

MICRON TECHNOLOGY INC
Form S-3ASR
May 16, 2007

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As filed with the Securities and Exchange Commission on May 16, 2007

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MICRON TECHNOLOGY, INC.

(Exact name of Registrant as specified in its charters)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1618004
(I.R.S. Employer
Identification Number)
8000 South Federal Way, P.O. Box 6
Boise, Idaho 83707-0006
(208) 368-4000

(Address, including zip code, and telephone number, including
area code, of Registrants' principal executive offices)

W. G. Stover, Jr.
Vice President of Finance and Chief Financial Officer
Micron Technology, Inc.
8000 South Federal Way
Boise, Idaho 83716-9632
(208) 368-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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From time to time after the effective date of this registration statement. (Approximate date of commencement of proposed sale to the public)

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered(2)	Proposed maximum aggregate offering price per unit(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee(2)
Convertible Senior Notes				
Common Stock \$0.10 par value per share				
Total				

1) An indeterminate number of or aggregate principal amount of the securities of each identified class is being registered as may at various times be issued at indeterminate prices. The registrant is deferring payment of the amount of the registration fee in reliance on Rule 456(b) and Rule 457(r) under the Securities Act.

2) An unspecified aggregate initial offering price or number of the securities of each identified class is being registered as may from time to time be offered at unspecified prices. In accordance with Rules 456(b) and 457(r), the registrant is deferring payment of all of the registration fee.

The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to completion)

Issued May 16, 2007.

Micron Technology, Inc.

\$1,100,000,000

% Convertible Senior Notes due 2014

Interest payable on June 1 and December 1

Holdings may convert their *% Convertible Senior Notes due June 1, 2014*, based on a conversion rate of _____ shares of common stock per \$1,000 principal amount of notes (which is equal to an initial conversion price of approximately \$ _____ per share of common stock), subject to adjustment, on or prior to the close of business on the business day immediately preceding the maturity date for the notes only under the following circumstances: (1) if the closing price of our common stock reaches a specified threshold and remains at or exceeds such threshold for a specified period, (2) if the notes are called for redemption, (3) if specified distributions to holders of our common stock are made or specified corporate events occur, (4) during the five business days after any five consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each day of that period was less than 98% of the product of the closing price of our common stock and the then applicable conversion rate or (5) during the last three months prior to the maturity date of the notes. Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock. At any time on or prior to the maturity date of the notes, we may irrevocably elect to deliver cash up to the aggregate principal amount of the notes to be converted, and shares of our common stock, cash or a combination thereof in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. If a holder elects to convert its notes in connection with a make-whole change in control (as defined in this prospectus), we will, in certain circumstances, pay a make-whole premium by increasing the conversion rate for notes converted in connection with such make-whole change in control.

On or after June 6, 2011, we may redeem for cash all or part of the notes if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending within five trading days prior to the date on which we provide notice of redemption. If we experience a change in control or a termination of trading, holders may require us to repurchase for cash all or a portion of the notes, at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The notes will rank equally with all of our existing and future senior debt and senior to all our future subordinated debt. The notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries. For a more detailed description of the notes, see "Description of Notes" beginning on page 29.

The notes will not be listed on any securities exchange nor included in any automatic quotation system. Our common stock is listed on The New York Stock Exchange under the symbol "MU." On May 15, 2007, the last reported sale price of our common stock was \$12.07 per share.

Investing in the notes involves risks. See "Risk Factors" beginning on page 10.

PRICE 100% AND ACCRUED INTEREST, IF ANY

<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Micron</i>
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	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Micron</u>
<i>Per Note</i>	%	%	%
<i>Total</i>	\$	\$	\$

We have granted the underwriters the right to purchase up to an additional \$165,000,000 principal amount of the notes, solely to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers on May , 2007

Sole Book-Running Manager

MORGAN STANLEY
Lehman Brothers

May , 2007

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You should rely only on the information contained or incorporated by reference in this prospectus and any "free writing prospectus" we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where such offer to sale of shares would be unlawful. You should not assume that the information in this prospectus, including any information incorporated by reference, is accurate as of any date other than their respective dates. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

SUMMARY

Because this is a summary, it may not contain all the information that may be important to you and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus. You should read the entire prospectus, especially the risks set forth under the heading "Risk Factors" as well as the information incorporated by reference, before making an investment decision. For purposes of the discussion of the notes on the cover page, in the summary of the offering and the "Description of Notes," references to "the Company," "Micron," "Issuer," "we," "us," and "our" refer only to Micron Technology, Inc. and do not include our subsidiaries, except where the context otherwise requires or as otherwise indicated. For purposes of the remaining portions of the prospectus, including the summary below and "Risk Factors - Risks Related to Our Business," such references refer to Micron Technology, Inc. and our subsidiaries, except where the context otherwise requires.

MICRON TECHNOLOGY, INC.

