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

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 27, 2008

OR

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

For the transition period from _____ to _____

Commission File Number 001-07882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-1692300**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One AMD Place **Sunnyvale, California**	**94088**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (408) 749-4000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the registrant's common stock, $0.01 par value, as of October 31, 2008: 608,486,947.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions except per share amounts)			
Net revenue	$ 1,776	$ 1,558	$ 4,581	$ 3,997
Cost of sales	871	923	2,376	2,608
Gross margin	905	635	2,205	1,389
Research and development	422	431	1,319	1,261
Marketing, general and administrative	313	346	984	1,029
Amortization of acquired intangible assets and integration charges	30	39	89	127
Restructuring charges	9	—	39	—
Operating income (loss)	131	(181)	(226)	(1,028)
Interest income	7	19	32	54
Interest expense	(87)	(95)	(277)	(272)
Other income (expense), net	(4)	(1)	(15)	(8)
Income (loss) before minority interest, equity in loss of Spansion Inc. and other and income taxes	47	(258)	(486)	(1,254)
Minority interest in consolidated subsidiaries	(7)	(9)	(27)	(26)
Equity in net loss of Spansion Inc. and other	(9)	(57)	(33)	(86)
Income (loss) from continuing operations before income taxes	31	(324)	(546)	(1,366)
Provision (benefit) for income taxes	(1)	20	(1)	59
Income (loss) from continuing operations	32	(344)	(545)	(1,425)
Income (loss) from discontinued operations, net of tax	(159)	(52)	(1,129)	(182)
Net income (loss)	$ (127)	$ (396)	$ (1,674)	$ (1,607)
Per share data:				
Basic and diluted				
Continuing operations	$ 0.05	$ (0.62)	$ (0.90)	$ (2.59)
Discontinued operations	$ (0.26)	$ (0.09)	$ (1.86)	$ (0.33)
Net income (loss) per common share	$ (0.21)	$ (0.71)	$ (2.76)	$ (2.92)
Shares used in per share calculation:				
Basic and diluted	608	554	607	551

See accompanying notes to condensed consolidated financial statements.

Advanced Micro Devices, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	September 27, 2008 (unaudited)	December 29, 2007 *
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,108	$ 1,432
Marketable securities	233	457
Total cash and cash equivalents and marketable securities	1,341	1,889
Accounts receivable	626	613
Allowance for doubtful accounts	(6)	(10)
Total accounts receivable, net	620	603
Inventories:		
Raw materials	39	46
Work-in-process	523	464
Finished goods	282	292
Total inventories	844	802
Deferred income taxes	20	64
Prepaid expenses and other current assets	240	396
Assets of discontinued operations	232	1,304
Total current assets	3,297	5,058
Property, plant and equipment:		
Land and land improvements	50	49
Buildings and leasehold improvements	1,797	1,035
Equipment	4,904	6,109
Construction in progress	404	677
Total property, plant and equipment	7,155	7,870
Accumulated depreciation and amortization	(2,715)	(3,159)
Property, plant and equipment, net	4,440	4,711
Acquisition related intangible assets, net (see Note 3)	224	311
Goodwill (see Note 3)	945	950
Other assets	535	520
Total assets	$ 9,441	$ 11,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 737	$ 992
Accrued compensation and benefits	143	183
Accrued liabilities	850	815
Income taxes payable	27	72
Deferred income on shipments to distributors	65	101
Current portion of long-term debt and capital lease obligations	266	238
Other short-term obligations (see Note 14)	94	—
Other current liabilities	199	198
Liabilities of discontinued operations	11	26
Total current liabilities	2,392	2,625
Deferred income taxes	4	6
Long-term debt and capital lease obligations, less current portion	4,874	5,031
Other long-term liabilities (see Note 7)	657	633
Minority interest in consolidated subsidiaries	175	265
Commitments and contingencies (see Note 8)		
Stockholders' equity:		
Capital stock:		
Common stock, par value $0.01; 1,500 shares authorized on September 27, 2008 and December 29, 2007; shares issued: 616 on September 27, 2008 and 612 on December 29, 2007; shares outstanding: 608 on September 27, 2008 and 606 on December 29, 2007	6	6
Capital in excess of par value	6,078	6,016
Treasury stock, at cost (7 shares on September 27, 2008 and December 29, 2007)	(97)	(95)
Retained earnings (deficit)	(4,774)	(3,100)
Accumulated other comprehensive income	126	163
Total stockholders' equity	1,339	2,990
Total liabilities and stockholders' equity	$ 9,441	$ 11,550

See accompanying notes to consolidated financial statements.

* Amounts as of December 29, 2007 were derived from the December 29, 2007 audited financial statements, adjusted for discontinued operations.

Advanced Micro Devices, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	September 27, 2008	September 29, 2007
	(In millions)	
Cash flows from operating activities:		
Net income (loss)	$ (1,674)	$ (1,607)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Minority interest in consolidated subsidiaries	24	26
Depreciation and amortization	920	974
Provision for doubtful accounts	(6)	(6)
Equity in net loss of Spansion Inc. and other	33	86
(Benefit) provision for deferred income taxes	(65)	25
Amortization of foreign grant and subsidy income	(72)	(127)
Net (gain) loss on sale/ disposal of property, plant and equipment	(164)	(5)
Compensation recognized under employee stock plans	62	86
Non-cash foreign exchange (gain) loss	(39)	25
Other than temporary impairment on auction rate securities	12	—
Impairment of goodwill and acquired intangible assets	1,003	—
Other	(5)	17
Changes in operating assets and liabilities:		
Accounts receivable	(76)	479
Inventories	(43)	(23)
Prepaid expenses and other current assets	56	(180)
Other assets	(2)	6
Accounts payables and accrued liabilities	(456)	(70)
Income taxes payable	50	(77)
Net cash used in operating activities	(442)	(371)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(511)	(1,419)
Proceeds from sale of property, plant and equipment	343	42
Proceeds from sale of Spansion Inc. stock	—	157
Purchases of available-for-sale securities	(200)	(406)
Proceeds from sale and maturity of available-for-sale securities	379	255
Purchase of limited partner contribution	(95)	—
Other	6	22
Net cash used in investing activities	(78)	(1,349)
Cash flows from financing activities:		
Repayments of debt and capital lease obligations	(98)	(2,255)
Proceeds from borrowings, net of issuance costs	182	3,649
Payments on return of limited partnership contributions	(19)	(48)
Payments under silent partnership obligation	(38)	—
Purchase of capped call instrument in connection with borrowings	—	(182)
Net proceeds from foreign grants and subsidies	154	210
Proceeds from issuance of common stock under stock-based compensation plans	—	62
Other	15	—
Net cash provided by financing activities	196	1,436
Net decrease in cash and cash equivalents	(324)	(284)
Cash and cash equivalents at beginning of period	1,432	1,380
Cash and cash equivalents at end of period	$ 1,108	$ 1,096
Non-cash investing and financing activities:		
Capital leases	$ —	$ 58

See accompanying notes to condensed consolidated financial statements.

Advanced Micro Devices, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. and subsidiaries (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the interim period ended September 27, 2008 shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 27, 2008. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position and cash flows. The Company has reclassified certain amounts previously reported in its financial statements to conform to the current presentation. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.

The Company uses a 52-to-53 week fiscal year ending on the last Saturday in December. The quarters and nine months ended September 27, 2008 and September 29, 2007 each consisted of 13 and 39 weeks.

As a result of the Company's evaluation of the viability of its non-core businesses in the second quarter of 2008, the Company determined that its Handheld and Digital Television business units are not directly aligned with its core strategy of computing and graphics market opportunities. Therefore, the Company decided to divest these business units, which were previously part of the Consumer Electronics segment, and to classify them as discontinued operations in the financial statements in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* (SFAS 144). Cash flows from discontinued operations are not material and are combined with cash flows from continuing operations within condensed consolidated statement of cash flows categories. (See Note 12)

The assets and liabilities of these businesses are reflected as assets and liabilities of discontinued operations in the condensed consolidated balance sheets as of September 27, 2008 and December 29, 2007. The historical results of operations of these businesses have been segregated from the Company's continuing operations and are included in income (loss) from discontinued operations, net of tax, in the condensed consolidated statements of operations. Prior period amounts have been reclassified to conform to current period presentation including discontinued operations.

Principles of Consolidation. The condensed consolidated financial statements include the Company's accounts and those of its majority-owned subsidiaries. Upon consolidation all significant intercompany accounts and transactions are eliminated and amounts pertaining to the non-controlling ownership interests held by third parties in the operating results and financial position of the Company's majority-owned subsidiaries are reported as minority interest.

Fair Value Measurements. In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS 157). This statement does not require any new fair value measurements but clarifies the fair value definition, establishes a fair value hierarchy that prioritizes the information used to develop assumptions for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 clarifies that fair value is the exchange price in an orderly transaction between market participants to sell the asset or transfer the liability in the market. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 input), then to quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable for the asset or liability, and inputs that are not directly observable, but that are corroborated by observable market data for the asset or liability (Level 2 input), then the lowest priority to unobservable inputs, for example, the Company's own data about the assumptions that market participants would use in pricing an asset or liability (Level 3 input). It emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and a fair value measurement should therefore be based on the assumptions that market participants would use in pricing the asset or liability. The Company adopted SFAS 157 on December 30, 2007, the first day of its fiscal year 2008. In February 2008, the FASB issued Staff Position (FSP) No. 157-1 to exclude SFAS 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions from the scope of FAS 157. Also in February 2008, the FASB issued FSP No. 157-2 to defer the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis at least annually, which are deferred until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years.

In order to determine the implications of adopting SFAS 157, the Company reviewed all the assets and liabilities recorded on its balance sheet. Based on the results of its review, the Company determined that a majority of its assets and liabilities are either not required to be measured at fair value in its financial statements, are outside the scope of SFAS 157, or are subject to the deferred implementation provisions of FSP No. 157-2. Therefore, the only assets and liabilities in the Company's financial statements subject to SFAS 157 (i.e. measured at fair value on a recurring basis) at September 27, 2008 and December 30, 2007 are the Company's investment portfolio and derivative contracts.

Recently Issued Accounting Pronouncements. In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133* (SFAS 161). This statement requires enhanced disclosures about an entity's derivative and hedging activities and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with earlier application encouraged. The Company will adopt SFAS 161 in the first quarter of 2009. Since SFAS 161 requires additional disclosures concerning derivatives and hedging activities, adoption of SFAS 161 will not have an impact on the Company's consolidated financial condition, results of operations or cash flows. The adoption of SFAS 161 will change the Company's disclosures for derivative instruments and hedging activities beginning in the first quarter of fiscal year 2009.

In May 2008, the FASB issued FSP APB No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). This FSP requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. The effective date of this FSP is for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and it does not permit earlier application. However, the transition guidance requires retroactive application to all periods presented. This FSP will impact the Company's accounting for its $2.2 billion 6.00% Notes whereby the equity component would be included in the paid-in-capital portion of stockholders' equity on the balance sheet and the value of the equity component would be treated as an original issue discount for purposes of accounting for the debt component. Higher interest expense will result by recognizing accretion of the discounted carrying value of the 6.00% Notes to their face amount as interest expense over the term of the 6.00% Notes. The Company expects to have higher interest expense beginning in its first quarter of 2009 due to the interest accretion, and the interest expense associated with its 6.00% Notes for prior periods will also be higher than previously reported due to the retrospective application of this FSP. Based on the preliminary analysis performed by the Company, the interest expense associated with its 6.00% Notes will be approximately $17 million, $26 million and $30 million higher for fiscal years 2007, 2008 and 2009, respectively, as a result of adopting this FSP.

In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This FSP clarifies the application of FASB Statement No. 157, *Fair Value Measurements*, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. In particular, it provides additional guidance on (a) how the reporting entity's own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist, (b) how available observable inputs in a market that is not active should be considered when measuring fair value, and (c) how the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The Company evaluated this FSP and concluded that its considerations in determining the fair value of the Company's financial assets when the market for them is not active is consistent with the FSP's guidance.

2. Stock-Based Incentive Compensation Plans

The following table summarizes stock-based compensation expense related to employee stock options, restricted stock and restricted stock units and employee stock purchases of continuing operations for the quarters and nine months ended September 27, 2008 and September 29, 2007, respectively, which was allocated in the condensed consolidated statements of operations as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions)			
Cost of sales	$ 2	$ 2	$ 8	$ 7
Research and development	9	12	32	38
Marketing, general, and administrative	7	11	15	36
Total stock-based compensation expense	18	25	55	81
Tax benefit	—	—	—	—
Stock-based compensation expense, net of tax	$ 18	$ 25	$ 55	$ 81

For each of the quarters ended September 27, 2008 and September 29, 2007, employee stock-based compensation expense included in discontinued operations and excluded from continuing operations was $2 million. For each of the nine months ended September 27, 2008 and September 29, 2007, employee stock-based compensation expense included in discontinued operations and excluded from continuing operations was $5 million.

Stock Options. The weighted-average assumptions that the Company applied in the lattice-binomial model that the Company uses to value employee stock options are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Expected volatility	67.36%	60.05%	65.24%	52.53%
Risk-free interest rate	2.71%	4.33%	2.67%	4.58%
Expected dividends	0.00%	0.00%	0.00%	0.00%
Expected life (in years)	3.19	3.55	3.19	3.55

For the quarters ended September 27, 2008 and September 29, 2007, the Company granted 1,528,297 and 704,000 employee stock options, respectively, with average estimated grant date fair values of $2.58 and $5.52. For the nine months ended September 27, 2008 and September 29, 2007, the Company granted 12,083,955 and 2,705,000 employee stock options, respectively, with average estimated grant date fair values of $2.98 and $5.93.

Restricted Stock Units and Awards. For the quarters ended September 27, 2008 and September 29, 2007, the Company granted 435,928 and 382,000 shares of restricted stock and restricted stock units, respectively, with an average grant date fair value of $5.57 and $12.08. For the nine months ended September 27, 2008 and September 29, 2007, the Company granted 7,724,514 and 6,163,000 shares of restricted stock and restricted stock units, respectively, with an average grant date fair value of $7.24 and $15.01.

Employee Stock Purchase Plan. Beginning with the November 2007 purchase period the Company suspended its employee stock purchase plan (ESPP). Therefore, the Company did not issue any shares under the ESPP during the quarter and nine months ended September 27, 2008. The Company issued 1,217,000 shares and 3,063,000 shares under the ESPP during the quarter and nine months ended September 29, 2007, respectively.

3. Goodwill and Acquisition Related Intangible Assets

The changes in the carrying amount of goodwill by operating segment for the nine month period ended September 27, 2008, were as follows:

	Computing Solutions	Graphics	Consumer Electronics	Total
		(In millions)		
Balance at December 29, 2007	$ 162	$ 533	$ 1,212	$1,907
Reclassification due to change in segments [1]	—	254	(254)	—
Goodwill adjustments [2]	(1)	(3)	(5)	(9)
Impairment charges [3]	—	—	(799)	(799)
Reclassification to discontinued operations [3]	—	—	(154)	(154)
Balance at September 27, 2008	$ 161	$ 784	$ —	$ 945

(1) In the second quarter of 2008 the Company began to include royalties received in connection with the sale of game console systems within the operating results of the Graphics segment. As a result, the $254 million goodwill associated with the game console business is now included with the Graphics segment. (See Note 5)

(2) Adjustments to goodwill primarily represented changes in assumed pre-acquisition income tax liabilities as a result of the acquisition of ATI Technologies, which will continue to be applied to goodwill until ultimately settled with the tax authorities or until the Company adopts the provisions of Statement No. 141(R) Business Combinations (SFAS 141(R)) at the beginning of fiscal year 2009, after which changes will be recorded in the statement of operations.

(3) In the second quarter of 2008, the Company evaluated the viability of its non-core businesses and determined that its Handheld and Digital Television business units were not directly aligned with its core strategy of computing and graphics market opportunities. Therefore, the Company decided to divest these units and classify them as discontinued operations in the Company's financial statements. As a result, the Company performed an interim impairment test of goodwill and acquired intangible assets and concluded that the carrying amounts of goodwill and certain finite-lived intangible assets associated with its Handheld and Digital Television business units were impaired and recorded an impairment charge. The remaining carrying values of goodwill and acquired intangible assets related to these business units were reclassified to assets of discontinued operations. (See Note 12)

The balances of acquisition-related finite-lived intangible assets as of September 27, 2008, were as follows:

	Intangible Assets, Gross December 29, 2007	Net Book Value December 29, 2007	Amortization Expense Nine months ended September 27, 2008	Impairment charge[1]	Reclassification to discontinued operations [1]	Net Book Value September 27, 2008	Weighted Average Amortization Period
	(In millions)						(In months)
Developed product technology	$ 403	$ 240	$ (57)	$ (60)	$ (83)	$ 40	50
Game console royalty agreements	147	113	(22)	—	—	91	60
Customer relationships	257	182	(37)	(14)	(66)	65	48
Trademark and trade name	62	52	(6)	(3)	(15)	28	84
Customer backlog	36	—	—	—	—	—	14
Total	$ 905	$ 587	$ (122)	$ (77)	$ (164)	$ 224	

(1) As a result of the goodwill impairment test pursuant to which the Company concluded that the carrying values of the goodwill associated with its Handheld and Digital Television business units was impaired, the Company performed an impairment test on the acquisition-related intangible assets associated with these business units. Based on the test results, the Company concluded that carrying amounts of certain acquisition-related finite-lived intangible assets associated with its Handheld and Digital Television business units exceeded their estimated fair values and recorded an impairment charge. In addition, due to the Company's decision to divest these two business units, the remaining carrying costs of the acquisition-related intangible assets have been reclassified to discontinued operations. (See Note 12)

Estimated future amortization expense related to acquisition-related intangible assets is as follows:

Fiscal year	Amortization expense
	(In millions)
Remaining 2008	$ 29
2009	76
2010	70
2011	38
2012	6
Thereafter	5
Total	$ 224

4. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding. Diluted net income (loss) per common share is computed using the weighted-average number of common shares outstanding plus any dilutive potential common shares outstanding. Potential dilutive common shares include stock options, restricted stock awards, and shares issuable upon the conversion of convertible debt. The following table sets forth the components of basic and diluted income (loss) per common share:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions except per share data)			
Numerator:				
Numerator for basic and diluted income (loss) from continuing operations per common share	$ 32	$ (344)	$ (545)	$ (1,425)
Numerator for basic and diluted income (loss) from discontinued operations per common share	$ (159)	$ (52)	$ (1,129)	$ (182)
Numerator for basic and diluted net income (loss) per common share	$ (127)	$ (396)	$ (1,674)	$ (1,607)
Denominator:				
Denominator for basic income (loss) per share– weighted-average shares	608	554	607	551
Effect of dilutive potential common shares	— (1)	—	—	—
Denominator for diluted income (loss) per common - weighted-average shares	608	554	607	551
Basic and diluted income (loss) from continuing operations per common share	$ 0.05	$ (0.62)	$ (0.90)	$ (2.59)
Basic and diluted income (loss) from discontinued operations per common share	$ (0.26)	$ (0.09)	$ (1.86)	$ (0.33)
Basic and diluted net income (loss) per common share	$ (0.21)	$ (0.71)	$ (2.76)	$ (2.92)

(1) Less than 1 million shares.

