothing in the Plan, any Award Certificate or any other document or statement made with respect to the Plan, shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment or status as an officer, director or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer, director or consultant of the Company or any Affiliate, whether for the duration of a Participant's Award or otherwise. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any Affiliate and, accordingly, subject to Article 16, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board of Directors without giving rise to any liability on the part of the Company or an of its Affiliates.

17.6. *UNFUNDED STATUS OF AWARDS.* The Plan is intended to be an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Certificate shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate. This Plan is not intended to be subject to ERISA.

17.7. *RELATIONSHIP TO OTHER BENEFITS.* No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Affiliate unless provided otherwise in such other plan.

17.8. *EXPENSES.* The expenses of administering the Plan shall be borne by the Company and its Affiliates.

17.9. *TITLES AND HEADINGS.* The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.10. *GENDER AND NUMBER.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.11. *FRACTIONAL SHARES.* No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down.

17.12. *GOVERNMENT AND OTHER REGULATIONS.*

(a) Notwithstanding any other provision of the Plan, no Participant who acquires Shares pursuant to the Plan may, during any period of time that such Participant is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act), sell such Shares, unless such offer and sale is made (i) pursuant to an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) pursuant to an appropriate exemption from the registration requirement of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

(b) Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Shares covered by an Award upon any Exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase or receipt of Shares thereunder, no Shares may be purchased, delivered or received pursuant to such Award unless and until such registration, listing,

qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any Participant receiving or purchasing Shares pursuant to an Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement.

17.13. *GOVERNING LAW.* To the extent not governed by federal law, the Plan and all Award Certificates shall be construed in accordance with and governed by the laws of the State of Delaware.

17.14. *ADDITIONAL PROVISIONS.* Each Award Certificate may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of the Plan.

17.15. *NO LIMITATIONS ON RIGHTS OF COMPANY.* The grant of any Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The Plan shall not restrict the authority of the Company, for proper corporate purposes, to draft or assume awards, other than under the Plan, to or with respect to any person. If the Committee so directs, the Company may issue or transfer Shares to an Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer such Shares to a Participant in accordance with the terms of an Award granted to such Participant and specified by the Committee pursuant to the provisions of the Plan.

17.16. *INDEMNIFICATION.* Each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Article 4 shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

**Directions to the  
2007 Annual Meeting of Shareholders**

**To be held at  
Micron's Headquarters  
8000 S. Federal Way, Boise, ID  
Tuesday, December 4, 2007, 9:00 a.m.**

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**2007 ANNUAL MEETING OF SHAREHOLDERS**

**DECEMBER 4, 2007**

**Company's Headquarters  
8000 S. Federal Way,  
Boise, Idaho 83716-9632**

If you consented to access your proxy information electronically, you may view it by going to Micron's website. You can get there by typing in the following address: <http://www.micron.com>

If you would like to access the proxy materials electronically next year, go to the following Consent site address: <http://www.econsent.com/mu/>

**Micron Technology, Inc.  
Boise, Idaho 83716-9632**

**proxy**

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**This Proxy is solicited on behalf of the Board of Directors.**

The undersigned shareholder(s) of Micron Technology, Inc., a Delaware corporation, hereby acknowledge(s) receipt of the Notice of 2007 Annual Meeting of Shareholders and Proxy Statement, each dated November 5, 2007, and hereby appoints Steven R. Appleton and D. Mark Durcan, and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2007 Annual Meeting of Shareholders of Micron Technology, Inc., to be held December 4, 2007, at 9:00 a.m., Mountain Standard Time, at the **Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632**, and at any adjournment or adjournments thereof, and to vote (including cumulatively, if required) all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth below:

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). **If no direction is made, this proxy will be voted FOR Proposals 1, 2 and 3.** If any other matters properly come before the meeting, or if cumulative voting is required, the persons named in this proxy will vote, in their discretion, provided that they will not vote in the election of directors for persons for whom authority to vote has been withheld.

*See reverse for voting instructions.*

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There are three ways to vote your Proxy

Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. COMPANY #
VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK \*\*\* EASY \*\*\* IMMEDIATE

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on December 3, 2007.

Please have your proxy card and the last four digits of your Social Security Number or Tax Payer Identification number available. Follow the simple instructions the voice provides you.

VOTE BY INTERNET http://www.eproxy.com/mu/ QUICK \*\*\* EASY \*\*\* IMMEDIATE

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on December 3, 2007.

Please have your proxy card and the last four digits of your Social Security Number or Tax Payer Identification number available. Follow the simple instructions to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to Micron Technology, Inc., c/o Shareowner ServicesSM, P.O. Box 64873, St. Paul, MN 55164-0873.

If you vote by Phone or Internet, please do not mail your Proxy Card

The Board of Directors Recommends a Vote FOR Proposals 1, 2 and 3.

- 1. ELECTION OF DIRECTORS: 01 Steven R. Appleton 02 Teruaki Aoki 03 James W. Bagley 04 Robert L. Bailey 05 Mercedes Johnson 06 Lawrence N. Mondry 07 Robert E. Switz o FOR nominees listed (except as indicated) o WITHHOLD authority to vote for all nominees listed

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

Please fold here

- 2. PROPOSAL BY THE COMPANY TO APPROVE THE COMPANY'S 2007 EQUITY INCENTIVE PLAN WITH 30,000,000 SHARES RESERVED FOR ISSUANCE THEREUNDER o For o Against o Abstain
3. PROPOSAL BY THE COMPANY TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING AUGUST 28, 2008 o For o Against o Abstain

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR PROPOSALS 1, 2 AND 3.

Address Change? Mark Box o Date: Indicate changes below:

Signature(s) in Box

This proxy should be voted, signed, and dated by the shareholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.



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(continued from other side)

3.

PROPOSAL BY THE COMPANY TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING AUGUST 28, 2008

FOR  AGAINST  ABSTAIN

and in their discretion, upon such other matter or matters which may properly come before the meeting or any adjournment or adjournments thereof.

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). **If no direction is made, this proxy will be voted FOR Proposals 1, 2, and 3.** If any other matters properly come before the meeting, or if cumulative voting is required, the persons named in this proxy will vote, in their discretion, provided that they will not vote in the election of directors for persons for whom authority to vote has been withheld.

Dated

\_\_\_\_\_

\_\_\_\_\_

Signature

\_\_\_\_\_

Signature

(This proxy should be voted, signed, and dated by the shareholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.)

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