We are a global manufacturer of semiconductor devices, principally semiconductor memory products (including DRAM and NAND Flash) and CMOS image sensors. We operate in two segments: Memory and Imaging. Our products are used in a broad range of electronic applications including personal computers, workstations, network servers, mobile phones and other consumer applications including flash memory cards, USB storage devices, digital still cameras, MP3 players and in automotive applications. We market our products through our internal sales force, independent sales representatives and distributors primarily to original equipment manufacturers and retailers located around the world. Our success is largely dependent on the market acceptance of a diversified semiconductor product portfolio, efficient utilization of our manufacturing infrastructure, successful ongoing development of advanced process technologies and generation of sufficient return on research and development investments.

We have strategically diversified our business by expanding into semiconductor products such as specialty memory products (including SDRAM, PSRAM, mobile SDRAM and reduced latency DRAM), NAND Flash memory products and CMOS image sensors. These products are used in a wider range of applications than the computing applications that use our highest volume products, DDR and DDR2 DRAM. We leverage our expertise in semiconductor memory manufacturing and product and process technology to provide products that are differentiated from competitors' products based on performance characteristics. In 2006 and the first six months of 2007, approximately half of our revenue came from sales of specialty memory products, NAND Flash memory products and CMOS image sensors. We believe the strategic diversification of our product portfolio will strengthen our ability to allocate manufacturing resources to achieve the highest rate of return.

We have partnered with Intel to form two NAND Flash manufacturing joint ventures: IM Flash Technologies, LLC and IM Flash Singapore LLP (collectively "IM Flash"). IM Flash operations include two 300mm wafer fabrication facilities that are expected to greatly increase our production of NAND Flash in 2007. IM Flash Singapore LLP plans to begin construction of a new 300mm wafer fabrication facility in Singapore in 2007. We expect to contribute approximately \$2 billion in cash to IM Flash over the next three years, with similar contributions to be made by Intel. As of March 1, 2007, we owned 51% and Intel owned 49% of IM Flash. We share output of IM Flash generally in proportion to our ownership in IM Flash.

We make significant ongoing investments to implement our proprietary product and process technology in our facilities in the United States, Europe and Asia to manufacture semiconductor products with increasing functionality and performance at lower costs. We continue to introduce new generations of products that offer improved performance characteristics, such as higher data transfer rates, reduced package size, lower power consumption and increased megapixel count. We generally reduce the manufacturing cost of each generation of product through advancements in product and process technology such as our leading-edge line width process technology and innovative array architecture.

In order to maximize returns from investments in research and development ("R&D"), we develop process technology that effectively reduces production costs and leverages our capital expenditures. To leverage our R&D investments, we have formed strategic joint ventures under which the costs of developing NAND Flash memory product and process technologies are shared with our joint venture partner. In addition, from time to time, we have also sold and/or licensed technology to third parties. To be successfully incorporated in customers' end products, we must offer qualified semiconductor solutions at a time when customers are developing their design specifications for their end products. This is especially true for specialty memory products and CMOS image sensors, which are required to demonstrate advanced functionality and performance well ahead of a planned ramp of production to commercial volumes. In addition, DRAM and NAND Flash products necessarily incorporate highly advanced design and process technologies. We must make significant investments in R&D to expand our product offering and develop our leading-edge product and process technologies.

Recent developments

In the first two months of the third fiscal quarter, we believe, based on published industry reports, average selling prices for DDR2 DRAM products and NAND Flash products were approximately 45% and 20% lower, respectively, as compared to industry average selling prices for the second fiscal quarter of 2007. Our results of operations for the fiscal quarter ending May 31, 2007 will reflect these declines. See "Risk Factors We have experienced dramatic declines in average selling prices for our semiconductor memory products which have adversely affected our business."

We were originally incorporated in Idaho in 1978. In 1984 we were reincorporated in Delaware. Our executive offices are located at 8000 South Federal Way, Boise, Idaho 83716-9632, and our telephone number is (208) 368-4000. Our website is located at www.micron.com. The information contained or incorporated in our website is not part of this prospectus.

THE OFFERING

The following summary contains basic information about the notes and is not a complete description of the offering. Thus, it does not contain all the information that is important to you. For a more detailed description of the notes you should read the section titled "Description of Notes."