Potential common shares from outstanding stock awards totaling approximately 62 million along with approximately 75 million of common shares issuable under the Company's 5.75% Convertible Senior Notes due 2012 for the quarter and nine months ended September 27, 2008, respectively, were not included in the net loss per common share calculation because their inclusion would have been anti-dilutive.

Potential common shares from outstanding stock awards totaling approximately 55 million along with approximately 75 million of common shares issuable under the Company's 5.75% Convertible Senior Notes due 2012 for the quarter and nine months ended September 29, 2007, respectively, were not included in the net loss per common share calculation because their inclusion would have been anti-dilutive.

5. Segment Reporting

Management, including the Chief Operating Decision Maker (CODM), who is the Company's chief executive officer, reviews and assesses operating performance using segment net revenues and operating income (loss) before interest, other income (expense), minority interest, equity in net loss of Spansion Inc. and other and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

Prior to the second quarter of 2008, the Company had three reportable operating segments:

- the Computing Solutions segment, which included microprocessors, chipsets and embedded processors and related revenue;
- the Graphics segment, which included graphics, video and multimedia products and related revenue; and
- the Consumer Electronics segment, which included products used in handheld devices, digital televisions and other consumer electronics products, as well as revenue from royalties received in connection with sales of game console systems that incorporate the Company's technology.

In the second quarter of 2008, the Company decided to divest its Handheld and Digital Television businesses units, which were previously part of the Consumer Electronics segment. As a result, the Company classified them as discontinued operations in the Company's financial statements. The CODM began reviewing and assessing operating performance using the following reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors and related revenue; and

- the Graphics segment, which includes graphics, video and multimedia products and related revenue, as well as revenue from royalties received in connection with sales of game console systems that incorporate the Company's graphics technology.

In addition to the reportable segments, the Company has an All Other category, which is not a reportable segment. This category consists of certain expenses and credits that are not allocated to any of the operating segments because the CODM does not consider these expenses and credits in evaluating the performance of the operating segments. These expenses and credits include primarily employee stock-based compensation expense, amortization of acquired intangible assets, integration charges, restructuring charges and charges for goodwill and intangible asset impairment.

The following table provides a summary of the Company's net revenue and operating income (loss) by segment with reconciliations to income (loss) from continuing operations for the quarters ended and nine months ended September 27, 2008 and September 29, 2007:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions)			
Computing Solutions[1]				
Net revenue	$ 1,391	$ 1,283	$ 3,687	$ 3,299
Operating income (loss)	143	(122)	(29)	(722)
Graphics				
Net revenue	385	275	894	698
Operating income (loss)	47	11	22	(55)
All Other				
Net revenue	—	—	—	—
Operating income (loss)	(59)	(70)	(219)	(251)
Total				
Net revenue	1,776	1,558	4,581	3,997
Operating income (loss)	131	(181)	(226)	(1,028)
Interest income	7	19	32	54
Interest expense	(87)	(95)	(277)	(272)
Other income (expense), net	(4)	(1)	(15)	(8)
Minority interest in consolidated subsidiaries	(7)	(9)	(27)	(26)
Equity in net loss of Spansion Inc. and other	(9)	(57)	(33)	(86)
Income (loss) before income taxes	31	(324)	(546)	(1,366)
Provision (benefit) for income taxes	(1)	20	(1)	59
Income (loss) from continuing operations	$ 32	$ (344)	$ (545)	$ (1,425)

(1) Quarter ended September 27, 2008 net revenue includes $191 million of process technology license revenue. Nine months ended September 27, 2008 operating income (loss) includes $191 million process technology license revenue and a $193 million gain on the sale of 200 millimeter equipment.

6. Comprehensive Income (Loss)

The following are the components of comprehensive income (loss):

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions)			
Net income (loss)	$ (127)	$ (396)	$ (1,674)	$ (1,607)
Net change in unrealized gains (losses) on available-for-sale securities	—	(2)	(2)	(2)
Net change in unrealized gains (losses) on cash flow hedges, net of taxes	(26)	14	(35)	22
Net change in cumulative translation adjustments	—	(6)	—	(9)
Other comprehensive income (loss)	(26)	6	(37)	11
Total comprehensive income (loss)	$ (153)	$ (390)	$ (1,711)	$ (1,596)

7. Other Long-Term Liabilities

The Company's other long-term liabilities balances at September 27, 2008 and December 29, 2007 were $657 million and $633 million, respectively. Included in these balances were deferred grants and subsidies related to the wafer manufacturing facilities in Dresden in the amounts of $389 million and $401 million for September 27, 2008 and December 29, 2007, respectively.

8. Commitments and Contingencies

Guarantees

Guarantees of Indebtedness Recorded on the Company's Consolidated Balance Sheet

As of September 27, 2008, the principal guarantee related to indebtedness recorded on the Company's consolidated balance sheet was for $58 million, which represents the amount of silent partnership contributions that Fab 36 Holding and Fab 36 Admin are required to repurchase from Leipziger Messe GmbH and is exclusive of the guaranteed rate of return obligation aggregating approximately $146 million. Of the $58 million guarantee, $29 million is expected to expire by the end of 2008, and $29 million is expected to expire by the end of 2009.

Guarantees of Indebtedness Not Recorded on the Company's Condensed Consolidated Balance Sheet

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed by AMD, Infineon Technologies AG (Infineon) and DuPont Photomasks, Inc. (Dupont) for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. The Company procures advanced photomasks from AMTC and uses them in manufacturing its microprocessors. In April 2005, DuPont was acquired by Toppan Printing Co., Ltd. and became a wholly owned subsidiary of Toppan, named Toppan Photomasks, Inc. (Toppan). In December 2007, Infineon entered into an assignment agreement to transfer its interest in AMTC and BAC to Qimonda AG (Qimonda), with the exception of certain AMTC/BAC related payment guarantees. The assignment became effective in January 2008.

In December 2002, BAC obtained a $110 million term loan to finance the construction of the photomask facility. At the same time, AMTC and BAC, as lessor, entered into a lease agreement. The term of the lease agreement is ten years. Each joint venture partner guaranteed a specific percentage of AMTC's rental payments. Pursuant to an agreement between AMTC, BAC and DuPont (now Toppan), AMTC may exercise a "step-in" right, in which it would assume Toppan's remaining rental payments in connection with the rental agreement between Toppan and BAC. As of September 27, 2008, the Company's guarantee of AMTC's portion of the rental obligation was approximately $9 million and its maximum liability in the event AMTC exercises its "step-in" right and the other joint venture partners default under the guarantee was approximately $83 million. These estimates are based upon forecasted rents to be charged in the future and are subject to change based upon the actual usage of the facility by the tenants and foreign currency exchange rates.

In December 2007, AMTC entered into a new $99 million revolving credit facility, of which $82 million was outstanding as of September 27, 2008. The proceeds were used to repay all amounts outstanding under a previous $175 million revolving credit facility and to provide additional financing for the acquisition of new tools. Subject to certain conditions under the revolving credit facility, AMTC may request that the loan amount be increased by an additional $58 million. The term of the revolving credit facility is three years. Upon request by AMTC and subject to certain conditions, the term of the revolving credit facility may be extended by two additional one-year periods. Pursuant to a guarantee agreement, each joint venture partner guaranteed one third of AMTC's outstanding loan balance under the revolving credit facility. In September 2008, Qimonda provided cash security equal to one third of AMTC's outstanding loan balance pursuant to a cash pledge agreement and was released from the guarantee agreement. The obligations of the remaining joint venture partners under the guarantee agreement remain the same. As of September 27, 2008, the Company's potential obligation under this guarantee was $27 million plus its portion of accrued interest and expenses. The Company's maximum potential liability under this guarantee is $33 million plus its portion of accrued interest and expenses. Under the terms of the guarantee, if the Company's group consolidated cash (which is defined as cash, cash equivalents and marketable securities less the aggregate amount outstanding under any revolving credit facility) is less than or expected to be less than $500 million, the Company will be required to provide cash collateral equal to one third of the balance outstanding under the revolving credit facility. The Company evaluated this guarantee under the provisions of FIN 45 and concluded it was immaterial to its financial position or results of operations. In the event the transaction with ATIC (as defined below) is consummated and the approval of the partners and banks are received, the Company's partnership interests in the AMTC and the BAC will be transferred to The Foundry Company. (See Note 15)

Warranties and Indemnities

The Company generally warrants that microprocessor products sold to its customers will, at the time of shipment, be free from defects in workmanship and materials and conform to its approved specifications. Subject to certain exceptions, the Company generally offers a three-year limited warranty to end users for microprocessor products that are commonly referred to as "processors in a box," a one-year limited warranty to direct purchasers of all other microprocessor products that are commonly referred to as "tray" microprocessor products, and a one-year limited warranty to direct purchasers of embedded processor products. The Company has offered extended limited warranties to certain customers of "tray" microprocessor products who have written agreements with the Company and target their computer systems at the commercial and/or embedded markets.

The Company generally warrants that its graphics, and chipsets and certain products for consumer electronics devices will conform to the Company's approved specifications and be free from defects in material and workmanship under normal use and service for a period of one year beginning on shipment of such products to its customers. The Company generally warrants that ATI-branded PC workstation products will conform to the Company's approved specifications and be free from defects in material and workmanship under normal use and service for a period of three years, beginning on shipment of such products to its customers.

Changes in the Company's potential liability for product warranties during the nine months ended September 27, 2008 and September 29, 2007 are as follows:

	Nine Months Ended	
	September 27, 2008	September 29, 2007
	(In millions)	
Balance, beginning of the period	$ 15	$ 26
New warranties issued during the period	27	19
Settlements during the period	(10)	(22)
Changes in liability for pre-existing warranties during the period, including expirations	(12)	(9)
Balance, end of the period	$ 20	$ 14

In addition to product warranties, the Company, from time to time in its normal course of business, indemnifies other parties, with whom it enters into contractual relationships, including customers, lessors and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against specified losses, such as those arising from a breach of representations or covenants, third-party claims that the Company's products when used for their intended purpose(s) infringe the intellectual property rights of a third party or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

Contingencies

The Company is a defendant or plaintiff in various actions that arose in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

9. Income Taxes

The Company recorded an income tax benefit of $1 million in the third quarter of 2008 and an income tax provision of $20 million in the third quarter of 2007. For the nine months ended September 27, 2008, the Company recorded an income tax benefit of $1 million and an income tax provision of $59 million for the nine months ended September 29, 2007.

For the third quarter and first nine months of 2008, foreign taxes in profitable locations were substantially offset by discrete tax benefits including the monetization of the U.S. research and development credits pursuant to the Housing and Economic Recovery Act of 2008 and a refund of withholding taxes. The income tax provisions in the third quarter and first nine months of 2007 were primarily for deferred U.S. taxes related to indefinite-lived goodwill and foreign taxes in profitable locations.

As of September 27, 2008, substantially all of the Company's U.S. deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at September 27, 2008 in management's estimate, is not more likely than not to be achieved.

The Company's gross unrecognized tax benefits decreased by $15 million during the third quarter of 2008 due to the receipt of certain proposed tax adjustments in foreign locations. As a result, the Company has now recognized $110 million of long-term deferred tax assets, previously under a valuation allowance, with $153 million of liabilities for unrecognized tax benefits as of September 27, 2008. The net impact on the effective tax rate of the decrease in the gross unrecognized tax benefits in the third quarter of 2008 was not material because of the valuation allowance. There were no material changes in interest and penalties in the third quarter of 2008.

The IRS commenced the audit of the Company's 2004 to 2006 tax years during the second quarter of 2008.

During the 12 months beginning September 28, 2008 the Company believes it is reasonably possible that unrecognized tax benefits will decrease by approximately $95 million as a result of the expiration of certain statutes of limitation and audit resolutions.

10. Fair Value Measurements

Assets and (liabilities) measured at fair value are summarized below:

		Fair value measurement at reporting date using		
	September 27, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In millions)		
Money market mutual funds[1]	$ 409	$ 409	$ —	$ —
Commercial paper[2]	355	—	355	—
Time deposits[3]	192	—	192	—
Certificates of deposit[1]	30	—	30	—
Auction rate securities[4]	180	—	—	180
Marketable equity securities[5]	24	24	—	—
Foreign currency derivative contracts[6]	(37)	—	(37)	—
Total assets	$ 1,153	$ 433	$ 540	$ 180

(1) Included in cash and cash equivalents on the Company's condensed consolidated balance sheet.

(2) $340 million included in cash and cash equivalents and $15 million included in marketable securities on the Company's condensed consolidated balance sheet.

(3) $177 million included in cash and cash equivalents and $15 million included in marketable securities on the Company's condensed consolidated balance sheet.

(4) Included in marketable securities on the Company's condensed consolidated balance sheet.

(5) $23 million included in marketable securities and $1 million included in other assets on the Company's condensed consolidated balance sheet.

(6) Included in accrued liabilities on the Company's condensed consolidated balance sheet.

The Company measures its cash equivalents, marketable securities and foreign currency derivative contracts at fair value. Cash equivalents and marketable securities are primarily classified within Level 1 or Level 2, with the exception of auction rate security (ARS) investments. This is because cash equivalents and marketable securities are valued primarily using quoted market prices or alternative pricing sources and models utilizing market observable inputs, as provided to the Company by its brokers. The ARS investments are classified within Level 3 because they are valued using a discounted cash flow model. Some of the inputs to this model are unobservable in the market and are significant. Our foreign currency derivative contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets.

The Company recorded an other-than-temporary impairment charges of $24 million in the second quarter of 2008 and $9 million in the third quarter of 2008 for its investment in Spansion Inc. (See Note 13)

The recent uncertainties in the credit markets have affected all of the Company's ARS investments and auctions for these securities have failed to settle on their respective settlement dates. As a result, reliable Level 1 or Level 2 pricing is not available for these ARS. In light of these developments, to determine the fair value for its ARS, the Company obtained broker reports and discussed with brokers the critical inputs that they used in their proprietary models to assess fair value, which included liquidity, credit rating and discounted cash flows associated with these ARS. In addition, the Company performed its own discounted cash flow analyses. Based on the outcomes of these activities, the Company concluded that there was no further reduction in the fair value of its ARS compared to the second quarter of 2008. In the second quarter of 2008, the Company recorded an other-than-temporary impairment charge of $12 million.

Significant considerations in the discounted cash flow model were the credit rating of the instruments, the percentage and the types of guarantees, the probability of the auction succeeding or the security being called, and an illiquidity discount factor. The key assumptions used in the discounted cash flow model to determine their fair values as of September 27, 2008 were the discount factor to be applied and the period over which the cash flows would be expected to occur. If different assumptions were used for the various inputs to the valuation approach including, but not limited to, assumptions involving the estimated lives of the ARS investments, the estimated cash flows over those estimated lives, the estimated discount rates applied to those cash flows and the illiquidity factor, the estimated fair value of these investments could be significantly higher or lower than the fair value determined by the Company as of September 27, 2008.

In October 2008, UBS AG (UBS) offered to repurchase all of the Company's ARS that were purchased from UBS prior to February 13, 2008. As of September 27, 2008, the Company owned $82 million par value of these securities. The Company accepted this offer. From June 30, 2010 and ending July 2, 2012, the Company has the right, but not the obligation, to sell, at par, these ARS to UBS. Prior to June 30, 2010, the Company will continue to earn and receive all interest that is payable for these ARS. Furthermore, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on the Company's behalf so long as the Company receives par value for the ARS sold. UBS has also agreed to use its best efforts to facilitate issuer redemptions and/or to resolve the liquidity concerns of holders of their ARS through restructurings and other means.

The repurchase right represents a freestanding financial instrument (a put option) for accounting purposes. As such, the Company intends to record the fair value of the put option as an asset on its consolidated balance sheet, and record a corresponding gain to earnings during the fourth quarter of 2008.

As of September 27, 2008, the Company classified its investments in ARS as current assets because for a majority of its ARS holdings, it reasonably expects that it will be able to sell these securities and have the proceeds available for use in its operations within the next twelve months through a future successful auction, a sale to a buyer found outside the auction process, or through a redemption by which issuers establish a different form of financing to replace these securities. With respect to $82 million of its ARS holdings, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on the Company's behalf so long as the Company receives par value for the ARS sold. UBS has also agreed to use their best efforts to facilitate issuer redemptions and/or to resolve the liquidity concerns of holders of their ARS through restructurings and other means. The Company is not dependant on liquidating its ARS in the next twelve months in order to meet its liquidity needs.

The Company's investments in ARS include approximately $133 million of student loan ARS, $35 million of municipal and corporate ARS and $12 million ARS in preferred shares of closed end mutual funds. Approximately 81 percent of the Company's ARS holdings are AAA rated investments and all the $133 million student loan ARS are guaranteed by the Federal Family Educational Loan Program. Until the first quarter of 2008, the fair values of the Company's ARS were determinable by reference to frequent successful Dutch auctions of such securities, which settled at par.

Reconciliation of the financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(In millions)	Quarter ended September 27, 2008 Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Auction Rate Securities	Nine months ended September 27, 2008 Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Auction Rate Securities
Beginning balance	$ 180	$ —
Transfers of ARS into Level 3	—	210
Redemption at par	—	(18)
Other than temporary impairment	—	(12)
Ending balance, September 27, 2008	$ 180	$ 180
Loss for period included in earnings attributable to the Level 3 financial assets still held at September 27, 2008	$ —	$ 12

Total financial assets at fair value classified within Level 3 were 1.9 percent of total assets on the Company's condensed consolidated balance sheet as of September 27, 2008.

11. Restructuring

In the second quarter of 2008, the Company initiated a restructuring plan (Second Quarter 2008 Restructuring), which included a reduction-in-force (RIF) and certain contract termination costs related to technologies it was no longer pursuing and recorded a total charge of $32 million. The RIF component, which is comprised primarily of severance and costs related to the continuance of certain employee benefits, totaled approximately $23 million. Other exit-related costs, including $6 million of non-cash charges, totaled approximately $9 million.

In the third quarter of 2008, the Company recorded additional severance and related costs of approximately $9 million in connection with the Second Quarter 2008 Restructuring.

These charges have been aggregated and appear on the line item entitled "Restructuring Charges" in the Company's condensed consolidated statement of operations, with the exception of $2 million in the second quarter of 2008, which are classified as discontinued operations.