Issuer	Micron Technology, Inc.
Notes Offered	\$1,100,000,000 aggregate principal amount of % Convertible Senior Notes due June 1, 2014.
Maturity Date	The notes will mature on June 1, 2014, subject to earlier repurchase, redemption or conversion.
Interest and Payment Dates	% per year on the principal amount accruing from May , 2007, and payable semiannually in arrears in cash on June 1 and December 1 of each year, beginning December 1, 2007.
Conversion Rights	<p> Holders may surrender their notes for conversion prior to the close of business on the business day immediately preceding the maturity date for the notes only under the following circumstances:</p> <ul style="list-style-type: none"> during any calendar quarter beginning after August 30, 2007 (and only during such calendar quarter), if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 130% of the then applicable conversion price per share of the notes, which is \$1,000, divided by the then applicable conversion rate of the notes; if the notes have been called for redemption; if specified distributions to holders of our common stock are made, or specified corporate events occur; during the five business days after any five consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the closing price of our common stock and the then applicable conversion rate of the notes; or at any time on or after March 1, 2014. <p>The initial conversion rate for the notes is shares of common stock per \$1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately \$ per share of common stock. The conversion rate is subject to adjustment under certain circumstances. See "Description of Notes Adjustments to Conversion Rate."</p>

Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock to satisfy our conversion obligation, in each case calculated as described under "Description of Notes Conversion Rights Settlement Upon Conversion." At any time on or prior to the 30th scheduled trading day prior to the maturity date, we may irrevocably elect to satisfy our conversion obligation by delivering cash up to the aggregate principal amount of notes to be converted, and shares of our common stock, cash or combination thereof in respect of the remainder, if any, of our conversion obligation. See "Description of Notes Conversion Rights Irrevocable Election of Net Share Settlement." Upon any conversion, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest. See "Description of Notes Conversion Rights."

Holders who convert their notes in connection with a make-whole change in control, as defined herein, may be entitled to a make-whole premium in the form of an increase in the conversion rate for notes converted in connection with such make-whole change in control. See "Description of Notes Adjustment to Conversion Rate Adjustment to Conversion Rate Upon a Make-Whole Change in Control."

Repurchase Upon a Change in Control or Termination of Trading

Upon a change in control or termination of trading, each as defined herein, the holders may require us to repurchase for cash all or a portion of their notes at a repurchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. See "Description of Notes Repurchase at the Option of the Holder Upon a Change in Control or Termination of Trading."

Ranking

The notes will rank equally with all our existing and future senior debt and senior to all our future subordinated debt. The notes will rank junior to all our existing and future senior secured debt to the extent of the collateral securing such debt and will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of March 1, 2007, we had:

\$219 million of senior unsecured indebtedness outstanding equal in right of payment to the notes;

\$423 million of senior secured indebtedness outstanding senior in right of payment to the notes to the extent of the collateral securing such indebtedness; and

no subordinated indebtedness.

Our subsidiaries had \$186 million of indebtedness secured by our subsidiaries' collateral and guaranteed by us on an unsecured basis. This indebtedness of our subsidiaries is included in the \$219 million of senior unsecured indebtedness because of our guarantee of such indebtedness. In addition, our subsidiaries had unsecured liabilities (including trade and other payables but excluding intercompany indebtedness) outstanding in an amount of \$1,167 million. Both the secured and unsecured indebtedness of our subsidiaries is structurally senior to the notes. The indenture for the notes does not restrict us or our subsidiaries from incurring additional debt or other liabilities. Our subsidiaries will not guarantee any of our obligations under the notes.

Redemption at Our Option

We may not redeem the notes prior to June 6, 2011. On or after June 6, 2011, we may redeem for cash all or part of the notes if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending within five trading days prior to the date on which we provide notice of redemption. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. We will give notice of redemption not less than 30 nor more than 60 days before the redemption date by mail to the trustee, the paying agent and each holder of notes.

Use of Proceeds

We estimate that the net proceeds from this offering, after deducting the underwriters' discounts and estimated offering expenses payable by us of approximately \$19 million, will be approximately \$1,081 million (or approximately \$1,242 million if the underwriters exercise their over-allotment option in full).

We intend to use a portion of the net proceeds of this offering to pay the cost of capped call transactions that we will enter into with one or more counterparties, which may include some of the underwriters and/or their affiliates (the "counterparties"). We estimate that the cost of the capped call transactions will be approximately \$132 million. If the underwriters exercise their option to purchase additional notes to cover over-allotments, we will use a portion of the net proceeds from the sale of the additional notes to enter into additional capped call transactions with respect to the shares initially issuable upon conversion of the additional notes. The remaining net proceeds from this offering of approximately \$949 million will be used for general corporate purposes, including working capital and capital expenditures.

Capped Call Transactions

In connection with this offering, we plan to enter into capped call transactions with the counterparties described above. These capped call transactions are expected to reduce the potential dilution upon conversion of the notes to the extent described in "Capped Call Transactions." We intend to use approximately \$132 million of the proceeds from this offering to pay the cost of the capped call transactions. If the underwriters exercise their option to purchase additional notes to cover overallocments, we will use a portion of the net proceeds from the sale of the additional notes to enter into additional capped call transactions with respect to the shares initially issuable upon conversion of the additional notes.

In connection with establishing their initial hedge of these capped call transactions, we expect that the counterparties described (and/or their affiliates) above:

may enter into various over-the-counter cash-settled derivative transactions with respect to our common stock concurrently with, or shortly after, the pricing of the notes; and

may enter into or unwind various over-the-counter derivatives and/or purchase our common stock in secondary market transactions following the pricing of the notes.

These activities could have the effect of increasing or preventing a decline in the price of our common stock concurrently with or following the pricing of the notes.

In addition, we expect that the counterparties described above may modify or unwind their hedge positions by entering into or unwinding various derivative transactions and/or purchasing or selling our common stock in secondary market transactions prior to maturity of the notes (and are likely to do so during any conversion period related to conversion of the notes). The effect, if any, of these transactions and activities on the market price of our common stock or the notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock and the value of the notes, and as a result, the value you will receive upon the conversion of the notes and, under certain circumstances, your ability to convert the notes. See "Capped Call Transactions."

The capped call transactions are separate transactions and are not part of the terms of the notes and will not affect the holders' rights under the notes. As a holder of the notes, you will not have any rights with respect to the capped call transactions.

For a discussion of the effect of any market or other activity by the counterparties in connection with these capped call transactions, see "Risk Factors The capped call transactions may affect the value of the notes and our common stock," "Capped Call Transactions" and "Underwriters."

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DTC Eligibility	<p>The notes will be issued in fully registered book-entry form and will be represented by permanent global notes without coupons. The global notes will be deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company, or DTC.</p> <p>Beneficial interests in global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, and your interest in any global note may not be exchanged for certificated notes, except in limited circumstances described herein. See "Description of Notes Global Notes; Book-Entry; Form."</p>
Form and Denomination	<p>The notes will be issued in minimum denominations of \$1,000 and any integral multiple of \$1,000.</p>
Absence of a Trading Market for the Notes	<p>The notes will not be listed on any securities exchange nor included in any automated quotation system. The notes will be new securities for which there is currently no trading market, and we cannot guarantee that an active or liquid market will develop.</p>
The New York Stock Exchange Symbol for Common Stock	<p>Our common stock is listed on the New York Stock Exchange under the symbol "MU."</p>
Trustee	<p>The trustee for the notes will be Wells Fargo Bank, National Association.</p>
Governing Law	<p>The indenture and the notes will be governed by the laws of the State of New York.</p>
Risk Factors	<p>See "Risk Factors" and other information included or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.</p>

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statement of operations data below for the fiscal years ended September 2, 2004, September 1, 2005, and August 31, 2006, and the selected consolidated balance sheet data as of September 1, 2005 and August 31, 2006, have been derived from the audited consolidated financial statements of Micron that are incorporated by reference herein, and are qualified by reference to such financial statements. The selected consolidated statement of operations data below for the six month periods ended March 2, 2006, and March 1, 2007, and the selected consolidated balance sheet data as of March 1, 2007, have been derived from unaudited consolidated financial statements of Micron that are incorporated by reference herein. In the opinion of management, such unaudited quarterly financial data contains all adjustments necessary for the fair statement of Micron's financial position and results of operations as of and for such periods. Operating results for the six months ended March 1, 2007 are not necessarily indicative of results that may be expected for future periods. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference in this prospectus supplement and the accompanying prospects.

	Fiscal Year Ended			Six Months Ended	
	September 2, 2004	September 1, 2005	August 31, 2006	March 2, 2006	March 1, 2007
(In millions except per share data)					
Consolidated Statement of Operations Data:					
Net sales	\$ 4,404	\$ 4,880	\$ 5,272	\$ 2,587	\$ 2,957
Cost of goods sold	3,090	3,734	4,072	2,040	2,158
Gross margin	1,314	1,146	1,200	547	799
Selling, general and administrative	332	348	460	203	333
Research and development	755	604	656	325	426
Restructure	(23)	(1)			
Other operating (income) expense		(22)	(266)	(231)	(36)
Operating income	250	217	350	250	76
Interest income	15	32	101	31	76
Interest expense	(36)	(47)	(25)	(18)	(5)
Other non-operating income (expense)	3	(3)	7		8
Income before income taxes and noncontrolling interests	232	199	433	263	155
Income tax (provision) benefit	(75)	(11)	(18)	(7)	(15)
Noncontrolling interests in net income			(7)		(77)
Net income	\$ 157	\$ 188	\$ 408	\$ 256	\$ 63
Earnings per share:					
Basic	\$ 0.24	\$ 0.29	\$ 0.59	\$ 0.39	\$ 0.08
Diluted	0.24	0.29	0.57	0.37	0.08
Number of shares used in per share calculations:					
Basic	641.5	647.7	691.7	655.8	767.9
Diluted	645.7	702.0	725.1	710.6	776.3

	As of	As of
	September 1, 2005	August 31, 2006
	September 1, 2007	
(In millions)		

Consolidated Balance Sheet Data:

Cash and short-term investments	\$ 1,290	\$ 3,079	\$ 2,193
Other current assets	1,636	2,022	2,335
Total assets	8,006	12,221	13,376

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	<u>As of</u>		<u>As of</u>
Long-term debt	1,020	405	639
Noncontrolling interests in subsidiaries		1,568	2,283
Shareholders' equity	5,847	8,114	8,249