The Company anticipates recording approximately $1 million of additional severance in the fourth quarter of 2008 in connection with the Second Quarter 2008 Restructuring and to substantially complete the Second Quarter 2008 Restructuring by the end of fiscal 2008.

The following table provides a summary of the restructuring activities and the related liabilities recorded in Other current liabilities on the Company's condensed consolidated balance sheet remaining as of September 27, 2008:

(In millions)	Severance and related benefits	Other exit-Related Costs
Balance December 29, 2007	$ —	$ —
Second quarter charges	23	9
Cash payments	(18)	—
Non-cash charges	—	(6)
Balance June 28, 2008	$ 5	$ 3
Third quarter charges	9	—
Cash payments	(8)	—
Non-cash charges	—	(1)
Balance September 27, 2008	$ 6	$ 2

12. Discontinued Operations

During the second quarter of 2008, the Company decided to divest its Handheld and Digital Television business units and classified them as discontinued operations in the Company's financial statements. The Company discontinued amortization and depreciation related to the assets of these business units in the second quarter of 2008. The Company has segregated the assets and liabilities related to discontinued operations from those assets and liabilities related to continuing operations on the Company's condensed consolidated balance sheets, the Company has segregated the operating results of discontinued operations from those of continuing operations on the Company's condensed consolidated statements of operations for all periods presented.

As a result of its decision to divest its Handheld and Digital Television business units, the Company performed an interim impairment test of goodwill and acquired intangible assets in the second quarter of 2008 and concluded that the carrying amounts of goodwill and certain finite-lived intangible assets associated with its Handheld and Digital Television business units were impaired and recorded an impairment charge. For goodwill, the impairment charge was determined by comparing the carrying value of goodwill assigned to the Company's reporting units with the implied fair value of the goodwill. The Company considered the income approach in determining the implied fair value of the goodwill, which requires estimates of future operating results and cash flows of each of the reporting units discounted using estimated discount rates taking into consideration the estimated proceeds that the Company expects to receive in connection with any potential divestiture. For acquired intangible assets, the Company assessed the recoverability of the unamortized balances by comparing the undiscounted future net cash flows to the carrying values. For those acquired intangible assets where the carrying values exceeded the undiscounted future net cash flows, the Company measured the amount of impairment by calculating the amount by which the carrying values exceeded the estimated fair values, which were based on projected discounted future net cash flows. The remaining carrying values of goodwill related to these business units were reclassified to assets of discontinued operations.

During the third quarter of 2008, the Company entered into an agreement with Broadcom Corporation and Broadcom International Limited (collectively, Broadcom) to sell certain assets related to the Digital Television business unit for $192.8 million. The asset purchase agreement was subsequently amended to reduce the purchase price to $141.5 million and the transaction was completed on October 27, 2008. Based on the final terms of the sale transaction, the Company wrote down goodwill $135 million in the third quarter of 2008. (See Note 15)

The results from discontinued operations are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions)			
Revenue	$ 44	$ 74	$ 130	$ 246
Expenses	(68)	(126)	(246)	(428)
Impairment of goodwill and acquired intangible assets	(135)	—	(1,011)	—
Restructuring charges	—	—	(2)	—
Loss from discontinued operations	$ (159)	$ (52)	$ (1,129)	$ (182)

The carrying value of the assets of discontinued operations was $232 million and $1.3 billion as of September 27, 2008 and December 29, 2007, respectively. Included in these balances is goodwill and acquired intangible assets in the amounts of $193 million and $1.2 billion as of September 27, 2008 and December 29, 2007, respectively. The carrying value of the liabilities for discontinued operations was $11 million and $26 million as of September 27, 2008 and December 29, 2007, respectively. Assets and liabilities of discontinued operations for the Digital Television business unit have been reclassified to only include the assets acquired by Broadcom. Cash flows from discontinued operations are not material and are combined with cash flows from continuing operations within the condensed consolidated statement of cash flows categories.

13. Equity in net loss of Spansion Inc. and other

Equity in net loss of Spansion Inc. and other for the first six months ended June 30, 2007 consisted of the Company's share of the operating losses of Spansion Inc. under the equity method of accounting. Effective September 20, 2007, the Company changed its accounting for this investment from the equity method of accounting for this investment as "available-for-sale" marketable securities under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. In the third quarter of 2007, the Company recorded an other than temporary impairment charge of $42 million after giving consideration to Spansion's operating results and its stock price trends in the preceding six months. The remaining $44 million loss for the nine months ended September 29, 2007 represented the Company's shares of the operating losses of Spansion Inc. under the equity method of accounting.

In the second quarter of 2008, the Company recorded an other than temporary impairment charge of $24 million after giving consideration to Spansion's operating results and its stock price trends in the preceding six months. As of September 27, 2008, the Company owned a total 14,037,910 shares, or approximately 9 percent, of Spansion's outstanding common stock. In the third quarter

of 2008, the market value of the Company's interest in the common stock of Spansion was lower than its carrying value by approximately $9 million. After giving consideration to Spansion's operating results and its stock price trends in the preceding months as well as the continuing declining trend of its stock price subsequent to the third quarter of 2008, the Company recorded an other than temporary impairment charge of $9 million in the third quarter of 2008 in the line item "Equity in net loss of Spansion Inc. and other" on its condensed consolidated statements of operations.

14. Sale of Receivables Classified as Other Short-Term Obligations

On March 26, 2008, the Company entered into a Sale of Receivables – Supplier Agreement with IBM Credit LLC, or IBM Credit, and one of its wholly-owned subsidiaries, AMD International Sales & Service, Ltd., or AMDISS, entered into the same sales agreement with IBM United Kingdom Financial Services Ltd., or IBM UK, pursuant to which the Company and AMDISS agreed to sell to each of IBM Credit and IBM UK certain receivables. Pursuant to the sales agreements, the IBM parties agreed to purchase from the AMD parties invoices of specified AMD customers up to credit limits set by the IBM parties for any applicable AMD customer. As of September 27, 2008, only certain distributor customers have participated in this program. Because the Company does not recognize revenue until its distributors sell its products to their customers, the Company classified funds received from the IBM parties as debt according to the requirement of Emerging Issues Task Force (EITF) Issue No. 88-18, *Sales of Future Revenues*. The debt is reduced as the IBM parties receive payments from the distributors. As of September 27, 2008, $94 million was outstanding under these agreements. This amount appears as "Other short-term obligations" on the Company's condensed consolidated balance sheet and is not considered a cash commitment.

15. Subsequent Events

Proposed Manufacturing Joint Venture

On October 6, 2008, the Company entered into a Master Transaction Agreement with Advanced Technology Investment Company LLC (ATIC) and West Coast Hitech L.P., (WCH), acting through its general partner, West Coast Hitech G.P., Ltd. Pursuant to the Master Transaction Agreement, the Company and ATIC agreed to form a manufacturing joint venture, initially to be called "The Foundry Company." Pursuant to the Master Transaction Agreement, the Company will contribute certain assets and liabilities to The Foundry Company, including, among other things, shares of the groups of German subsidiaries owning Fab 30/38 and Fab 36, certain manufacturing assets, employees performing certain manufacturing-related functions, and a portion of the Company's patent portfolio and intellectual property in exchange for The Foundry Company securities, consisting of one Class A Ordinary Share, 1,680,355 Class A Preferred Shares and 700,000 Class B Preferred Shares, and the assumption of certain liabilities by The Foundry Company, including the assumption of approximately $1.2 billion of the Company's debt. ATIC will contribute approximately $1.4 billion of cash to The Foundry Company in exchange for The Foundry Company securities, consisting of one Class A Ordinary Share, 336,071 Class A Preferred Shares, 644,284 Class B Preferred Shares, approximately $84 million aggregate principal amount of Class A Subordinated Convertible Notes and approximately $336 million aggregate principal amount of Class B Subordinated Convertible Notes, and ATIC will pay $700 million in cash to the Company in exchange for the transfer of the Company's 700,000 Class B Preferred Shares of The Foundry Company to ATIC.

In addition, the Company will issue to WCH, for an aggregate purchase price of approximately $314 million, 58 million shares of the Company's common stock and warrants to purchase 30 million shares of the Company's common stock at an exercise price of $0.01 per share. The warrants will be exercisable after the earlier of (i) public ground-breaking of a proposed manufacturing facility in up-state New York and (ii) 24 months from the date of issuance, and the warrants will have a ten-year term.

Immediately following the closing of the transactions contemplated by the Master Transaction Agreement, The Foundry Company will have only the Company and ATIC as stockholders, each of which at the closing will have equal voting rights, and The Foundry Company will be owned 44.4 percent by the Company and 55.6 percent by ATIC on a fully converted to ordinary shares basis. ATIC's economic ownership will increase over time based on the differences in securities held by the Company and ATIC, depending on whether the Company elects to invest proportionately with ATIC in future Foundry Company capital infusions.

For accounting purposes, the proceeds the Company receives from the issuance of the shares and the warrants to WCH will be recorded on the Company's consolidated balance sheet as stockholders' equity. The issuance of the warrants will have a dilutive effect on the Company's future net income per share and after the warrants are exercised, the warrant shares issuable upon exercise of the warrants will have a dilutive effect on the Company's future net income per common share.

Given the structure of the transactions contemplated in the Master Transaction Agreement, the Company will consolidate the accounts of The Foundry Company as required by FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51* (FIN 46R). Pursuant to the guidance in FIN 46R, The Foundry Company is a variable-interest entity and the Company is deemed to be the primary beneficiary. Therefore, the Company is required to consolidate the accounts of The Foundry Company.

The Company's issuance of the shares and the warrants is subject to the approval of the Company's stockholders. Consummation of the transactions contemplated by the Master Transaction Agreement is subject to the satisfaction of certain closing conditions, including approvals from certain government and foreign regulatory authorities.

Completion of Sale of DTV Assets

On October 27, 2008, the Company, Broadcom Corporation and Broadcom International Limited (collectively, Broadcom) executed Amendment No. 1 to the Asset Purchase Agreement previously entered into by the parties in August 2008, pursuant to which the aggregate cash purchase price payable by Broadcom to the Company in consideration for certain assets related to the Company's Digital Television business unit was reduced from $192.8 million to $141.5 million. As a result of this purchase price reduction, the Company recorded an additional loss from the sale of the DTV assets of approximately $51 million in the third quarter of 2008, which is in addition to the $84 million previously disclosed in the Company's earnings press release dated October 16, 2008.

Repurchase of Auction Rate Securities

In October 2008, UBS offered to repurchase all of the Company's ARS that were purchased from UBS prior to February 13, 2008. As of September 27, 2008, the Company owned $82 million par value of these securities. The Company accepted this offer. From June 30, 2010 and ending July 2, 2012, the Company has the right, but not the obligation, to sell, at par, these ARS to UBS. Prior to June 30, 2010, the Company will continue to earn and receive all interest that is payable for these ARS. Furthermore, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on the Company's behalf so long as the Company receives par value for the ARS sold. UBS has also agreed to use its best efforts to facilitate issuer redemptions and/or to resolve the liquidity concerns of holders of their ARS through restructurings and other means.

The repurchase right represents a freestanding financial instrument (a put option) for accounting purposes. As such, the Company intends to record the fair value of the put option as an asset on its consolidated balance sheet, and record a corresponding gain to earnings during the fourth quarter of 2008.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this report include forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: the demand for our new products; the growth and competitive landscape of the markets in which we participate; our revenues; our cost reduction efforts and anticipated savings from the restructurings; our ability to reduce our breakeven point; our proposed joint venture with ATIC; impairment amounts for goodwill and acquired intangible assets; our intended divestiture of our Handheld business unit; our ability to liquidate our auction rate securities in the next twelve months; our capital expenditures; our operating expenses; our depreciation and amortization expense; our aggregate contractual obligations; and availability of external financing. Material factors and assumptions that were applied in making these forward-looking statements include, without limitation, the following: (1) the expected rate of market growth and demand for our products and technologies (and the mix thereof); (2) our expected market share; (3) our expected product and manufacturing costs and average selling prices; (4) our overall competitive position and the competitiveness of our current and future products; (5) our ability to introduce new products and effect transitions to more advanced manufacturing process technologies, consistent with our current plans in terms of timing and capital expenditures; (6) our ability to raise sufficient capital on favorable terms; (7) our ability to make additional investment in research and development and that such opportunities will be available; and (8) the expected demand for computers. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: (1) that Intel Corporation's pricing, marketing and rebating programs, product bundling, standard setting, new product introductions or other activities may negatively impact sales; (2) that if our proposed joint venture with ATIC is not consummated, our business could be harmed; (3) that our substantial indebtedness could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations; (4) that we will require additional funding and may be unable to raise sufficient capital, on favorable terms, or at all; (5) that we may be unable to realize the anticipated benefits of our acquisition of ATI because, among other things, the revenues, cost savings, growth prospects and any other synergies expected from the transaction may not be fully realized or may take longer to realize than expected; (6) that we may be unable to maintain the level of investment in research and development and capacity that is required to remain competitive; (7) that we may be unable to develop, launch and ramp new products and technologies in the volumes that is required by the market at mature yields on a timely basis; (8) that we may be unable to transition to advanced manufacturing process technologies in a timely and effective way, consistent with planned capital expenditures; (9) that there may be unexpected variations in market growth and demand for our products and technologies in light of the product mix that we may have available at any particular time or a decline in demand; (10) that demand for computers will be lower than currently expected; (11) that we may be unable to obtain sufficient manufacturing capacity (either in our own facilities or at foundries) or components to meet demand for our products; (12) that we may under-utilize our microprocessor manufacturing facilities; (13) that we will be unable to divest our Handheld business unit in the expected timeframe if at all, or in a manner contemplated by us; and (14) the effect of political or economic instability, domestically or internationally, on our sales or production.

For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Part II, Item 1A—Risk Factors" section beginning on page 43 and the "Financial Condition" section beginning on page 31 and such other risks and uncertainties as set forth below in this report or detailed in our other SEC reports and filings. We assume no obligation to update forward-looking statements.

In this section, we will describe the general financial condition and the results of operations for Advanced Micro Devices, Inc. and our consolidated subsidiaries, including a discussion of our results of operations for the quarter and nine months ending September 27, 2008 compared to the quarter and nine months ending September 29, 2007, an analysis of changes in our financial condition and a discussion of our contractual obligations and off balance sheet arrangements.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this report and our audited consolidated financial statements and related notes as of December 29, 2007 and December 31, 2006, and for each of the three years in the period ended December 29, 2007 as filed in our Annual Report on Form 10-K for our fiscal year ended December 29, 2007.

Overview

We are a global semiconductor company with facilities around the world. During the second quarter of 2008, we decided to divest our Handheld and Digital Television business units, which prior to the second quarter of 2008 were reported in our Consumer Electronics segment, and as a result, we classified them as discontinued operations in our financial statements. The discussion in this Management's Discussion and Analysis of Financial Condition and Results of Operations section focuses on our continuing operations which consist of:

- x86 microprocessors, for the commercial and consumer markets, embedded microprocessors for commercial, commercial client and consumer markets and chipsets for desktop and notebook personal computers or PCs, professional workstations and servers; and
- graphics, video and multimedia products for desktop and notebook computers, including home media PCs, professional workstations and servers and technology for game consoles.

The following discussion is limited to our continuing operations, unless otherwise noted.

We made progress during the third quarter of 2008 towards improving our financial performance in the context of a challenging economic environment. Net revenue increased 32 percent compared to the second quarter of 2008 and 14 percent compared to the third quarter of 2007, and we were able to achieve our goal of positive operating income, with operating income of $131 million. Net revenue during the third quarter of 2008 included $191 million in process technology license revenue related to the sale of 200 millimeter equipment. In addition to the impact of the process technology license revenue, the increase in revenue during the third quarter of 2008 compared to the second quarter of 2008 and the third quarter of 2007 was due to an increase in unit shipments and an improved product mix. The performance of our Graphics segment was especially notable due in large part to the strong demand for our new ATI Radeon HD 4000 series of GPU products. Graphics net revenue of $385 million in the third quarter of 2008 increased 55 percent compared to the second quarter of 2008 and 40 percent compared to the third quarter of 2007.

Gross margin, as a percentage of net revenue, for the third quarter of 2008 was 51 percent, a decrease of one percent compared to 52 percent in the second quarter of 2008 and an increase of 10 percent compared to 41 percent in the third quarter of 2007. Gross margin in the third quarter of 2008 was favorably impacted by 6 percentage points as a result of the $191 million of process technology license revenue referenced above. Gross margin in the second quarter of 2008 was favorably impacted by 14 percentage points as a result of a $193 million gain on the sale of 200 millimeter equipment that we recorded in cost of sales. Excluding the favorable impact of the process technology license revenue and the gain on the sale of 200 millimeter equipment, which we believe gives a more comparable view of our gross margin, gross margin would have been 45 percent in the third quarter of 2008 compared to 37 percent in the second quarter of 2008 and 41 percent in the third quarter of 2007.

Operating income for the third quarter of 2008 was $131 million compared to an operating loss of $143 million in the second quarter of 2008 and an operating loss of $181 million in the third quarter of 2007. The improvement in operating performance in the third quarter of 2008 compared to the second quarter of 2008 was primarily a result of the process technology license revenue referenced above, lower research and development and marketing general and administrative expenses and lower restructuring charges. These improvements were partially offset by higher cost of sales in the third quarter of 2008 compared to the second quarter of 2008 due to absence of the favorable impact on cost of sales of the gain on the sale of 200 millimeter equipment during the second quarter of 2008. The improvement in our operating income in the third quarter of 2008 compared to the third quarter of 2007 was primarily a result of the process technology license revenue referenced above, lower cost of sales and lower research and development and marketing general and administrative expenses and lower restructuring charges.

Our cash, cash equivalents and marketable securities at September 27, 2008 were $1.3 billion, a decrease of $548 million compared to December 29, 2007. Capital expenditures were $83 million in the third quarter of 2008 compared to $104 million in the second quarter of 2008 and $417 million in the third quarter of 2007.

In addition, in order to achieve our goal of attaining a lower breakeven point, we decided in the fourth quarter of 2008 to undertake additional cost reduction actions. We intend to reduce headcount by approximately 500 employees during the fourth quarter of 2008 (which is in addition to the headcount reductions we announced in April 2008) and plan to take additional cost reduction actions during the fourth quarter of 2008 and in 2009. We expect that the actions taken in the fourth quarter will result in a charge to operations in the fourth quarter of 2008 of approximately $50 million consisting primarily of severance and costs related to the continuation of certain employee benefits, contract terminations and excess facility exit costs. Further cost reduction actions will result in an additional charge in 2009, which we cannot estimate at this time, but which may include severance and costs related to the continuation of certain employee benefits and excess facility exit costs.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist you in understanding our financial statements, the changes in certain key items in those financial statements from period to period, the primary factors that resulted in those changes and how certain accounting principles, policies and estimates affect our financial statements.

Proposed Manufacturing Joint Venture

On October 6, 2008, as part of the implementation of our "Asset Smart" strategy, we entered into a Master Transaction Agreement with Advanced Technology Investment Company LLC (ATIC) and West Coast Hitech L.P., (WCH), acting through its general partner, West Coast Hitech G.P., Ltd. Pursuant to the Master Transaction Agreement, we and ATIC agreed to form a manufacturing joint venture initially to be called "The Foundry Company." Pursuant to the Master Transaction Agreement, we will contribute certain assets and liabilities to The Foundry Company, including, among other things, shares of the groups of German subsidiaries owning Fab 30/38 and Fab 36, certain manufacturing assets, employees performing certain manufacturing-related functions, and a portion of our patent portfolio and intellectual property in exchange for The Foundry Company securities, consisting of one Class A Ordinary Share, 1,680,355 Class A Preferred Shares and 700,000 Class B Preferred Shares, and the assumption of certain liabilities by The Foundry Company, including the assumption of approximately $1.2 billion of our debt. ATIC will contribute approximately $1.4 billion of cash to The Foundry Company in exchange for The Foundry Company securities, consisting of one Class A Ordinary Share, 336,071 Class A Preferred Shares, 644,284 Class B Preferred Shares, approximately $84 million aggregate principal amount of Class A Subordinated Convertible Notes and approximately $336 million aggregate principal amount of Class B Subordinated Convertible Notes, and ATIC will pay us $700 million of cash to us in exchange for the transfer of our 700,000 Class B Preferred Shares of The Foundry Company to ATIC.

In addition, we will issue to WCH, for an aggregate purchase price of approximately $314 million, 58 million shares of our common stock and warrants to purchase 30 million shares of our common stock at an exercise price of $0.01 per share. The warrants will be exercisable after the earlier of (i) public ground-breaking of a proposed manufacturing facility in up-state New York and (ii) 24 months from the date of issuance, and the warrants will have a ten-year term.

Immediately following the closing of the transactions contemplated by the Master Transaction Agreement, The Foundry Company will have only us and ATIC as stockholders, each of which at the closing will have equal voting rights, and The Foundry Company will be owned 44.4 percent by us and 55.6 percent by ATIC on a fully converted to ordinary shares basis. ATIC's economic ownership will increase over time based on the differences in securities held by us and ATIC, depending on whether we elect to invest proportionately with ATIC in future Foundry Company capital infusions.

For accounting purposes, the proceeds we receive from the issuance of the shares and the warrants to WCH will be recorded on our consolidated balance sheet as stockholders' equity. The issuance of the warrants will have a dilutive effect on our future net income per share and after the warrants are exercised, the warrant shares issuable upon exercise of the warrants will have a dilutive effect on our future net income per common share.

Given the structure of the transactions contemplated in the Master Transaction Agreement, we will consolidate the accounts of The Foundry Company as required by FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51* (FIN 46R). Pursuant to the guidance in FIN 46R, The Foundry Company is a variable-interest entity and we are deemed to be the primary beneficiary. Therefore, we are required to consolidate the accounts of The Foundry Company.

The issuance of the shares and the warrants is subject to the approval of our stockholders. Consummation of the transactions contemplated by the Master Transaction Agreement is subject to the satisfaction of certain closing conditions, including approvals from certain government and foreign regulatory authorities.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our condensed consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our revenues, inventories, asset impairments, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances the results of which form the basis for making judgments about the carrying values of assets and liabilities. Although actual results have historically been reasonably consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Management believes there have been no significant changes during the nine months ended September 27, 2008 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 other than the following:

Fair Value. Effective December 30, 2007, we adopted SFAS No. 157, *Fair Value Measurements* (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. Statement 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements.

The fair values of our financial instruments reflect the estimates of amounts that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value estimates presented in our consolidated financial statements are based on information available to us as of September 27, 2008 and December 29, 2007.

In accordance with Statement 157, we apply a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We measure our cash equivalents, marketable securities and foreign currency derivative contracts at fair value. Cash equivalents and marketable securities are primarily classified within Level 1 or Level 2, with the exception of auction rate security (ARS) investments. This is because cash equivalents and marketable securities are valued primarily using quoted market prices or alternative pricing sources and models utilizing market observable inputs, as provided to us by our brokers. The ARS investments are classified within Level 3 because they are valued using a discounted cash flow model. Some of the inputs to this model are unobservable in the market and are significant. Our foreign currency derivative contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets.

Results of Operations

We review and assess operating performance using segment net revenues and operating income (loss) before interest, other income (expense), minority interest, equity in net loss of Spansion Inc. and other and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

Prior to the second quarter of 2008, we had three reportable operating segments:

- the Computing Solutions segment, which included microprocessors, chipsets and embedded processors and related revenue;
- the Graphics segment, which included graphics, video and multimedia products and related revenue; and
- the Consumer Electronics segment, which included products used in handheld devices, digital televisions and other consumer electronics products, as well as revenue from royalties received in connection with sales of game console systems that incorporate our graphics technology.

In the second quarter of 2008, we decided to divest our Handheld and Digital Television business units, which were previously part of the Consumer Electronics segment. As a result, we classified them as discontinued operations in our financial statements and began reviewing and assessing operating performance using the following reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors and related revenue; and
- the Graphics segment, which includes graphics, video and multimedia products and related revenue as well as revenue from royalties received in connection with the sale of game console systems that incorporate our graphics technology.

In addition to the reportable segments, we have an All Other category, which is not a reportable segment. This category consists of certain expenses and credits that are not allocated to any of the operating segments because we do not consider these expenses and credits in evaluating the performance of the operating segments. These expenses and credits include employee stock-based compensation expense, amortization of acquired intangible assets, integration charges, restructuring charges and charges for goodwill and intangible asset impairment.

The following table provides a summary of the our net revenue and operating income (loss) by segment for the quarters ended September 27, 2008, June 28, 2008, September 29, 2007 and nine months ended September 27, 2008 and September 29, 2007.

	Quarter Ended			Nine Months Ended	
	September 27, 2008	June 28, 2008	September 29, 2007	September 27, 2008	September 29, 2007
			(In millions)		
Net Revenue					
Computing Solutions	$ 1,391	$1,101	$ 1,283	$ 3,687	$ 3,299
Graphics	385	248	275	894	698
All other	—	—	—	—	—
Total Net Revenue	$ 1,776	$1,349	$ 1,558	$ 4,581	$ 3,997
Operating Income (Loss)					
Computing Solutions	$ 143	$ (9)	$ (122)	$ (29)	$ (722)
Graphics	47	(38)	11	22	(55)
All other	(59)	(96)	(70)	(219)	(251)
Total Operating Income (Loss)	$ 131	$ (143)	$ (181)	$ (226)	$ (1,028)

Computing Solutions

Computing Solutions net revenue of $1.4 billion in the third quarter of 2008 increased 8 percent compared to net revenue of $1.3 billion in the third quarter of 2007. The increase was the result of $191 million of process technology license revenue in the third quarter of 2008, which accounted for 14 percent of the increase. Without the effect of the process technology license revenue, Computing Solutions net revenue would have decreased 6 percent due to a 7 percent decrease in average selling prices. Average selling prices decreased primarily because of lower chipset average selling prices. Average selling prices for chipsets decreased due to competitive market pressure and a shift in product mix to lower end products. Average selling prices for microprocessors were flat. Unit shipments of our Computing Solutions' products were flat. An increase in unit shipments of embedded processors and chipsets was offset by a decrease in microprocessor unit shipments. Embedded processor and chipset unit shipments increased due to increased market penetration. Microprocessor unit shipments declined primarily due to decreased demand for low end microprocessors.

Computing Solutions net revenue of $1.4 billion in the third quarter of 2008 increased 26 percent compared to net revenue of $1.1 billion in the second quarter of 2008. Net revenue increased primarily because of $191 million of process technology license revenue referenced above, which accounted for 17 percent of the increase. In addition to the favorable impact of the process technology license revenue, Computing Solutions net revenue in the third quarter of 2008 improved compared to the second quarter of 2008 due to a 10 percent increase in unit shipments. Unit shipments increased primarily due to increased demand for our chipsets and multi-core microprocessor products. Average selling prices were flat compared to the second quarter of 2008.

Computing Solutions net revenue of $3.7 billion in the first nine months of 2008 increased 12 percent compared to net revenue of $3.3 billion in the first nine months of 2007. Revenue increased primarily as a result of the process technology license revenue referenced above, which accounted for 6 percent of the increase. In addition to the favorable impact of the process technology license revenue, Computing Solutions net revenue in the first nine months of 2008 improved compared to the first nine months of 2007 due to a 7 percent increase in unit shipments. Unit shipments increased primarily due to an increase in unit shipments of embedded processors and microprocessors. Embedded processor unit shipments increased due to increased market penetration. Microprocessor unit shipments increased due to increased demand for our multi-core microprocessor products. Average selling prices were flat. An increase in average selling prices for embedded processors was almost entirely offset by a decrease in chipset average selling prices. Embedded processor average selling prices increased due to an improvement in product mix. Chipset average selling prices decreased due to increased sales of lower-end chipset products.

Computing Solutions operating income was $143 million in the third quarter of 2008 compared to an operating loss of $122 million in the third quarter of 2007. The primary reason for the operating improvement was the 8 percent increase in net revenue referenced above and a $108 million decrease in cost of sales. Cost of sales decreased due to lower microprocessor unit shipments. In addition, research and development expenses decreased $13 million and marketing, general and administrative expenses decreased $36 million. The decreases in research and development expenses and in marketing, general and administrative expenses are explained under "Expenses" below.

Computing Solutions operating income was $143 million in the third quarter of 2008 compared to an operating loss of $9 million in the second quarter of 2008. The primary reason for the operating improvement was the 26 percent increase in net revenue referenced above. In addition, research and development expenses decreased $23 million and marketing, general and administrative expenses decreased $9 million. The decreases in research and development expenses and in marketing, general and administrative expenses are explained under "Expenses" below. The improvement in operating results was partially offset by a $170 million increase in cost of sales. The primary reason for the increase in cost of sales is absence of the favorable impact on cost of sales of the gain on the sale of 200 millimeter tools recorded in the second quarter of 2008 that did not recur in the third quarter of 2008.

Computing Solutions operating loss was $29 million in the first nine months of 2008 compared to an operating loss of $722 million in the first nine months of 2007. The operating improvement was primarily due to the 12 percent increase in net revenue and a $304 million decrease in cost of sales. Net revenue increased for the reasons set forth above. The decrease in cost of sales was primarily due to the $193 million gain from the sale of 200 millimeter equipment recorded in the second quarter of 2008. Research and development expenses increased and marketing, general and administrative expenses decreased for the reasons set forth under "Expenses" below.

Graphics

Graphics net revenue of $385 million in the third quarter of 2008 increased 40 percent compared to net revenue of $275 million in the third quarter of 2007. The increase in revenue was attributable to a 28 percent increase in unit shipments, a 6 percent increase in average selling prices and a two fold increase in royalties received in connection with sales of game console systems that incorporate our graphics technology. Unit shipments increased primarily due to strong demand for our recently introduced ATI Radeon HD 4000 series of GPU products. Average selling prices increased due to a shift in the product mix to higher end GPUs. Royalty revenue increased due to increased demand for the latest generation of game consoles.

Graphics net revenue of $385 million in the third quarter of 2008 increased 55 percent compared to net revenue of $248 million in the second quarter of 2008. The increase in revenue was attributable to a 41 percent increase in GPU unit shipments, a 13 percent increase in average selling prices and a 31 percent increase in royalties received in connection with the sales of game console systems that incorporate our graphics technology. GPU unit shipments increased because of seasonality and strong demand for our GPUs. Average selling prices increased due to a shift in the product mix to higher end GPUs. Royalty revenue increased due to increased demand for the latest generation of game consoles.

Graphics net revenue of $894 million in the first nine months of 2008 increased 28 percent compared to net revenue of $698 million in the first nine months of 2007. The increase in net revenue was driven by a 20 percent increase in GPU unit shipments, a 2 percent increase in average selling prices and a greater than two fold increase in royalties received in connection with the sale of game console systems that incorporate our graphics technology. GPU unit shipments increased because of strong demand for our new products. Average selling prices increased during the third quarter of 2008 due to a shift in the product mix to higher end GPUs. Royalty revenue increased because of increased demand for the latest generation of game consoles.

Graphics operating income in the third quarter of 2008 was $47 million compared to an operating income of $11 million in the third quarter of 2007. The $36 million improvement in operating income was due to the increase in revenue referenced above. The improvement in operating results was partially offset by a $58 million increase in costs of sales because of higher unit shipments and increased research and development and marketing, general and administrative expenses, which increased for the reasons set forth under “Expenses” below.

Graphics operating income was $47 million in the third quarter of 2008 compared to an operating loss of $38 million in the second quarter of 2008. The operating improvement was due to the increase in revenue referenced above. The improvement in operating results was partially offset by a $54 million increase in cost of sales because of higher unit shipments.

Graphics operating income was $22 million in the first nine months of 2008 compared to an operating loss of $55 million in the first nine months of 2007. The improvement was primarily due to the increase in net revenue for the reasons referenced above. The favorable impact of increased revenue was partially offset by an $86 million increase in cost of sales and a $30 million increase in marketing, general and administrative expenses. Cost of sales increased primarily due to higher unit shipments.

All Other Category

All Other operating loss of $59 million in the third quarter of 2008 decreased $11 million compared to an operating loss of $70 million in the third quarter of 2007. The decrease in All Other operating loss was primarily due to a $7 million decrease in stock-based compensation expense and a $9 million decrease in the amortization of acquired intangible assets and integration charges, partially offset by $9 million in restructuring charges incurred in the third quarter of 2008.

All Other operating loss of $59 million in third quarter of 2008 decreased $37 million compared to an operating loss of $96 million in the second quarter of 2008. Operating loss decreased primarily due to a $21 million decrease in restructuring charges.

All Other operating loss of $219 million in the first nine months of 2008 decreased $32 million compared to an operating loss of $251 million in the first nine months of 2007. The reduction in operating loss was primarily attributable to a $56 million decrease in ATI acquisition-related charges and a $26 million decrease in employee stock-based compensation expense. The decrease in ATI acquisition-related charges was due to a decrease in the amortization expense of acquired intangible assets of $14 million due to the write-down of certain intangible assets in the fourth quarter of 2007, the absence of an $18 million charge related to the fair value adjustment of acquired inventory and a decrease of $24 million in integration charges.

Comparison of Gross Margin, Expenses, Interest Income, Interest Expense, and other

The following is a summary of certain consolidated statement of operations data for the periods indicated:

	Quarter Ended			Nine Months Ended	
	September 27, 2008	June 28, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions except for percentages)				
Cost of sales	$ 871	$ 653	$ 923	$ 2,376	$ 2,608
Gross margin	905	696	635	2,205	1,389
Gross margin percentage	% 51	% 52	% 41	% 48	% 35
Research and development	$ 422	$ 442	$ 431	$ 1,319	$ 1,261
Marketing, general and administrative	313	337	346	984	1,029
Amortization of acquired intangible assets and integration charges	30	30	39	89	127
Restructuring charges	9	30	—	39	—
Interest income	7	10	19	32	54
Interest expense	(87)	(95)	(95)	(277)	(272)
Other income (expense), net	(4)	(10)	(1)	(15)	(8)
Provision (benefit) for income taxes	(1)	—	20	(1)	59

Gross Margin

Gross margin as a percentage of net revenue increased to 51 percent in the third quarter of 2008 compared to 41 percent in the third quarter of 2007. The increase in gross margin included the effect of $191 million process technology license revenue recorded in our Computing Solutions segment, which favorably impacted gross margin by 6 percentage points. The remainder of the increase was primarily due an improvement in our product mix, partially offset by a decrease in average selling prices.

Gross margin as a percentage of net revenue decreased to 51 percent in the third quarter of 2008 compared to 52 percent in the second quarter of 2008. In the second quarter of 2008, gross margin included the effect of the $193 million gain on the sale of 200 millimeter equipment, which favorably impacted gross margin by 14 percentage points. In the third quarter of 2008 gross margin included the effect of $191 million in technology license revenue, which favorably impacted gross margin by 6 percentage points. Excluding the favorable impact of the gain on the sale of 200 millimeter equipment and the process technology license revenue, which we believe gives a more comparable view of our gross margin, gross margin in the third quarter of 2008 would have increased approximately 8 percentage points compared to the second quarter of 2008 due to an increase in unit shipments and an improvement in our product mix.

Gross margin as a percentage of net revenue increased to 48 percent in the first nine months of 2008 compared to 35 percent in the first nine months of 2007. The increase in gross margin included the effect of the $193 million gain on the sale of 200 millimeter equipment and the $191 million process technology license revenue referenced above, which favorably impacted gross margin by 7 percentage points. The remainder of the gross margin increase was due to an increase in unit shipments, an increase in average selling prices and an overall improvement in our product mix.

We record grants and allowances that we receive from the State of Saxony and the Federal Republic of Germany for Fab 30 or Fab 36 as long-term liabilities on our financial statements. We amortize these amounts as they are earned as a reduction to operating expenses. We record the amortization of the production related grants and allowances as a credit to cost of sales. The credit to cost of sales totaled $20 million in the third quarter of 2008, $18 million in the second quarter of 2008, and $34 million in the third quarter of 2007. The fluctuations in the recognition of these credits have not significantly impacted our gross margins.

Expenses

Research and Development Expenses

Research and development expenses of $422 million in the third quarter of 2008 decreased 2 percent from $431 million in the third quarter of 2007. Research and development expenses attributable to our Computing Solutions segment decreased $13 million compared to the third quarter of 2007 primarily due to the lower investment in manufacturing process technology in third quarter of 2008 and a $3 million decrease in stock-based compensation expenses. Research and development expenses attributable to our Graphics segment increased $7 million primarily due to higher prototype expense for our next generation graphics products.

Research and development expenses of $422 million in the third quarter of 2008 decreased 5 percent from $442 million in the second quarter of 2008. This decrease was primarily due to a $23 million decrease in research and development expenses attributable to the Computing Solutions segment as a result of less research and development activities during the third quarter of 2008. Research and development expenses attributable to our Graphics segment were flat.

Research and development expenses of $1.32 billion in the first nine months of 2008 increased 5 percent from $1.26 billion in the first nine months of 2007. This increase was primarily due to a $68 million increase in research and development expenses attributable to the Computing Solutions segment due to higher product design costs for our next generation microprocessor products and start-up costs for Fab 38. The increase in research and development expenses was partially offset by a $5 million decrease in stock-based compensation expenses. In addition, the first nine months of 2007 included severance charges of $7 million for workforce reductions. We incurred a workforce reduction charge in the first nine months of 2008 pursuant to a restructuring plan initiated in the second quarter of 2008. The associated charge, along with other restructuring related costs, was recorded separately under the caption “Restructuring Charges” on our condensed consolidated statement of operations. Research and development expenses attributable to our Graphics segment were flat.