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RATIO OF EARNINGS TO FIXED CHARGES

	Fiscal Year Ended					Six Months Ended	
	August 29, 2002	August 28, 2003	September 2, 2004	September 1, 2005	August 31, 2006	March 2, 2006	March 1, 2007
Ratio of earnings to fixed charges(1)			6.3x	4.5x	10.4x	11.7x	6.0x

(1) For the purpose of calculating such ratios, "earnings" consist of income from continuing operations before income taxes and noncontrolling interests plus fixed charges and "fixed charges" consist of interest expense (net of capitalized portion), capitalized interest, amortization of debt discount and the portion of rental expense representative of interest expense. Earnings before fixed charges were inadequate to cover total fixed charges by \$1,008 million and \$1,202 million for the fiscal years ended August 29, 2002 and August 28, 2003, respectively.

RISK FACTORS

Investing in the notes and our common stock involves a high degree of risk. In addition, our business, operations and financial condition are subject to various risks. You should carefully consider the risks described below with all of the other information included in this prospectus supplement and the accompanying prospectus before making an investment decision. If any of the adverse events described below were to actually occur, our business, results of operations, or financial condition would likely suffer. In such an event, the trading price of the notes and our common stock could decline and you could lose all or part of your investment. Additionally, this section does not attempt to describe all risks applicable to our industry, our business or investment in the notes or our common stock. Risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business

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

In the second fiscal quarter of 2007, our average selling prices for DRAM products and NAND Flash products decreased 13% and 31%, respectively, as compared to the first fiscal quarter of 2007. In the first two months of the third fiscal quarter of 2007 we believe, based on published industry reports, that average selling prices for DDR2 DRAM products and NAND Flash products decreased approximately 20% and 45%, respectively, as compared to industry average selling prices for the second fiscal quarter of 2007. In recent years, we have also experienced annual decreases in per megabit average selling prices for our memory products including: 34% in 2006, 24% in 2005, 17% in 2003, 53% in 2002 and 60% in 2001. At times, average selling prices for our memory products have been below our costs. If average selling prices for our memory products decrease faster than we can decrease per megabit costs, as they they recently have, our business, results of operations or financial condition could be materially adversely affected.

Increased worldwide semiconductor memory production or lack of demand for semiconductor memory could lead to further declines in average selling prices.

The transitions to smaller line-width process technologies and 300mm wafers in the industry have resulted in significant increases in the worldwide supply of semiconductor memory and will likely lead to future increases. Increases in worldwide supply of semiconductor memory also result from semiconductor memory fab capacity expansions, either by way of new facilities, increased capacity utilization or reallocation of other semiconductor production to semiconductor memory production. We and several of our competitors have announced plans to increase production through construction of new facilities or expansion of existing facilities. Increases in worldwide supply of semiconductor memory, if not accompanied with commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations or financial condition.

We may be unable to reduce our per megabit manufacturing costs at the same rate as we have in the past.

Historically, our gross margin has benefited from decreases in per unit manufacturing costs achieved through improvements in our manufacturing processes, including reducing the die size of our existing products. In future periods, we may be unable to reduce our per unit manufacturing costs or reduce these costs at historical rates due to strategic product diversification decisions affecting product mix, the ever increasing complexity of manufacturing processes, changes in process technologies or products which inherently may require relatively larger die sizes. Per unit manufacturing costs may also be affected by the relatively smaller production quantities and shorter product lifecycles of Imaging and certain specialty memory products.

Our plans to significantly increase our NAND Flash memory production and sales have numerous risks.

We plan to significantly increase our NAND Flash production and sales in future periods. As part of this plan we have formed a manufacturing joint venture with Intel and made substantial investments in capital expenditures for equipment and new facilities as well as research and development. Our plans also require significant future investments in capital expenditures and research and development. We currently expect our capital spending for 2008 to be between \$2.0 and \$3.0 billion, with a majority of the expenditures being made to support our NAND operations. These investments involve numerous risks. In addition we are required to devote a significant portion of our existing semiconductor manufacturing capacity to the production of NAND Flash instead of the Company's other products. We are party to a contract with Apple Inc. to provide NAND Flash products for an extended period of time at contractually determined prices. We currently have a relatively small share of the world-wide market for NAND Flash.

Our NAND Flash strategy involves numerous risks, and may include the following:

- increasing our exposure to changes in average selling prices for NAND Flash;
- difficulties in establishing new production operations at multiple locations;
- increasing capital expenditures to increase production capacity and modify existing processes to produce NAND Flash;
- increasing debt to finance future investments;
- diverting management's attention from DRAM and CMOS Image sensor operations;
- managing larger operations and facilities and employees in separate geographic areas; and
- hiring and retaining key employees.

Our NAND Flash strategy may not be successful and could materially adversely affect our business, results of operations or financial condition.