We apply for and obtain subsidies from the State of Saxony, the Federal Republic of Germany and the European Union for certain research and development projects. We record the amortization of the research and development related grants and allowances as well as the research and development subsidies as a reduction of research and development expenses when all conditions and requirements set forth in the subsidy are met. The credit to research and development expenses was $13 million in the third quarter of 2008, $8 million in the second quarter of 2008 and $11 million in the third quarter of 2007. The credit to research and development expenses totaled $29 million in the first nine months of 2008 and $24 million in the first nine months of 2007.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $313 million in the third quarter of 2008 decreased 10 percent from $346 million in the third quarter of 2007. This decrease was primarily due to a $36 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment, partially offset by an $8 million increase in marketing, general and administrative expenses attributable to our Graphics segment. Computing Solutions' marketing, general and administrative expenses decreased primarily due to lower cooperative advertising costs. Graphics' marketing, general and administrative expenses increased due to higher marketing and cooperative advertising costs related to the launch of new products.

Marketing, general and administrative expenses of $313 million in the third quarter of 2008 decreased 7 percent from $337 million in the second quarter of 2008. This decrease was primarily due to a $9 million decrease in marketing, general and administrative expenses for our Computing Solutions segment and a $6 million decrease in marketing, general and administrative expenses for our Graphics segment. Computing Solutions' marketing, general and administrative expenses decreased primarily due to lower labor expense and general services expenses. Graphics' marketing, general and administrative expenses decreased primarily due to lower cooperative advertising costs. In addition, information technology related expenses decreased by $9 million.

Marketing, general and administrative expenses of $984 million in the first nine months of 2008 decreased 4 percent from $1.03 billion in the first nine months of 2007. This decrease was primarily due to a $71 million decrease in corporate marketing and branding expenses and lower employee bonus accrual for our Computing Solutions segment, a $21 million decrease in stock-based compensation expense, and the absence of $10 million of severance charges for workforce reductions incurred in first nine months of 2007. We incurred workforce reduction charges in the first nine months of 2008 pursuant to a restructuring plan initiated in the second quarter of 2008. The associated charges, along with other restructuring related costs, were recorded separately under the caption "Restructuring Charges" on our condensed consolidated statement of operations. These decreases were partially offset by a $30 million increase in marketing, general and administrative expenses for the Graphics segment, and a $28 million increase in other administrative expenses. Graphics' marketing, general and administrative expenses increased due to higher marketing and cooperative advertising costs related to the launch of new products.

Amortization of acquired intangible assets, integration charges and impairment of goodwill and acquired intangible assets

Amortization of acquired intangible assets and integration charges was $30 million in the third quarter of 2008 compared to $39 million in the third quarter of 2007. The decrease of $9 million was primarily attributable to a $4 million decrease in charges related to the integration of the operations of AMD and ATI and a $5 million decrease in amortization of acquired intangible assets due to the write-down of acquired intangible assets and revised amortization schedule for these assets following the impairment analysis conducted in the fourth quarter of 2007.

Amortization of acquired intangible assets and integration charges of $30 million in the third quarter of 2008 was flat compared the second quarter of 2008.

Amortization of acquired intangible assets and integration charges was $89 million in the first nine months of 2008 compared to $127 million in the first nine months of 2007. The decrease of $38 million was primarily attributable to a $24 million decrease in charges related to the integration of AMD and ATI operations and a $14 million decrease in amortization of acquired intangible assets due to the write-down of the acquired intangible assets and revised amortization schedule for these assets following the impairment analysis conducted in the fourth quarter of 2007.

In the second quarter of 2008, we decided to divest our Handheld and Digital Television business units and classify them as discontinued operations for purposes of financial reporting. As a result, we performed an interim impairment analysis and recorded an impairment charge of $876 million associated with the goodwill and acquired intangible assets attributable to these businesses.

During the third quarter of 2008 the Company entered into an asset purchase agreement with Broadcom Corporation and Broadcom International Limited (collectively, Broadcom) to sell certain assets related to the Digital Television business unit for $192.8 million. The asset purchase agreement was subsequently amended to reduce the purchase price to $141.5 million and was completed on October 27, 2008. Based on the final terms of the sale transaction, we wrote down goodwill $135 million in the third quarter of 2008. See "Part I, Item 2 – MD&A – Discontinued Operations" for additional information.

Interest Income

Interest income of $7 million in the third quarter of 2008 decreased from $19 million in the third quarter of 2007 and from $10 million in the second quarter of 2008 primarily due to lower weighted-average interest rates and lower average cash balances.

Interest income of $32 million in the first nine months of 2008 decreased from $54 million in the first nine months of 2007, primarily due to lower weighted-average interest rates in the first nine months of 2008 as compared to the first nine months of 2007.

Interest Expense

Interest expense of $87 million in the third quarter of 2008 decreased from $95 million in the third quarter of 2007. In the third quarter of 2008, interest expense on outstanding indebtedness decreased $15 million because of a lower outstanding debt balance compared to the third quarter of 2007. This decrease was partially offset by a $3 million increase in interest expense as a result of tax audits in the third quarter of 2008 compared to the third quarter of 2007 and the absence of $3 million in capitalized interest expense in the third quarter of 2008 as compared to the third quarter of 2007. We discontinued capitalizing interest for Fab 36 in the first quarter of 2008 when it was in full production and for our Lantana office facility in Austin in the fourth quarter of 2007 when construction was completed.

Interest expense of $87 million in the third quarter of 2008 decreased from $95 million in the second quarter of 2008 primarily due to $5 million decrease in interest expense as a result of tax audits in the third quarter of 2008 compared to the second quarter of 2008.

Interest expense of $277 million for the first nine months of 2008 increased from $272 million for the first nine months of 2007. In the first nine months of 2008, interest expense as a result of tax audits increased by $7 million compared to the first nine months of 2007. In addition, capitalized interest expense in the first nine months of 2008 decreased by $9 million because we discontinued capitalizing interest for Fab 36 in the first quarter of 2008 when it was in full production and for our Lantana office facility in Austin in the fourth quarter of 2007 when the construction was completed. These factors were partially offset by decreased interest expense on outstanding indebtedness because of a lower outstanding debt balance compared to the first nine months of 2007.

Other Income/Expense, Net

Other Expense, net of $4 million in the third quarter of 2008 was approximately flat compared to other expense, net of $1 million in the third quarter of 2007.

Other Expense, net of $4 million, in the third quarter of 2008 decreased by $6 million compared to the second quarter of 2008 primarily due to a $12 million other than temporary impairment charge related to our portfolio of ARS recorded in the second quarter of 2008. See “Financial Condition – Liquidity-Auction Rate Securities” below, for more information.

Other Expense, net of $15 million, in the first nine months of 2008 increased by $8 million compared to the first nine months of 2007. In the second quarter of 2008, we recorded a $12 million other than temporary impairment charge related to our portfolio of ARS. However, this was offset by a $5 million charge in the second quarter of 2007 related to unamortized debt issuance costs associated with the redemption of $500 million of the principal outstanding amount of the October 2006 Term Loan.

Equity in net loss of Spansion Inc. and other

Equity in net loss of Spansion Inc. and other for the first six months ended June 30, 2007 consisted of our share of the operating losses of Spansion Inc. under the equity method of accounting. Effective September 20, 2007, we changed our accounting for this investment from the equity method of accounting for this investment as “available-for-sale” marketable securities under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. In the third quarter of 2007, we recorded an other than temporary impairment charge of $42 million after giving consideration to Spansion’s operating results and its stock price trends in the preceding six months. The remaining $44 million loss for the nine months ended September 20, 2007 represented our share of the operating losses of Spansion Inc. under the equity method of accounting.

In the second quarter of 2008, we recorded an other than temporary impairment charge of $24 million after giving consideration to Spansion’s operating results and its stock price trends in the preceding six months. As of September 27, 2008, we owned a total 14,037,910 shares, or approximately 9 percent, of Spansion’s outstanding common stock. In the third quarter of 2008, the market value of our interest in the common stock of Spansion was lower than our carrying value by approximately $9 million. After giving consideration to Spansion’s operating results and its stock price trends in the preceding months as well as the continuing declining trend of its stock price subsequent to the third quarter of 2008, we recorded an other than temporary impairment charge of $9 million in the third quarter of 2008 in the line item “Equity in net loss of Spansion Inc. and other” on our condensed consolidated statements of operations.

As indicated above, the stock price of Spansion declined further after the third quarter of 2008. If its stock price does not recover significantly before year end, we may be required to record another other than temporary impairment charge for the quarter ended December 27, 2008. We will continue to monitor Spansion’s future operating results and its stock pricing trend and perform an assessment at year end to determine if such other than temporary impairment charge is required.

Income Taxes

We recorded an income tax benefit of $1 million in the third quarter of 2008 and an income tax provision of $20 million in the third quarter of 2007. For the nine months ended September 27, 2008, we recorded an income tax benefit of $1 million and an income tax provision of $59 million for the nine months ended September 29, 2007.

For the third quarter and first nine months of 2008, foreign taxes in profitable locations were substantially offset by discrete tax benefits for the monetization of U.S. research and development credits per the Housing and Economic Recovery Act of 2008 and a refund of withholding taxes. The income tax provisions in the third quarter and first nine months of 2007 were primarily for deferred U.S. taxes related to indefinite-lived goodwill and foreign taxes in profitable locations.

As of September 27, 2008, substantially all of our U.S. deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at September 27, 2008 in management's estimate, is not more likely than not to be achieved.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to employee stock options, restricted stock and restricted stock units and employee stock purchases of continuing operations for the quarters and nine months ended September 27, 2008 and September 29, 2007, respectively, which we allocated in the condensed consolidated statements of operations as follows:

	Quarter Ended			Nine Months Ended	
	September 27, 2008	June 28, 2008	September 29, 2007	June 28, 2008	September 29, 2007
			(In millions)		
Cost of sales	$ 2	$ 3	$ 2	$ 8	$ 7
Research and development	9	8	12	32	38
Marketing, general, and administrative	7	6	11	15	36
Total stock-based compensation expense	18	17	25	55	81
Tax benefit	—	—	—	—	—
Stock-based compensation expense, net of tax	$ 18	$ 17	$ 25	$ 55	$ 81

In addition, for each of the quarters ended September 27, 2008 and September 29, 2007, employee stock-based compensation expense included in discontinued operations and excluded from continuing operations was $2 million. For each of the nine months ended September 27, 2008 and September 29, 2007, employee stock-based compensation expense included in discontinued operations and excluded from continuing operations was $5 million.

Stock-based compensation expenses of $18 million in the third quarter of 2008 decreased $7 million compared to $25 million in the third quarter of 2007 primarily due to the suspension of our employee stock purchase plan in late 2007, which resulted in no corresponding charges in the third quarter of 2008, and a net decrease in overall stock-based compensation expenses as a result of the lower average grant date fair value in the third quarter of 2008 as compared to the third quarter of 2007.

Stock-based compensation expenses of $18 million in the third quarter of 2008 were relatively flat as compared to the second quarter of 2008.

Stock-based compensation expenses of $55 million in the first nine months of 2008 decreased $26 million compared to $81 million in the first nine months of 2007 primarily due to the suspension of our employee stock purchase plan in late 2007, which resulted in no corresponding charges in the first nine months of 2008, the reversal of previously recognized stock-based compensation expenses related to certain performance based restricted stock unit grants because we concluded that the performance criteria were not achievable and a net decrease in overall stock-based compensation expense as a result of the lower average grant date fair value in the first nine months of 2008 as compared to the first nine months of 2007.

International Sales

International sales as a percent of worldwide net sales were 89 percent in the third quarter of 2008, 90 percent in the third quarter of 2007 and 86 percent in the second quarter of 2008. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Our net sales were primarily denominated in the U.S. dollar.

Restructuring

In the second quarter of 2008, we initiated a restructuring plan (Second Quarter 2008 Restructuring), which included a reduction-in-force (RIF) and certain contract termination costs related to technologies we were no longer pursuing and recorded a total charge of $32 million. The RIF component, which is comprised primarily of severance and costs related to the continuance of certain employee benefits, totaled approximately $23 million. Other exit-related costs, including $6 million of non-cash charges, totaled approximately $9 million.

In the third quarter of 2008, we recorded additional severance and related costs of approximately $9 million in connection with the Second Quarter 2008 Restructuring.

These charges have been aggregated and appear on the line item entitled “Restructuring Charges” in our condensed consolidated statement of operations, with the exception of $2 million in the second quarter of 2008, which are classified as discontinued operations.

We anticipate recording approximately $1 million of additional severance in the fourth quarter of 2008 in connection with the Second Quarter 2008 Restructuring and to substantially complete the Second Quarter 2008 Restructuring by the end of fiscal 2008.

In addition, in order to achieve our goal of attaining a lower breakeven point, we decided in the fourth quarter of 2008 to undertake additional cost reduction actions. We intend to reduce headcount by approximately 500 employees during the fourth quarter of 2008 (which is in addition to the headcount reductions we announced in April 2008) and plan to take additional cost reduction actions during the fourth quarter of 2008 and in 2009. We expect that the actions taken in the fourth quarter will result in a charge to operations in the fourth quarter of 2008 of approximately $50 million consisting primarily of severance and costs related to the continuation of certain employee benefits, contract terminations and excess facility exit costs. Further cost reduction actions will result in an additional charge in 2009, which we cannot estimate at this time, but which may include severance and costs related to the continuation of certain employee benefits and excess facility exit costs.

Discontinued Operations

During the second quarter of 2008, we decided to divest our Handheld and Digital Television business units and classified them as discontinued operations in our financial statements. We discontinued amortization and depreciation related to the assets of these business units in the second quarter of 2008. Consequently, we have segregated the assets and liabilities related to our discontinued operations from assets and liabilities related to continuing operations on our condensed consolidated balance sheet, and we segregated the operating results related to our discontinued operations from those of our continuing operations on our condensed consolidated statements of operations for all periods presented.

As a result of our decision to divest our Handheld and Digital Television business units, we performed an interim impairment test of goodwill and acquired intangible assets in the second quarter of 2008 and concluded that the carrying amounts of goodwill and certain finite-lived intangible assets associated with the Handheld and Digital Television business units were impaired and recorded an impairment charge. For goodwill, the impairment charge was determined by comparing the carrying value of goodwill assigned to the reporting units with the implied fair value of the goodwill. We considered the income approach in determining the implied fair value of the goodwill, which requires estimates of future operating results and cash flows of each of the reporting units discounted using estimated discount rates and took into consideration the estimated proceeds that we expect to receive in connection with any potential divestiture. For acquired intangible assets, we assessed the recoverability of the unamortized balances by comparing the undiscounted future net cash flows to the carrying values. For those acquired intangible assets where the carrying values exceeded the undiscounted future net cash flows, we measured the amount of impairment by calculating the amount by which the carrying values exceeded the estimated fair values, which were based on projected discounted future net cash flows. We believe that the assumptions used for determining the impairment amounts for the goodwill and acquired intangible assets for these business units are reasonable. However, actual results could be significantly different from these assumptions, which could impact the future fair values of these business units and may result in further impairment charges, which would be reflected in “discontinued operations.” The remaining carrying values of goodwill and acquired intangible assets related to these business units were reclassified to assets of discontinued operations.

During the third quarter of 2008, we entered into an asset purchase agreement with Broadcom to sell certain assets related to our Digital Television business unit for $192.8 million. The asset purchase agreement was subsequently amended to reduce the purchase price to $141.5 million and the transaction was completed on October 27, 2008. Based on the final terms of the sale transaction, we wrote down goodwill $135 million in the third quarter of 2008.

The results from discontinued operations are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(In millions)			
Revenue	$ 44	$ 74	$ 130	$ 246
Expenses	(68)	(126)	(246)	(428)
Impairment of goodwill and acquired intangible assets	(135)	—	(1,011)	—
Restructuring charges	—	—	(2)	—
Loss from discontinued operations	$ (159)	$ (52)	$ (1,129)	$ (182)

The carrying value of the assets of discontinued operations was $232 million and $1.3 billion as of September 27, 2008 and December 29, 2007. Included in these balances is goodwill and acquired intangible assets in the amounts of $193 million and $1.2 billion as of September 27, 2008 and December 29, 2007. The carrying value of the liabilities for discontinued operations was $11 million and $26 million as of September 27, 2008 and December 29, 2007. Assets and liabilities of discontinued operations for the Digital Television business unit have been reclassified to only include the assets acquired by Broadcom. Cash flows from discontinued operations are not material and have been combined with cash flows from continuing operations within our condensed consolidated statement of cash flows categories.

FINANCIAL CONDITION

Our cash, cash equivalents and marketable securities at September 27, 2008 totaled $1.3 billion, and our debt and capital lease obligations totaled $5.2 billion.

We decided to divest our Handheld and Digital Television business units during the second quarter of 2008 and classify them as discontinued operations for financial reporting. We completed the sale of our Digital Television business unit in October 2008. We believe the absence of any cash flows from our discontinued operations will not have a material impact on our future liquidity and financial position. Accordingly, we have combined cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category discussed below.

Net Cash Used in Operating Activities

Net cash used in operating activities was $442 million in the first nine months of 2008. Non-cash charges included in our net loss of $1.7 billion consisted primarily of $1 billion of goodwill and acquisition-related intangible impairment charges attributable to discontinued operations, $920 million of depreciation and amortization expense, $62 million of stock-based compensation expense, $33 million of other-than-temporary impairment on our investment in Spansion and $12 million of other-than-temporary impairment on ARS. These charges were offset by $164 million net gain on the sale and disposal of property, plant and equipment, a majority of which related to the sale of certain 200-millimeter wafer fabrication equipment, and the amortization of foreign grants and subsidies of $72 million and a non-cash foreign exchange loss of $39 million. The net changes in operating assets for the first nine months of 2008 included a decrease of $456 million in accounts payable and accrued liabilities primarily reflecting the effects of our cost cutting efforts, an increase of $76 million in accounts receivable primarily due to an increase in sales, a decrease of $56 million in prepaid and other assets primarily related to a decrease in receivables of foreign grants and subsidies and an increase of $43 million in inventories primarily for our chipset and graphics products.

Net cash used in operating activities was $371 million in the first nine months of 2007. Non-cash charges included in our net loss of $1.6 billion consisted primarily of $974 million of depreciation and amortization expense, $86 million of stock-based compensation expense, $44 million related to our share of Spansion's net loss and $42 million of other-than-temporary impairment on our investment in Spansion. These charges were offset by amortization of foreign grants and subsidies of $127 million. The net changes in operating assets for the first nine months of 2007 included a decrease of $464 million in accounts receivable partially offset by an increase of $180 million in prepaid and other assets and a decrease of $72 million in accounts payable and accrued liabilities. Greater efficiency in management and collection of accounts receivables resulted in the decline of our accounts receivable balance. The increase in prepaid and other assets was driven by increases in receivables for foreign grants and subsidies, purchases of technology licenses and an increase in prepaid insurance.

Net Cash Used in Investing Activities

Net cash used in investing activities was $78 million in the first nine months of 2008, primarily as a result of $511 million of cash used to purchase property, plant and equipment and payments of $95 million in connection with the exercise of our call option to repurchase the limited partnership interest in AMD Fab 36 KG held by one of the unaffiliated partners, Fab 36 Beteiligungs GmbH & Co. KG. This was partially offset by $343 million of proceeds from the sale of property, plant and equipment, primarily the 200-millimeter wafer fabrication equipment, and $179 million in net proceeds from the sale and maturity of available-for-sale securities.

Net cash used in investing activities was $1.3 billion in the first nine months of 2007, primarily as a result of $1.4 billion of cash used to purchase property, plant and equipment, and a net cash outflow of $151 million from purchases and maturities of available-for-sale securities. This was partially offset by $157 million proceeds from the sale of a portion of our ownership interest in Spansion.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $196 million in the first nine months of 2008, primarily due to proceeds of $182 million from the sale of certain of our accounts receivable to IBM Credit LLC pursuant to a Sale of Receivables – Supplier Agreement and proceeds of grants and subsidies from the Federal Republic of Germany and the State of Saxony for the Fab 36 project of $114 million and for the Fab 38 project of $40 million, partially offset by payments of $98 million for debt and capital lease obligations, payments of $38 million in connection with the exercise of our call option to repurchase the silent partnership contributions in AMD Fab 36 KG held by Fab 36 Beteiligungs GmbH & Co. KG and payments of $19 million for the guaranteed return on the unaffiliated limited partners' limited partnership contributions. See "Contractual Obligations - Sale of Receivables Classified as Other Short-Term Obligations" below, for additional information.

Net cash provided by financing activities was $1.4 billion in the first nine months of 2007, primarily due to net proceeds of $2.2 billion from the issuance of our 6.00% Notes during the second quarter of 2007, net proceeds of $1.5 billion from the issuance of our 5.75% Notes during the third quarter of 2007, $210 million of capital investment grants and allowances from the Federal Republic of Germany and the State of Saxony for the Fab 36 project, and $62 million in proceeds from the issuance of stock under our ESPP and the exercise of employee stock options. These amounts were offset by $2.3 billion of payments for debt and capital lease obligations, which included $2.2 billion to repay the full principal amount outstanding under our October 2006 Term Loan, and $182 million for the purchase of the capped call in connection with the 6.00% Notes.

Liquidity

We believe that our current cash, cash equivalents and marketable securities balances at September 27, 2008, anticipated cash flow from operations and available external financing will be sufficient to fund our operations and capital investments in the next twelve months and over the longer term, including approximately $267 million we plan to spend for capital expenditures during the remainder of fiscal 2008. Over the longer term, should additional funding be required, such as to meet payment obligations of our long-term debt when due, we may need to raise the required funds through borrowings or public or private sales of debt or equity securities, which may be issued from time to time under an effective registration statement, through the issuance of securities in a transaction exempt from registration under the Securities Act of 1933, or a combination of one or more of the foregoing.

We believe that in the event additional funding is required, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. Recently, continued concerns about the systemic impact of inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the United States have contributed to increased market volatility and diminished expectations for the U.S. economy. In the third quarter of 2008, added concerns fueled by the federal government conservatorship of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, the declared bankruptcy of Lehman Brothers Holdings Inc., the U.S. government-provided loan to American International Group Inc. and other federal government interventions in the U.S. credit markets have led to increased market uncertainty and instability in both U.S. and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment have recently contributed to substantial market volatility. As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers. Continued turbulence in the U.S. and international markets and economies may adversely affect our liquidity and financial condition. If these market conditions continue, they may limit our ability to access the capital markets to meet liquidity needs, on favorable terms or at all, resulting in adverse effects on our financial condition and results of operations.

Auction Rate Securities. The recent uncertainties in the credit markets have affected all of our ARS and auctions for these securities have failed to settle on their respective settlement dates. We concluded that the fair value of our ARS was equal to their carrying value in the third quarter of 2008. In the second quarter of 2008, we recorded an other-than-temporary impairment charge of $12 million.

In October 2008, UBS offered to repurchase all of our ARS that we purchased from UBS prior to February 13, 2008. As of September 27, 2008, we owned $82 million par value of these securities. We accepted this offer. From June 30, 2010 and ending July 2, 2012, we have the right, but not the obligation, to sell, at par, these ARS to UBS. Prior to June 30, 2010, we will continue to earn and receive all interest that is payable for these ARS. Furthermore, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on our behalf so long as we receive par value for the ARS sold.

The repurchase right represents a freestanding financial instrument (a put option) for accounting purposes. As such, we intend to record the fair value of the put option as an asset on our consolidated balance sheet, and record a corresponding gain to earnings during the fourth quarter of 2008.

As of September 27, 2008, we classified our investments in ARS as current assets because for a majority of our ARS holdings, we reasonably expect that we will be able to sell these securities and have the proceeds available for use in our operations within the next twelve months through a future successful auction, a sale to a buyer found outside the auction process, or through a redemption by which issuers establish a different form of financing to replace these securities. For the remaining $82 million of our ARS holdings, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on our behalf so long as we receive par value for the ARS sold. UBS has also agreed to use their best efforts to facilitate issuer redemptions and/or to resolve the liquidity concerns of holders of their ARS through restructurings and other means. We are not dependant on liquidating our ARS in the next twelve months in order to meet our liquidity needs.

Our investments in ARS include approximately $133 million of student loan ARS, $35 million of municipal and corporate ARS and $12 million ARS in preferred shares of closed end mutual funds. Approximately 81 percent of our ARS holdings are AAA rated investments and all the $133 million student loan ARS are guaranteed by the Federal Family Educational Loan Program. Until the first quarter of 2008, the fair values of our ARS were determinable by reference to frequent successful Dutch auctions of such securities, which settled at par.

Contractual Obligations

The following table summarizes our principal contractual cash obligations at September 27, 2008, and is supplemented by the discussion following the table:

	Payment due by period						
	Total	Remaining Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013 and beyond
				(In millions)			
5.75% Senior Notes due 2012	$ 1,500	$ —	$ —	$ —	$ —	$ 1,500	$ —
6.00% Senior Notes due 2015	2,200	—	—	—	—	—	2,200
Fab 36 Term Loan	750	45	246	290	169	—	—
Repurchase obligations to Fab 36 Partners [1]	58	29	29	—	—	—	—
7.75% Senior Notes Due 2012	390	—	—	—	—	390	—
Other debt	—	—	—	—	—	—	—
Other long-term liabilities	85	—	31	23	3	10	18
Aggregate interest obligation [2]	1,430	85	292	267	250	217	319
Obligations under capital leases [3]	431	11	43	43	43	43	248
Operating leases	289	17	63	57	31	27	94
Unconditional purchase commitments [4]	2,547	247	465	307	239	246	1,043
Total contractual obligations	$ 9,680	$ 434	$ 1,169	$ 987	$ 735	$ 2,433	$ 3,922

(1) Represents the amount of silent partnership contributions that our subsidiaries are required to repurchase from the remaining unaffiliated limited partner of AMD Fab 36 KG and is exclusive of the guaranteed rate of return. See "Fab 36 Term Loan and Guarantee and Fab 36 Partnership Agreements," below.

(2) Represents estimated aggregate interest obligations for our debt obligations, excluding capital lease obligations, including the guaranteed rate of return on our repurchase of the unaffiliated partner's silent partnership contributions, based on our assumptions regarding wafer output.

(3) Includes principal and interest.

(4) We have unconditional purchase commitments for goods and services where payments are based, in part, on volume or type of services we require. In those cases, we only included the minimum volume of purchase commitments in the table above. Also, purchase orders for goods and services that are cancelable upon notice and without significant penalties are not included in the amounts above.

5.75% Convertible Senior Notes due 2012

On August 14, 2007, we issued $1.5 billion aggregate principal amount of 5.75% Convertible Senior Notes due 2012. The 5.75% Notes bear interest at 5.75% per annum. Interest is payable in arrears on February 15 and August 15 of each year beginning February 15, 2008 until the maturity date of August 15, 2012. The terms of the 5.75% Notes are governed by an Indenture (the 5.75% Indenture), dated as of August 14, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee.

The 5.75% Notes will be convertible, in whole or in part, at any time prior to the close of business on the business day immediately preceding the maturity date of the 5.75% Notes, into shares of our common stock based on an initial conversion rate of 49.6771 shares of common stock per $1,000 principal amount of the 5.75% Notes, which is equivalent to an initial conversion price of approximately $20.13 per share. This initial conversion price represents a premium of 50% relative to the last reported sale price of our common stock on August 8, 2007 (the trading date preceding the date of pricing of the 5.75% Notes) of $13.42 per share. This initial conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 5.75% Indenture) of AMD under certain circumstances. Holders of the 5.75% Notes may require us to repurchase the 5.75% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change (as defined in the 5.75% Indenture) or a termination of trading (as defined in the Indenture). Additionally, an event of default (as defined in the 5.75% Indenture) may result in the acceleration of the maturity of the 5.75% Notes.

The 5.75% Notes rank equally in right of payment with our existing and future senior debt and senior in right of payment to all of our future subordinated debt. The 5.75% Notes rank junior in right of payment to all our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

The net proceeds from the offering, after deducting discounts, commissions and offering expenses payable by us, were approximately $1.5 billion. We used all of the net proceeds, together with available cash, to repay in full the remaining outstanding balance of the October 2006 Term Loan. All security interests under the October 2006 Term Loan were released. In connection with this repayment, we recorded a charge of approximately $17 million to write off the remaining unamortized debt issuance costs associated with the October 2006 Term Loan.

We may elect to purchase or otherwise retire our 5.75% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued $2.2 billion aggregate principal amount of 6.00% Convertible Senior Notes due 2015. The 6.00% Notes bear interest at 6.00% per annum. Interest is payable in arrears on May 1 and November 1 of each year beginning November 1, 2007 until the maturity date of May 1, 2015. The terms of the 6.00% Notes are governed by an Indenture (the 6.00% Indenture), dated April 27, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee.

Upon the occurrence of certain events described in the 6.00% Indenture, the 6.00% Notes will be convertible into cash up to the principal amount, and if applicable, into shares of our common stock issuable upon conversion of the 6.00% Notes (the 6.00% Conversion Shares) in respect of any conversion value above the principal amount, based on an initial conversion rate of 35.6125 shares of common stock per $1,000 principal amount of 6.00% Notes, which is equivalent to an initial conversion price of $28.08 per share. This initial conversion price represents a premium of 100% relative to the last reported sale price of our common stock on April 23, 2007 (the trading date preceding the date of pricing of the 6.00% Notes) of $14.04 per share. The conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 6.00% Indenture) under certain circumstances. Holders of the 6.00% Notes may require us to repurchase the 6.00% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change or a termination of trading (as defined in the 6.00% Indenture). Additionally, an event of default (as defined in the 6.00% Indenture) may result in the acceleration of the maturity of the 6.00% Notes.

The 6.00% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 6.00% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

In connection with the issuance of the 6.00% Notes, on April 24, 2007, we purchased a capped call with Lehman Brothers OTC Derivatives Inc., or Lehman Brother Derivatives, represented by Lehman Brothers Inc. The capped call had an initial strike price of $28.08 per share, subject to certain adjustments, which matches the initial conversion price of the 6.00% Notes, and a cap price of $42.12 per share. The capped call was intended to reduce the potential common stock dilution to then existing stockholders upon conversion of the 6.00% Notes because the call option allowed us to receive shares of common stock from the counterparty generally equal to the number of shares of common stock issuable upon conversion of the 6.00% Notes.

Lehman Brothers Derivatives filed a voluntary Chapter 11 bankruptcy petition on October 4, 2008, which was an event of default under the capped call arrangement. The Lehman Brothers Derivatives bankruptcy proceedings are ongoing and our ability to reduce the potential dilution upon conversion of the 6.00% Notes through the capped call transaction has effectively been eliminated. As a result of the uncertain recoverability of this counterparty exposure, we are unable to predict whether, and to what extent, we may be able to recover any of our losses under the capped call transaction. Moreover, if the capped call is legally terminated, we likely will be subject to potentially disadvantageous tax consequences, including the use of a material amount of our net operating losses against triggered taxable income.

The net proceeds from the offering, after deducting discounts, commissions and offering expenses payable by us, were approximately $2.2 billion. We used approximately $182 million of the net proceeds to purchase the capped call and applied $500 million of the net proceeds to prepay a portion of the amount outstanding under the October 2006 Term Loan. In connection with this repayment, we recorded a charge of approximately $5 million to write off unamortized debt issuance costs associated with the October 2006 Term Loan repayment.

We may elect to purchase or otherwise retire our 6.00% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

Fab 36 Term Loan and Guarantee and Fab 36 Partnership Agreements

Our 300-millimeter wafer fabrication facility, Fab 36, is owned by AMD Fab 36 Limited Liability Company & Co. KG (or AMD Fab 36 KG), a German limited partnership. We control the management of AMD Fab 36 KG through a wholly owned Delaware subsidiary, AMD Fab 36 LLC, which is a general partner of AMD Fab 36 KG. AMD Fab 36 KG is our indirect consolidated subsidiary.

To date, we have provided a significant portion of the financing for Fab 36. In addition, Leipziger Messe GmbH, a nominee of the State of Saxony, Fab 36 Beteiligungs GmbH, an investment consortium arranged by M+W Zander Facility Engineering GmbH, the general contractor for the project, and a consortium of banks have provided financing for the project. We have also received grants and allowances from federal and state German authorities for the Fab 36 project.

The funding to construct and facilitize Fab 36 has consisted of:

- equity contributions from us of $855 million under the partnership agreements, revolving loans from us of up to approximately $1.1 billion, and guarantees from us for amounts owed by AMD Fab 36 KG and its affiliates to the lenders and unaffiliated partners;
- investments of approximately $468 million from Leipziger Messe and Fab 36 Beteiligungs;
- a loan of approximately $893 million from a consortium of banks, which was fully drawn as of December 2006;
- up to approximately $793 million of subsidies consisting of grants and allowances from the Federal Republic of Germany and the State of Saxony, depending on the level of capital investments by AMD Fab 36 KG, of which $627 million of cash has been received as of September 27, 2008;
- up to approximately $34 million of subsidies consisting of grants and allowances, from the Federal Republic of Germany and the State of Saxony, depending on the level of capital investments in connection with expansion of production capacity at our Dresden site, of which $9 million has been received as of September 27, 2008; and
- a loan guarantee from the Federal Republic of Germany and the State of Saxony of 80 percent of the losses sustained by the lenders referenced above after foreclosure on all other security.

As of September 27, 2008, we contributed to AMD Fab 36 KG the full amount of equity required under the partnership agreements and no loans from us were outstanding. These amounts have been eliminated in our consolidated financial statements.

On April 21, 2004, AMD Fab 36 KG entered into a 700 million euro Term Loan Facility Agreement among AMD Fab 36 KG, as borrower, and a consortium of banks led by Dresdner Bank AG, as lenders, dated April 21, 2004 (Fab 36 Term Loan) and other related agreements (collectively, the Fab 36 Loan Agreements) to finance the purchase of equipment and tools required to operate Fab 36. The consortium of banks agreed to make available up to $893 million in loans to AMD Fab 36 KG upon its achievement of specified milestones, including attainment of “technical completion” at Fab 36, which required certification by the banks’ technical advisor that AMD Fab 36 KG had a wafer fabrication process suitable for high-volume production of advanced microprocessors and had achieved specified levels of average wafer starts per week and average wafer yields, as well as cumulative capital expenditures of approximately $1.5 billion.

Effective as of October 10, 2006, we amended the terms of the Fab 36 Term Loan. Under the amended and restated Fab 36 Term Loan, AMD Fab 36 KG borrowed in U.S. dollars. To protect the lenders from currency risks, if our consolidated cash is below $1 billion or our credit rating drops below B3 by Moody’s and B- by Standard & Poor’s, AMD Fab 36 KG will be required to maintain a cash reserve account with deposits equal to 5 percent of the amount of U.S. dollar loans outstanding under the Fab 36 Term Loan and to make balancing payments into this account equal to the difference between (x) the total amount of U.S. dollar loans outstanding under the Fab 36 Term Loan and (y) the U.S dollar equivalent of 700 million euros (as reduced by repayments, prepayments, cancellations, and any outstanding loans denominated in euros.)

In October 2006, AMD Fab 36 KG borrowed $645 million (the First Installment), and in December 2006, AMD Fab 36 KG borrowed $248 million under the Fab 36 Term Loan (the Second Installment). As of September 27, 2008, AMD Fab 36 KG had borrowed the full amount available under the Fab 36 Term Loan and the total amount outstanding under the Fab 36 Term Loan was $750 million. AMD Fab 36 KG may select an interest period of one, two, or three months or any other period agreed between AMD Fab 36 KG and the lenders. The rate of interest on each installment for the interest period selected is the percentage rate per annum which is the aggregate of the applicable margin, plus LIBOR plus minimum reserve cost if any. As of September 27, 2008, the rate of interest was 4.66563 percent for the First Installment and 4.67563 percent for the Second Installment. This loan is repayable in quarterly installments and terminates in March 2011. An aggregate of $143 million has been repaid as of September 27, 2008.

The amended and restated Fab 36 Term Loan also sets forth certain covenants applicable to AMD Fab 36 KG. For example, for as long as group consolidated cash is at least $1 billion, our credit rating is at least B3 by Moody's and B- by Standard & Poor's, and no event of default has occurred, the only financial covenant that AMD Fab 36 KG is required to comply with is a loan to fixed asset value covenant. Specifically, the loan to fixed asset value (as defined in the Fab 36 Term Loan) as at the end of any relevant period specified in Column A below cannot exceed the percentage set out opposite such relevant period in Column B below:

Column A (Relevant Period)	Column B (Maximum Percentage of Loan to Fixed Asset Value)
up to and including 31 December 2008	50 percent
up to and including 31 December 2009	45 percent
Thereafter	40 percent

As of September 27, 2008, AMD Fab 36 KG was in compliance with this covenant.