The future success of our Imaging business will be dependent on continued market acceptance of our products and the development, introduction and marketing of new Imaging products.

Our Imaging business represented 11% of our net sales in the second quarter of 2007. Despite growth in 2006, Imaging net sales and gross margins were down significantly in the second quarter of 2007 compared to the first quarter of 2007. There can be no assurance that we will be able to grow or maintain our market share or gross margins for Imaging products in the future. The success of our Imaging business will depend on a number of factors, including:

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

We may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory and CMOS image sensors sold, average selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. We expect capital spending for the remainder of 2007 to approximate \$1.8 billion, of which approximately \$0.5 billion is expected to be funded by capital contributions from our joint venture partners. We currently anticipate 2008 capital spending to be between \$2 billion and \$3 billion. Cash and investments of IM Flash and TECH are generally not available to finance our other operations. In addition to cash provided by operations, we have from time to time utilized external sources of financing. Access to capital markets has historically been very important to us. Depending on market conditions, we may issue registered or unregistered securities to raise capital to fund a portion of our operations. There can be no assurance that we will be able to generate sufficient cash flows to fund our operations, make adequate capital investments or access capital markets on acceptable terms, and an inability to do so could have a material adverse effect on our business and results of operations.

The semiconductor industry is highly competitive.

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Hynix Semiconductor Inc.; Qimonda AG ADS; Samsung Electronics Co., Ltd.; SanDisk Corporation; Toshiba Corporation and from emerging companies in Taiwan and China, who have announced plans to significantly expand the scale of their operations. Some of our competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. These factors have significantly increased worldwide supply and put downward pressure on prices.

We face competition in the image sensor market from a number of suppliers of CMOS image sensors including MagnaChip Semiconductor Ltd.; OmniVision Technologies, Inc.; Samsung Electronics Co., Ltd; Sony Corporation; STMicroelectronics NV; Toshiba Corporation and from a number of suppliers of CCD image sensors including Matsushita Electric Industrial Co., Ltd.; Sharp Corporation and Sony Corporation. In recent periods, a number of new companies have entered the CMOS image sensor market. Competitors include many large domestic and international companies that have greater presence in key markets, better access to certain customer bases, greater name recognition and more established strategic and financial relationships than the Company.

We may have difficulty integrating the operations of Lexar.

If we are unable to successfully combine and integrate the Lexar operations, we may not be able to realize many of the anticipated benefits of the merger, which could harm our results of operations. In order to realize the benefits of the merger, we will need to timely integrate the technology, operations, and personnel of Lexar. Integrating the two companies will be a complex, time-consuming and expensive process that, even with proper planning and implementation, could significantly disrupt the businesses of Micron and Lexar. The challenges involved in this integration include: combining product and service offerings, optimizing inventory management over a broader distribution chain, and preserving customer, supplier and other important relationships of both Micron and Lexar. If we are not able to successfully integrate our operations with those of Lexar, our results of operations could be materially adversely affected.

Our internal control over financial reporting could be adversely affected by material weaknesses in Lexar's internal controls.

In Lexar's Annual Report on Form 10-K for the period ended December 31, 2005, and its Quarterly Report on Form 10-Q for the period ended March 31, 2006, Lexar reported material weaknesses with respect to its revenue recognition controls and inventory accounting controls. These control deficiencies resulted in audit adjustments to revenues, accounts receivable, cost of product revenues, deferred revenue, sales related accruals and inventory in Lexar's 2005 consolidated financial statements. As a result of these material weaknesses, Lexar concluded in its Annual Report and Quarterly Report that its internal control over financial reporting was not effective as of the end of the periods covered by the reports. While prior to the close of the merger Lexar continued to take steps to remediate these material weaknesses, there can be no assurance that we will be able to completely remediate these material weaknesses such that we will be able to conclude that our internal control over financial reporting is effective. We began consolidating the financial results of Lexar on June 22, 2006. However, due to the timing of the acquisition, the internal control over financial reporting relating to Lexar was exempt from testing and evaluation for 2006. To the extent we do not remediate the material weaknesses, the effectiveness of our internal control over financial reporting may be adversely affected.

Our net operating loss carryforwards may be limited as a result of the Lexar merger.

Micron and Lexar had net operating loss carryforwards for federal income tax purposes prior to the merger and both entities had provided significant valuation allowances against the tax benefit of such losses as well as certain tax credit carryforwards. Utilization of these net operating losses and credit carryforwards are dependent upon us achieving profitable results following the Lexar merger. As a consequence of the merger, as well as earlier issuances of common stock consummated by both companies and business combinations by the Company, utilization of the tax benefits of these carryforwards are subject to limitations imposed by Section 382 of the Internal Revenue Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Accordingly, some portion or all of these carryforwards may not be available to offset any future taxable income.

Our resellers receive price protections which may have an adverse affect on our gross margins.