If group consolidated cash is less than $1 billion or our credit rating is below B3 by Moody's and B- by Standard & Poor's, AMD Fab 36 KG will also be required to maintain minimum cash balances equal to the lesser of 100 million euros and 50 percent of the total outstanding amount under the Fab 36 Term Loan. AMD Fab 36 KG may elect to maintain the minimum cash balance in an equivalent amount of U.S. dollars if group consolidated cash is at least $500 million. If on any scheduled repayment date, our credit rating is Caa2 or lower by Moody's or CCC or lower by Standard & Poor's, AMD Fab 36 must increase the minimum cash balances by five percent of the total outstanding amount, and at each subsequent request of Dresdner Bank, by a further five percent of the total outstanding amount until such time as either the credit rating increases to at least Ba3 by Moody's and BB- by Standard & Poor's or the minimum cash balances are equal to the total outstanding amounts. Our credit rating was B2 with Moody's and B with Standard and Poor's as of September 27, 2008. AMD Fab 36 KG pledged substantially all of its current and future assets as security under the Fab 36 Loan Agreements, we pledged our equity interest in AMD Fab 36 Holding and AMD Fab 36 LLC, AMD Fab 36 Holding pledged its equity interest in AMD Fab 36 Admin and its partnership interest in AMD Fab 36 KG and AMD Fab 36 Admin and AMD Fab 36 LLC pledged all of their partnership interests in AMD Fab 36 KG. We guaranteed the obligations of AMD Fab 36 KG to the lenders under the Fab 36 Loan Agreements. We also guaranteed repayment of grants and allowances by AMD Fab 36 KG, should such repayment be required pursuant to the terms of the subsidies provided by the federal and state German authorities.

Pursuant to the terms of the Guarantee Agreement among us, as guarantor, AMD Fab 36 KG, Dresdner Bank AG and Dresdner Bank AG, Niederlassung Luxemburg, we have to comply with specified adjusted tangible net worth and EBITDA financial covenants if the sum of our group consolidated cash declines below the following amounts:

Amount (in millions)	if Moody's Rating is at least		if Standard & Poor's Rating is at least
$ 500	B1 or lower	and	B+ or lower
425	Ba3	and	BB-
400	Ba2	and	BB
350	Ba1	and	BB+
300	Baa3 or better	and	BBB-or better

As of September 27, 2008, group consolidated cash was greater than $500 million and, therefore, the financial covenants were not applicable.

If our group consolidated cash declines below the amounts set forth above, we would be required to maintain adjusted tangible net worth, determined as of the last day of each preceding quarter, of not less than $1.75 billion.

In addition, if our group consolidated cash declines below the amounts set forth above, we would be required to maintain EBITDA (as defined in the Fab 36 Term Loan) as of the last day of each preceding fiscal period set forth below in an amount not less than the amount set forth below opposite the date of such preceding fiscal period:

Period	Amount (In millions)
For the four consecutive quarters ending December 2005 and for the four quarters ending on each quarter thereafter	$850 and $750 on an annualized basis for the two most recent quarters ending prior to December 31, 2006

Also on April 21, 2004, AMD, AMD Fab 36 KG, AMD Fab 36 LLC, AMD Fab 36 Holding GmbH, a German company and wholly owned subsidiary of AMD that owns substantially all of our limited partnership interest in AMD Fab 36 KG, and AMD Fab 36 Admin GmbH, a German company and wholly owned subsidiary of AMD Fab 36 Holding that owns the remainder of our limited partnership interest in AMD Fab 36 KG (collectively referred to as the AMD companies), entered into a series of agreements (the partnership agreements) with the unaffiliated limited partners of AMD Fab 36 KG, Leipziger Messe and Fab 36 Beteiligungs, relating

to the rights and obligations with respect to their limited partner and silent partner contributions in AMD Fab 36 KG. The partnership was established for an indefinite period of time. A partner may terminate its participation in the partnership by giving twelve months advance notice to the other partners. The termination becomes effective at the end of the year following the year during which the notice is given. However, other than for good cause, a partner's termination will not be effective before December 31, 2015.

The partnership agreements set forth each limited partner's aggregate capital contribution to AMD Fab 36 KG and the milestones for such contributions. Pursuant to the terms of the partnership agreements, AMD, through AMD Fab 36 Holding and AMD Fab 36 Admin, provided an aggregate of $855 million, Leipziger Messe provided an aggregate of $292 million and Fab 36 Beteiligungs provided an aggregate of $175 million. The capital contributions of Leipziger Messe and Fab 36 Beteiligungs are comprised of limited partnership contributions and silent partnership contributions. These contributions were due at various dates upon the achievement of milestones relating to the construction and operation of Fab 36 and have been made in full.

The partnership agreements also specify that the unaffiliated limited partners will receive a guaranteed rate of return of between 11 percent and 13 percent per annum on their total investment depending upon the monthly wafer output of Fab 36. We guaranteed these payments by AMD Fab 36 KG.

In April 2005, we amended the partnership agreements in order to restructure the proportion of Leipziger Messe's silent partnership and limited partnership contributions. Although the total aggregate amount that Leipziger Messe has agreed to provide remained unchanged, the portion of its contribution that constitutes limited partnership interests was reduced by $73 million while the portion of its contribution that constitutes silent partnership interests was increased by a corresponding amount. In this report, we refer to this additional silent partnership contribution as the New Silent Partnership Amount.

Pursuant to the terms of the partnership agreements and subject to the prior consent of the Federal Republic of Germany and the State of Saxony, AMD Fab 36 Holding and AMD Fab 36 Admin have a call option over the limited partnership interests held by Leipziger Messe, first exercisable three and one-half years after Leipziger Messe has completed its capital contribution and every three years thereafter. In addition, AMD Fab 36 Holding and AMD Fab 36 Admin had the same call option rights over the partnership interests held by Fab 36 Beteiligungs and exercised the option on April 1, 2008 for approximately $88 million. As of September 27, 2008, the remaining unaffiliated limited partner, Leipziger Messe, held partnership interests of approximately $233 million, of which $175 million was for its limited partnership interests and $58 million was for its silent partnership interests.

In addition, commencing five years after the completion of its capital contribution, Leipziger Messe has the right to sell its limited partnership interest to third parties (other than competitors), subject to a right of first refusal held by AMD Fab 36 Holding and AMD Fab 36 Admin, or to put its limited partnership interest to AMD Fab 36 Holding and AMD Fab 36 Admin. The put option is thereafter exercisable every three years. Leipziger Messe also has a put option in the event they are outvoted at AMD Fab 36 KG partners' meetings with respect to certain specified matters such as increases in the partners' capital contributions beyond those required by the partnership agreements, investments significantly in excess of the business plan, or certain dispositions of the limited partnership interests of AMD Fab 36 Holding and AMD Fab 36 Admin. The purchase price under the put option is Leipziger Messe's capital account balance plus accumulated or accrued profits. The purchase price under the call option is the same amount, plus a premium of $5.1 million. The right of first refusal price is the lower of the put option price or the price offered by the third party that triggered the right. We guaranteed the payments under the put options.

In addition, AMD Fab 36 Holding and AMD Fab 36 Admin are obligated to repurchase Leipziger Messe's silent partnership interests in annual 25 percent installments. As of September 27, 2008, of the $117 million of Leipziger Messe's silent partnership interests, AMD Fab 36 Holding and AMD Fab 36 Admin repurchased $58 million.

Under U.S. generally accepted accounting principles, we initially classified the portion of the silent partnership contribution that is mandatorily redeemable as debt on the consolidated balance sheets at its fair value at the time of issuance because of the mandatory redemption features described in the preceding paragraph. Each accounting period, we increase the carrying value of this debt towards its ultimate redemption value of the silent partnership contributions by the guaranteed annual rate of return of between 11 percent and 13 percent. We record this periodic accretion to redemption value as interest expense.

Leipziger Messe's limited partnership contributions and the New Silent Partnership Amount described above are not mandatorily redeemable, but rather are subject to redemption outside of the control of AMD Fab 36 Holding and AMD Fab 36 Admin. In consolidation, we initially record these contributions as minority interest, based on its fair value. Each accounting period, we increase the carrying value of this minority interest toward its ultimate redemption value of these contributions by the guaranteed rate of return of between 11 percent and 13 percent. We classify this periodic accretion of redemption value as minority interest. No separate accounting is required for the put and call options because they are not freestanding instruments and not considered derivatives under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

In addition to support from us and the consortium of banks referenced above, the Federal Republic of Germany and the State of Saxony have agreed to support the Fab 36 project in the form of:

- a loan guarantee equal to 80 percent of the losses sustained by the lenders after foreclosure on all other security; and

- subsidies consisting of grants and allowances totaling up to approximately $793 million, depending on the level of capital investments by AMD Fab 36 KG, and $34 million, depending on the level of capital investments for expansion of production capacity at our Dresden site.

In connection with the receipt of investment grants for the Fab 36 project, AMD Fab 36 KG is required to attain a certain employee headcount by December 2008 and is required to maintain this headcount through December 2013. We record these grants as long-term liabilities on our consolidated balance sheet and amortize them to operations ratably starting from December 2004 through December 2013. Initially, we amortized the grant amounts as a reduction to research and development expenses. Beginning in the first quarter of 2006 when Fab 36 began producing revenue generating products, we started amortizing these amounts as a reduction to cost of sales. For allowances, starting from the first quarter of 2006, we amortize the amounts as a reduction of depreciation expense ratably over the life of the investments because these allowances are intended to subsidize the capital investments. Noncompliance with the covenants contained in the subsidy documents could result in the repayment of all or a portion of the amounts received to date.

As of September 27, 2008, AMD Fab 36 KG received cash allowances of $407 million for capital investments made in 2003 through 2007 as well as cash grants of $221 million for capital investments made in 2003 through Q3 2008 and a prepayment for capital investments until project end for capital investments. The Fab 36 Loan Agreements also require that we:

- provide funding to AMD Fab 36 KG if cash shortfalls occur, including funding shortfalls in government subsidies resulting from any defaults caused by AMD Fab 36 KG or its affiliates; and
- guarantee 100 percent of AMD Fab 36 KG's obligations under the Fab 36 Loan Agreements until the loans are repaid in full.

Under the Fab 36 Loan Agreements, AMD Fab 36 KG, AMD Fab 36 Holding and AMD Fab 36 Admin are generally prevented from paying dividends or making other payments to us. In addition, AMD Fab 36 KG would be in default under the Fab 36 Loan Agreements if we or any of the AMD companies fail to comply with certain obligations thereunder or upon the occurrence of certain events and if, after the occurrence of the event, the lenders determine that their legal or risk position is adversely affected. Circumstances that could result in a default include:

- our failure to provide loans to AMD Fab 36 KG as required under the Fab 36 Loan Agreements;
- failure to pay any amount due under the Fab 36 Loan Agreements within five days of the due date;
- the occurrence of any event which the lenders reasonably believe has had or is likely to have a material adverse effect on the business, assets or condition of AMD Fab 36 KG or AMD or their ability to perform under the Fab 36 Loan Agreements;
- filings or proceedings in bankruptcy or insolvency with respect to us, AMD Fab 36 KG or any limited partner;
- the occurrence of a change in control (as defined in the Fab 36 Loan Agreements) of AMD;
- AMD Fab 36 KG's noncompliance with certain affirmative and negative covenants, including restrictions on payment of profits, dividends or other distributions except in limited circumstances and restrictions on incurring additional indebtedness, disposing of assets and repaying subordinated debt; and
- AMD Fab 36 KG's noncompliance with certain financial covenants, including loan to fixed asset value ratio and, in certain circumstances, a minimum cash covenant.

In general, any default with respect to other indebtedness of AMD or AMD Fab 36 KG that is not cured, would result in a cross-default under the Fab 36 Loan Agreements.

The occurrence of a default under the Fab 36 Loan Agreements would permit the lenders to accelerate the repayment of all amounts outstanding under the Fab 36 Term Loan. In addition, the occurrence of a default under this agreement could result in a cross-default under the indentures governing our 7.75% Notes, 6.00% Notes and 5.75% Notes. We cannot provide assurance that we would be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

In the event the transaction with ATIC is consummated and the approval of the lenders is received, the Fab 36 Term Loan will be assigned to The Foundry Company, whose financial results will continue to be consolidated with ours.

7.75% Senior Notes Due 2012

On October 29, 2004, we issued $600 million of 7.75% Senior Notes due 2012 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, as amended. On April 22, 2005, we exchanged these notes for publicly registered notes which have substantially identical terms as the old notes except that the publicly registered notes are registered under the Securities Act, and, therefore, do not contain legends restricting their transfer. Our 7.75% Notes mature on November 1, 2012. Interest on our 7.75% Notes is payable semiannually in arrears on May 1 and November 1, beginning May 1, 2005. Prior to November 1, 2008, we may

redeem some or all of our 7.75% Notes at a price equal to 100 percent of the principal amount plus accrued and unpaid interest plus a "make-whole" premium, as defined in the indenture governing our 7.75% Notes. Thereafter, we may redeem our 7.75% Notes for cash at the following specified prices plus accrued and unpaid interest:

Period	Price as Percentage of Principal Amount
Beginning on November 1, 2008 through October 31, 2009	103.875 percent
Beginning on November 1, 2009 through October 31, 2010	101.938 percent
Beginning on November 1, 2010 through October 31, 2011	100.000 percent
On November 1, 2011	100.000 percent

Holders have the right to require us to repurchase all or a portion of our 7.75% Notes in the event that we undergo a change of control, as defined in the indenture governing our 7.75% Notes at a repurchase price of 101 percent of the principal amount plus accrued and unpaid interest.

The indenture governing our 7.75% Notes contains certain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries, which include all of our subsidiaries, from:

- incurring additional indebtedness except specified permitted debt;
- paying dividends and making other restricted payments;
- making certain investments if an event of default exists, or if specified financial conditions are not satisfied;
- creating or permitting certain liens;
- creating or permitting restrictions on the ability of the restricted subsidiaries to pay dividends or make other distributions to us;
- using the proceeds from sales of certain assets;
- entering into certain types of transactions with affiliates; and
- consolidating, merging or selling our assets as an entirety or substantially as an entirety.

In February 2006, we redeemed 35 percent (or $210 million) of the aggregate principal amount outstanding of our 7.75% Notes. The holders of our 7.75% Notes received 107.75 percent of the principal amount of our 7.75% Notes plus accrued interest. In connection with this redemption, we recorded a charge of approximately $16 million, which represents our 7.75% redemption premium, and a charge of $4 million, which represents 35 percent of the unamortized issuance costs incurred in connection with the original issuance of our 7.75% Notes.

We may elect to purchase or otherwise retire the remaining principal outstanding under our 7.75% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

Other Long-Term Liabilities

Other Long-Term Liabilities in the Contractual Obligations table above includes $44 million of payments due under certain software and technology licenses that will be paid through 2010 and $41 million related to employee benefit obligations. Other Long-Term Liabilities excludes amounts recorded on our consolidated balance sheet that do not require us to make cash payments, which, as of September 27, 2008, primarily consisted of $389 million of deferred grants and subsidies related to the Fab 36 in Dresden and a $16 million deferred gain as a result of the sale and leaseback of our headquarters in Sunnyvale, California in 1998.

Other Long-Term Liabilities in the Contractual Obligations table above also excludes $135 million of non-current uncertain tax benefits under FIN 48, which are included in the caption, "Other Long Term Liabilities" on our consolidated balance sheet at September 27, 2008. Included in the non-current uncertain tax benefits is a potential cash payment of approximately $26 million that could be payable by us upon settlement with a taxing authority. We have not included this amount in the Contractual Obligations table above as we cannot make a reasonably reliable estimate regarding the timing of any settlement with the respective taxing authority, if any.

Capital Lease Obligations

As of September 27, 2008, we had aggregate outstanding capital lease obligations of $241 million. Included in this amount is $205 million in obligations under certain energy supply contracts which we entered into with local energy suppliers to provide our Dresden wafer fabrication facilities with utilities (gas, electricity, heating and cooling) to meet the energy demands for our manufacturing requirements. We account for certain fixed payments due under these energy supply arrangements as capital leases pursuant to EITF Issue No. 01-8, *Determining Whether an Arrangement Contains a Lease,* and FASB Statement No. 13, *Accounting for Leases.* The capital lease obligations under the energy supply arrangements are payable in monthly installments through 2020.

Operating Leases

We lease certain of our facilities, including our executive offices in Sunnyvale, California, and in some jurisdictions we lease the land on which these facilities are built under non-cancelable lease agreements that expire at various dates through 2021. We lease certain of our manufacturing and office equipment for terms ranging from one to five years. Our total future non-cancelable lease obligations as of September 27, 2008 were $289 million, of which $36 million is accrued as a liability for certain facilities that were included in our 2002 Restructuring Plan. We will make these payments through 2011.

Unconditional Purchase Commitments

Total non-cancelable purchase commitments as of September 27, 2008 were $2.5 billion for periods through 2020. These purchase commitments include $1.1 billion related to contractual obligations of our Dresden facilities to purchase energy and gas and approximately $956 million representing future payments to IBM for the period from August 15, 2008 through 2015 pursuant to our amended and restated joint development agreement. As IBM's services are being performed ratably over the life of the agreement, we expense the payments as incurred. The remaining purchase commitments also include non-cancelable contractual obligations to purchase raw materials, natural resources and office supplies.

In connection with our acquisition of ATI, we made several commitments to the Minister of Industry under the Investment Canada Act, including our agreement to increase spending on research and development in Canada to a specified amount over the course of a three-year period when compared to ATI's expenditures in this area in prior years; maintain Canadian employee headcount at specified levels by the end of the three-year anniversary of the acquisition; increase by a specified amount the number of our Canadian employees focusing on research and development; attain specified Canadian capital expenditures over a three-year period; maintain a presence in Canada through a variety of commercial activities for a period of five years; and nominate a Canadian for election to our Board of Directors over the next five years. Our minimum required Canadian capital expenditures and research and development commitments are included in our aggregate unconditional purchase commitments. We expect that commitments relating to our Digital Television business unit, which has been divested, will no longer apply. We also expect that commitments relating to our Handheld business unit will no longer apply to the extent that all or part of this unit is divested.

Sale of Receivables Classified as Other Short-Term Obligations

On March 26, 2008, we entered into a Sale of Receivables – Supplier Agreement with IBM Credit LLC, or IBM Credit, and one of our wholly-owned subsidiaries, AMD International Sales & Service, Ltd., or AMDISS, entered into the same sales agreement with IBM United Kingdom Financial Services Ltd., or IBM UK, pursuant to which we and AMDISS agreed to sell to each of IBM Credit and IBM UK certain receivables. Pursuant to the sales agreements, the IBM parties agreed to purchase from the AMD parties invoices of specified AMD customers up to credit limits set by the IBM parties for any applicable AMD customer. As of September 27, 2008, only selected distributor customers have participated in this program. Because we do not recognize revenue until our distributors sell our products to their customers, we classified funds received from the IBM parties as debt according to the requirement of EITF Issue No. 88-18, *Sales of Future Revenues*. The debt is reduced as the IBM parties receive payments from the distributors. As of September 27, 2008, $94 million was outstanding under these agreements. This amount appears as other short-term obligations on our condensed consolidated balance sheet and is not considered a cash commitment.