NAND Flash sales are made through resellers which traditionally have been provided price protection. In an environment of slower demand and abundant supply of products, price declines and channel promotions expenses are more likely to occur. Further, in this environment, high channel inventory may result in substantial price protection charges. These price protection charges have the effect of reducing gross sales and gross margin. We expect to continue to incur price protection charges for the foreseeable future due to competitive pricing pressures and, as a result, our revenues and gross margins could be adversely affected.

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

Our financial statements are prepared in accordance with U.S. GAAP and are reported in U.S. dollars. Across our multi-national operations, there are transactions and balances denominated in other currencies, primarily the euro, yen and Singapore dollar. We estimate that, based on our assets and liabilities denominated in currencies other than U.S. dollar as of March 1, 2007, a 1% change in any of the exchange rates for the euro, the yen or the Singapore dollar versus the U.S. dollar would result in foreign currency gains or losses of approximately \$1 million. In the event that the U.S. dollar weakens significantly compared to the euro, yen or Singapore dollar, our results of operations or financial condition will be adversely affected.

New product development may be unsuccessful.

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

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

As is typical in the semiconductor and other high technology industries, from time to time, others have asserted, and may in the future assert, that our products or manufacturing processes infringe their intellectual property rights. In this regard, we are engaged in litigation with Rambus, Inc. ("Rambus") relating to certain of Rambus' patents and certain of our claims and defenses. On August 28, 2000, we filed a complaint (subsequently amended) against Rambus in the U.S. District Court for the District of Delaware seeking monetary damages and declaratory and injunctive relief. Among other things, our amended complaint alleges violation of federal antitrust laws, breach of contract, fraud, deceptive trade practices, and negligent misrepresentation. The complaint also seeks a declaratory judgment (a) that certain Rambus patents are not infringed by us, are invalid, and/or are unenforceable, (b) that we have an implied license to those patents, and (c) that Rambus is estopped from enforcing those patents against us. On February 15, 2001, Rambus filed an answer and counterclaim in Delaware denying that we are entitled to relief, alleging infringement of the eight Rambus patents named in our declaratory judgment claim, and seeking monetary damages and injunctive relief. A number of other suits are pending in Europe alleging that certain of our SDRAM and DDR SDRAM products infringe various of Rambus' country counterparts to its European patent 525 068, including: on September 1, 2000, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany; on September 22, 2000, Rambus filed a complaint against us and Repronic (a distributor of our products) in the Court of First Instance of Paris, France; and on September 29, 2000, we filed suit against Rambus in the Civil Court of Milan, Italy, alleging invalidity and non-infringement. In addition, on December 29, 2000, we filed suit against Rambus in the Civil Court of Avezzano, Italy, alleging invalidity and non-infringement of the Italian counterpart to European patent 1 004 956. Additionally, other suits are pending alleging that certain of our DDR SDRAM products infringe Rambus' country counterparts to its European patent 1 022 642, including: on August 10, 2001, Rambus filed suit against us and Assitec (an electronics retailer) in the Civil Court of Pavia, Italy; and on August 14, 2001, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany. In the European suits against us, Rambus is seeking monetary damages and injunctive relief. Subsequent to the filing of the various European suits, the European Patent Office declared Rambus' 525 068 and 1 004 956 European patents invalid and revoked the patents. On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California alleging infringement of eighteen Rambus patents. We also are engaged in litigation with Tadahiro Ohmi ("Ohmi"). On June 2, 2005, Ohmi filed suit against us in the U.S. District Court for the Eastern District of Texas (amended on August 31, 2005 substituting the Foundation for Advancement of International Science as the plaintiff) alleging infringement of a single Ohmi patent. We are also engaged in litigation with Mosaid Technologies, Inc. ("Mosaid"). On July 24, 2006, we filed a declaratory judgment action against Mosaid in the U.S. District Court for the Northern District of California seeking, among other things, a court determination that fourteen Mosaid patents are invalid, not enforceable, and/or not infringed. On July 25, 2006, Mosaid filed a lawsuit against us and others in the U.S. District Court for the Eastern District of Texas alleging infringement of nine Mosaid

patents. On August 31, 2006, Mosaid filed an amended complaint adding two additional Mosaid patents. On October 23, 2006, the California Court dismissed our declaratory judgment suit based on lack of jurisdiction.

Among other things, the above lawsuits pertain to certain of our SDRAM, DDR SDRAM, DDR2 SDRAM, RDRAM, and image sensor products, which account for a significant portion of our net sales.

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

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

Allegations of anticompetitive conduct.

On June 17, 2002, we received a grand jury subpoena from the U.S. District Court for the Northern District of California seeking information regarding an investigation by the Antitrust Division of the Department of Justice (the "DOJ") into possible antitrust violations in the "Dynamic Random Access Memory" or "DRAM" industry. We are cooperating fully and actively with the DOJ in its investigation of the DRAM industry. Our cooperation is pursuant to the terms of the DOJ's Corporate Leniency Policy, which provides that in exchange for our full, continuing and complete cooperation in the pending investigation, we will not be subject to prosecution, fines or other penalties from the DOJ.

Subsequent to the commencement of the DOJ investigation, a number of purported class action lawsuits have been filed against us and other DRAM suppliers. Eighteen cases have been filed in various federal district courts (two of which have been dismissed) asserting claims on behalf of a purported class of individuals and entities that purchased DRAM directly from various DRAM suppliers during the period from April 1, 1999 through at least June 30, 2002. All of the cases have been transferred to the U.S. District Court for the Northern District of California for consolidated proceedings. The complaints allege price-fixing in violation of federal antitrust laws and seek treble damages sustained by purported class members, in addition to restitution, costs and attorneys' fees, as well as an injunction against the allegedly unlawful conduct. On June 5, 2006, the Court granted plaintiffs' motion to certify the proposed class of direct purchasers. On January 9, 2007, we entered into a settlement agreement with the class of direct purchasers ("Direct Purchaser Settlement"). Under terms of the Direct Purchaser Settlement, we agreed to pay \$91 million and be dismissed with prejudice from the direct purchaser consolidated class-action suit. On April 18, 2007, the Direct Purchaser Settlement received final approval from the U.S. District Court for the Northern District of California, and the Company was formally dismissed from that action.

Four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege price fixing in violation of federal antitrust laws and various state antitrust and unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys' fees. In addition, at least sixty-two cases have been filed in various state and federal courts (five of which have been dismissed) asserting claims on behalf of a purported class of indirect purchasers of DRAM. Cases have been filed in the following states: Arkansas, Arizona, California, Florida, Hawaii, Iowa, Kansas, Massachusetts, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Virginia, Wisconsin, and West Virginia, and also

in the District of Columbia and Puerto Rico. The complaints purport to be on behalf of individuals and entities that indirectly purchased DRAM and/or products containing DRAM in the respective jurisdictions during various time periods ranging from 1999 through the filing date of the various complaints. The complaints allege violations of various jurisdictions' antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek treble monetary damages, restitution, costs, interest and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated proceedings. The Direct Purchaser Settlement does not resolve these suits.

Additionally, three cases have been filed in the following Canadian courts: Superior Court, District of Montreal, Province of Quebec; Ontario Superior Court of Justice, Ontario; and Supreme Court of British Columbia, Vancouver Registry, British Columbia. The substantive allegations in these cases are similar to those asserted in the cases filed in the United States. The Direct Purchaser Settlement does not resolve these suits.

In addition, various states, through their Attorneys General, have filed suit against us and other DRAM manufacturers. On July 14, 2006, and on September 8, 2006 in an amended complaint, the following states filed suit in the U.S. District Court for the Northern District of California: Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and the Commonwealth of the Northern Mariana Islands. The amended complaint alleges, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seeks damages, and injunctive and other relief. Additionally, on July 13, 2006, the State of New York filed a similar suit in the U.S. District Court for the Southern District of New York. That case was subsequently transferred to the U.S. District Court for the Northern District of California for pre-trial purposes. The Direct Purchaser Settlement does not resolve these suits.

In February and March 2007, three cases were filed against the Company and other manufacturers of DRAM in the U.S. District Court for the Northern District of California by parties that opted-out of the Direct Purchaser class action. The complaints allege, among other things, violations of federal and state antitrust and competition laws in the DRAM industry, and seek damages, injunctive relief, and other remedies. The Direct Purchaser Settlement does not resolve these suits.

On October 11, 2006, we received a grand jury subpoena from the U.S. District Court for the Northern District of California seeking information regarding an investigation by the DOJ into possible antitrust violations in the "Static Random Access Memory" or "SRAM" industry. We believe that we are not a target of the investigation and we are cooperating with the DOJ in its investigation of the SRAM industry.

Subsequent to the issuance of subpoenas to the SRAM industry, a number of purported class action lawsuits have been filed against us and other SRAM suppliers. Six cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that purchased SRAM directly from various SRAM suppliers during the period from January 1, 1998 through December 31, 2005. Additionally, at least seventy-two cases have been filed in various U.S. District Courts asserting claims on behalf of a purported class of individuals and entities that indirectly purchased SRAM and/or products containing SRAM from various SRAM suppliers during the time period from January 1, 1998 through December 31, 2005. The complaints allege price fixing in violation of federal antitrust laws and state antitrust and unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys' fees.

In the first calendar quarter of 2007, at least fifteen purported class action lawsuits were filed against the Company and other suppliers of flash memory products. Thirteen of these were filed in the U.S.

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District Court for the Northern District of California. These cases assert claims on behalf of a purported class of individuals and entities that purchased Flash memory directly or indirectly from various Flash memory suppliers during the period from January 1, 1999 through the date the various cases were filed. The complaints generally allege price fixing in violation of federal antitrust laws and various state antitrust and unfair competition laws and seek monetary damages, restitution, costs, interest, and attorneys' fees.

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of Cal