Off-Balance Sheet Arrangements

Guarantees of Indebtedness Recorded on our Consolidated Balance Sheet

As of September 27, 2008, the principal guarantee related to indebtedness recorded on our consolidated balance sheet was for $58 million, which represents the amount of silent partnership contributions that Fab 36 Holding and Fab 36 Admin are required to repurchase from Leipziger Messe GmbH and is exclusive of the guaranteed rate of return obligation aggregating approximately $146 million. Of the $58 million guarantee, $29 million is expected to expire by the end of 2008, and $29 million is expected to expire by the end of 2009.

Guarantees of Indebtedness Not Recorded on our Condensed Consolidated Balance Sheet

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed by AMD, Infineon Technologies AG (Infineon) and DuPont Photomasks, Inc. (Dupont) for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. The Company procures advanced photomasks from AMTC and uses them in manufacturing its microprocessors. In April 2005, DuPont was acquired by Toppan Printing Co., Ltd. and became a wholly owned subsidiary of Toppan, named Toppan Photomasks, Inc. In December 2007, Infineon entered into an assignment agreement to transfer its interest in AMTC and BAC to Qimonda AG, with the exception of certain AMTC/BAC related payment guarantees. The assignment became effective in January 2008.

In December 2002, BAC obtained a $110 million term loan to finance the construction of the photomask facility. At the same time, AMTC and BAC, as lessor, entered into a lease agreement. The term of the lease agreement is ten years. Each joint venture partner guaranteed a specific percentage of AMTC's rental payments. Pursuant to an agreement between AMTC, BAC and DuPont (now Toppan), AMTC may exercise a "step-in" right, in which it would assume Toppan's remaining rental payments in connection with the rental agreement between Toppan and BAC. As of, September 27, 2008, our guarantee of AMTC's portion of the rental obligation was approximately $9 million and our maximum liability in the event AMTC exercises its "step-in" right and the other joint venture partners default under the guarantee was approximately $83 million. These estimates are based upon forecasted rents to be charged in the future and are subject to change based upon the actual usage of the facility by the tenants and foreign currency exchange rates.

In December 2007, AMTC entered into a new $99 million revolving credit facility, of which $82 million was outstanding as of September 27, 2008. The proceeds were used to repay all amounts outstanding under a previous $175 million revolving credit facility and to provide additional financing for the acquisition of new tools. Subject to certain conditions under the revolving credit facility, AMTC may request that the loan amount be increased by an additional $58 million. The term of the revolving credit facility is three years. Upon request by AMTC and subject to certain conditions, the term of the revolving credit facility may be extended by two additional one-year periods. Pursuant to a guarantee agreement, each joint venture partner guaranteed one third of AMTC's outstanding loan balance under the revolving credit facility. In September 2008, Qimonda provided a cash security equal to one third of AMTC's outstanding loan balance pursuant to a cash pledge agreement and was released from the guarantee agreement. The obligations of the remaining joint venture partners under the guarantee agreement remain the same. As of September 27, 2008, our liability under this guarantee was $27 million plus our portion of accrued interest and expenses. Our maximum liability under this guarantee is $33 million plus our portion of accrued interest and expenses. Under the terms of the guarantee, if our group consolidated cash (which is defined as cash, cash equivalents and marketable securities less the aggregate amount outstanding under any revolving credit facility) is less than or expected to be less than $500 million, we will be required to provide cash collateral equal to one third of the balance outstanding under the revolving credit facility. We evaluated whether we should account for this guarantee under the provisions of FIN 45 and concluded it was immaterial to our financial position or results of operations. In the event the transaction with ATIC is consummated and the approval of the partners and banks are received, our partnership interests in the AMTC and the BAC will be transferred to The Foundry Company.

Outlook

Our outlook disclosure is based on current expectations and contains forward-looking statements. Reference should be made to "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this section. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements in the following disclosure, see the "Risk Factors" section in this report and such other risks and uncertainties as set forth in this report or detailed in our other SEC reports and filings.

In light of the current macroeconomic conditions, we expect fourth quarter 2008 revenue from continuing operations to be roughly flat with third quarter 2008 revenue, excluding process technology license revenue of $191 million. We also expect that: amortization expense for acquired intangible assets will be approximately $30 million; and depreciation and amortization expense will be approximately $280 million.

Recently Issued Accounting Pronouncements

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). This statement requires enhanced disclosures about an entity's derivative and hedging activities and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with earlier application encouraged. We will adopt SFAS 161 in the first quarter of 2009. Since SFAS 161 requires only additional disclosures concerning derivatives and hedging activities, adoption of SFAS 161 will not have an impact on our consolidated financial condition, results of operations or cash flows. The adoption of SFAS 161 will change our disclosures for derivative instruments and hedging activities beginning in the first quarter of fiscal 2009.

In May 2008, the FASB issued FSP APB No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1*)*. This FSP requires the issuer of certain convertible debt instruments that may be settled in cash (or other *assets*) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. The effective date of this FSP is for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and it does not permit earlier application. However, the transition guidance requires retroactive application to all periods presented. This FSP will impact our accounting for the $2.2 billion 6.00% Notes whereby the equity component would be included in the paid-in-capital portion of stockholders' equity on the balance sheet and the value of the equity component would be treated as an original issue discount for purposes of accounting for the debt component. Higher interest expense will result by

recognizing accretion of the discounted carrying value of the 6.00% Notes to their face amount as interest expense over the term of the 6.00% Notes. We expect to have higher interest expense beginning in the first quarter of 2009 due to the interest accretion, and the interest expense associated with the 6.00% Notes for prior periods will also be higher than previously reported due to the retrospective application of this FSP. Based on our preliminary analysis, the interest expense associated with our 6.00% Notes will be approximately $17 million, $26 million and $30 million higher for fiscal years 2007, 2008 and 2009 respectively, as a result of adopting this FSP.

In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This FSP clarifies the application of FASB Statement No. 157, *Fair Value Measurements*, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. In particular, it provides additional guidance on (a) how the reporting entity's own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist, (b) how available observable inputs in a market that is not active should be considered when measuring fair value, and (c) how the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. We evaluated this FSP and concluded that our valuation technique and the application used in determining the fair value of financial assets when the market for them is not active is consistent with this FSP's guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to "Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007. There have not been significant changes in the market risk since December 29, 2007, except as follows:

There has been significant deterioration and instability in the financial markets during 2008. This period of extraordinary disruption and readjustment in the financial markets exposes us to additional investment risk. The value and liquidity of the securities in which we invest could deteriorate rapidly and the issuers of such securities could be subject to credit rating downgrades. In light of the current market conditions and these additional risks, we actively monitor market conditions and developments specific to the securities and security classes in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated securities with relatively short maturities and do not invest in securities we believe involve a higher degree of risk. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated, as there are circumstances outside of our control.

As of September 27, 2008, we had approximately $180 million investments in ARS after recording an other-than-temporary impairment charge of $12 million in the second quarter of 2008. During the first nine months of 2008, the market conditions for these ARS deteriorated due to the uncertainties in the credit markets. As a result, we were not able to sell our ARS as scheduled in the auction market during the first nine months of 2008. See "Part I, Item II – Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report for further information.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and the executive serving us our Chief Financial Officer and Chief Administrative and Operations Officer as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 27, 2008, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and the executive serving us our Chief Financial Officer and Chief Administrative and Operations Officer of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and the executive serving us our Chief Financial Officer and Chief Administrative and Operations Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have not been any changes in our internal controls over financial reporting during the first nine months of 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

GPU Class Action Lawsuits

On September 16, 2008, ATI Technologies ULC (ATI), Advanced Micro Devices, Inc., AMD US Finance, Inc., and 1252986 Alberta ULC (collectively, the ATI Entities), executed a settlement agreement relating to the claims of the certified class of direct purchaser plaintiffs previously approved by the District Court for the Northern District of California (District Court), which consists of purchasers who bought graphics cards directly from the websites of ATI or NVIDIA Corporation (NVIDIA) in the United States during the period December 4, 2002 to November 7, 2007. The settlement agreement calls for the ATI entities to pay $850,000 into a fund to be made available for payments to the certified class in exchange for a dismissal of all claims related to the lawsuit. The ATI Entities are not obligated under the settlement agreement to pay attorneys' fees, costs, or make any other payments in connection with the settlement other than our payment of $850,000. The settlement agreement is subject to court approval and, if approved, would dispose of all claims raised by the certified class in the lawsuit against the ATI Entities. On October 2, 2008, the United States Court of Appeals for the Ninth Circuit issued an order staying the direct purchaser plaintiffs' petition for permission to appeal the District Court's order regarding class certification.

The ATI Entities have also reached a settlement agreement with the remaining individual indirect purchaser plaintiffs in the lawsuit. On July 18, 2008, the District Court denied a motion seeking to certify a class of all indirect purchasers in the United States who purchased a product containing a graphics processing unit initially sold by the ATI Entities or NVIDIA. On September 9, 2008, the ATI Entities and NVIDIA reached a settlement agreement with the remaining individual indirect purchaser plaintiffs that provides for the ATI Entities to pay $112,500 in exchange for a dismissal of all claims and appeals related to the lawsuit raised by the individual indirect purchaser plaintiffs. This settlement is not subject to the approval of the District Court. Pursuant to the settlement, the individual indirect purchaser plaintiffs have dismissed their claims and withdrawn their petition for permission to appeal the District Court's order denying their motion for class certification.

AMD v. Samsung Electronics Co. et al

On February 19, 2008, AMD and ATI filed a complaint against Samsung Electronics Co., Ltd. (Samsung) and related Samsung entities alleging infringement of six AMD patents. The complaint was amended in May 2008 to add a seventh patent and also to add two additional Samsung entities as defendants to the suit. The case is filed in U.S. District Court, Northern District of California, case number 3:08-CV-0986-SI. The AMD patents generally relate to semiconductors, semiconductor memory, and related products. We are seeking damages and injunctive relief. Samsung filed an answer and counterclaims on May 15, 2008, alleging infringement by us of six Samsung patents. The Samsung patents generally relate to semiconductor fabrication and design. Samsung is seeking damages and injunctive relief. AMD filed its answer to Samsung's counterclaims on August 1, 2008.

Department of Justice Subpoena

On October 10, 2008, U.S. Department of Justice informed us that it had closed its investigation into ATI's pricing and marketing practices in the sale of GPUs.

ITEM 1A. RISK FACTORS

This description of our business risk factors includes any material changes to and supersedes risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 28, 2008.

Intel Corporation's dominance of the microprocessor market and its aggressive business practices may limit our ability to compete effectively.

Intel Corporation has dominated the market for microprocessors for many years. Intel's significant financial resources enable it to market its products aggressively, to target our customers and our channel partners with special incentives, and to discipline customers who do business with us. These aggressive activities have in the past and are likely in the future to result in lower unit sales and average selling prices for our products and adversely affect our margins and profitability.

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. Because of its dominant position in the microprocessor market, Intel has been able to control x86 microprocessor and computer system standards and to dictate the type of products the microprocessor market requires of us. Intel also dominates the computer system platform, which includes core logic chipsets, graphics chips, motherboards and other components necessary to assemble a computer system. As a result, OEMs that purchase microprocessors for computer systems are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. Additionally, Intel is able to drive de facto standards for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

Intel also manufactures and sells integrated graphics chipsets bundled with their microprocessors and is a dominant competitor with respect to this portion of our business. Intel could leverage its dominance in the microprocessor market to sell its integrated chipsets. Moreover, computer manufacturers are increasingly using integrated graphics chipsets, particularly for notebooks, because they cost less than traditional discrete graphics components while offering reasonably good graphics performance for most mainstream PCs.

Also, Intel has stated that it intends to reenter the discrete GPU market. Intel's actions could shrink the total available market for certain of our graphics products. Intel could also take other actions that place our discrete GPUs and integrated chipsets at a competitive disadvantage such as giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information.

As long as Intel remains in this dominant position, we may be materially adversely affected by Intel's:

- business practices, including rebating and allocation strategies and pricing actions, designed to limit our market share;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- exclusivity payments to its current and potential customers;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, memory, chipset and basic input/output system, or BIOS, suppliers and software companies as well as the graphics interface for Intel platforms; and
- marketing and advertising expenditures in support of positioning the Intel brand over the brand of its OEM customers.

Intel has substantially greater financial resources than we do and accordingly spends substantially greater amounts on research and development and production capacity than we do. We expect Intel to maintain its dominant position and to continue to invest heavily in marketing, research and development, new manufacturing facilities and other technology companies. To the extent Intel manufactures a significantly larger portion of its microprocessor products using more advanced process technologies, or introduces competitive new products into the market before we do, we may be more vulnerable to Intel's aggressive marketing and pricing strategies for microprocessor products.

Intel's dominant position in the microprocessor market and integrated graphics chipset market, its existing relationships with top-tier OEMs and its aggressive marketing and pricing strategies could result in lower unit sales and average selling prices for our products, which could have a material adverse effect on us.

If our proposed joint venture with ATIC is not consummated, or if we do not fully realize the anticipated benefits of our Asset Smart strategy, our business could be adversely impacted.

On October 6, 2008, we entered into a Master Transaction Agreement with ATIC and WCH pursuant to which we agreed to form a manufacturing joint venture with ATIC, referred to as The Foundry Company.

Consummation of the transactions contemplated by the Master Transaction Agreement is subject to the satisfaction or waiver of certain closing conditions, including: (i) receipt of material consents; (ii) receipt of certain government approvals, including HSR antitrust approval from the United States and merger control clearances from certain foreign regulatory authorities; (iii) approval from our stockholders under the rules and regulations of the New York Stock Exchange of our issuance of 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock to WCH; (iv) the economic incentives and subsidies currently made available to us and our subsidiaries by governmental authorities in the European Union, the Federal Republic of Germany or the State of Saxony and the State of New York remaining available to The Foundry Company and its subsidiaries without financial penalty or change that would be materially adverse to The Foundry Company and its subsidiaries and no governmental authority having notified any party that such governmental authority intends to seek to terminate the availability of such economic incentives and subsidies and (v) receipt of notice from the Committee on Foreign Investment in the United States, or CFIUS, to the effect that a review or investigation of the transactions has been concluded and that a determination has been made that there are no unresolved U.S. national security concerns, or the lack of action by the President of the United States to block or prevent the consummation of the transactions under Exon-Florio, with the applicable time period for the President to take such action having expired. If any of these conditions are not met, then ATIC and WCH will not be obligated to consummate the transactions contemplated by the Master Transaction Agreement. If the transactions contemplated by the Master Transaction Agreement are not consummated, it could have a number of adverse consequences for our business, including the following:

- we would not realize the anticipated benefits of the joint venture, including the improvement in our cash balance by approximately $1.2 billion, the reduction in our outstanding debt by approximately $1.2 billion upon assumption of such debt by The Foundry Company, and having The Foundry Company manufacture our products;

- we would need to continue funding manufacturing capital expenditures and incur increasing process technology costs;
- we would not be able to take advantage, as a shareholder of The Foundry Company, of the shift by integrated device manufacturers, or IDMs, to a fabless business model;
- the failure to consummate the transactions contemplated by the Master Transaction Agreement may cause our stock price to decline;
- if the Master Transaction Agreement is terminated for specified reasons, we would be required to pay WCH a termination fee or reimburse ATIC and WCH for certain expenses pursuant to the Master Transaction Agreement; and
- our business and operations may be harmed to the extent that customers, suppliers and others believe that we cannot effectively compete in the marketplace without the joint venture or there is customer or employee uncertainty surrounding the future direction of our company in the absence of the joint venture.

Moreover, even if the transactions contemplated by the Master Transaction Agreement are consummated, we may not fully realize the anticipated benefits of our "Asset Smart" strategy, such as an improved balance sheet, cost savings, decreased expenses, increased liquidity, greater focus on design and development, our business may be materially adversely affected.

The recent instability of the financial markets may adversely impact our business and operating results.

Recently, there has been widespread concern over the instability of the financial markets and their influence on the global economy. As a result of the credit market crisis and other macro-economic challenges currently affecting the global economy, our current or potential future customers may experience serious cash flow problems and as a result, may modify, delay or cancel plans to purchase our products. Additionally, if customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed to us. Any inability of current and/or potential customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, the current economic conditions may make it more difficult for us to raise funding through borrowings or private or public sales of debt or equity securities. If global economic conditions deteriorate further or do not show improvement, we may experience material adverse impacts to our business and operating results.

If we cannot generate sufficient revenues and operating cash flow or obtain external financing, we may face a cash shortfall and be unable to make all of our planned capital expenditures.

During the third quarter of 2008, we decreased our total planned fiscal 2008 capital expenditures from $1.1 billion to approximately $800 million. Our ability to fund capital expenditures depends on generating sufficient cash flow from operations and the availability of external financing, if necessary. Our capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may decrease our cash balances. As of September 27, 2008, we had approximately $1.3 billion in cash, cash equivalents and marketable securities. During the first nine months of 2008, we incurred substantial losses that have had a negative impact on cash balances. During the first nine months of 2008, net cash used in operating activities was $442 million and net cash used in investing activities was $78 million**.**

The timing and amount of our capital requirements cannot be precisely determined at this time and will depend on a number of factors including whether we are able to consummate our proposed joint venture with ATIC, future demand for products, product mix, changes in semiconductor industry conditions and market competition. We regularly assess markets for external financing opportunities, including debt and equity financing. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. The recent developments in the credit markets may further adversely impact our ability to obtain debt financing when needed. Our inability to obtain needed financing or to generate sufficient cash from operations may require us to abandon projects or curtail capital expenditures. If we curtail capital expenditures or abandon projects, we could be materially adversely affected.

We have a substantial amount of indebtedness that could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.

As of September 27, 2008, we had consolidated debt of $5.2 billion. Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes;

- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We may not be able to generate sufficient cash to service our debt obligations.

Our ability to make payments on and to refinance our debt, or our guarantees of other parties' debts, will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, and is subject to prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We cannot assure you that we will be able to generate sufficient cash flow or that we will be able to borrow funds in amounts sufficient to enable us to service our debt or to meet our working capital and capital expenditure requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, we may be required to sell assets or equity, reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or equity or borrow more funds on terms acceptable to us, if at all.

The agreements governing our borrowing arrangements impose restrictions on us that may adversely affect our ability to operate our business.

The indenture governing our 7.75% Notes contains various covenants that limit our ability to:

- incur additional indebtedness, except specified permitted debt;
- pay dividends and make other restricted payments;
- make certain investments if a default or an event of default exists, or if specified financial conditions are not satisfied;
- create or permit certain liens;
- create or permit restrictions on the ability of certain restricted subsidiaries to pay dividends or make other distributions to us;
- use the proceeds from certain asset sales;
- enter into certain types of transactions with affiliates; and
- consolidate, merge or sell assets as an entirety or substantially as an entirety unless specified conditions are met.

In addition, our Fab 36 term loan contains restrictive covenants, including a prohibition on the ability of our German subsidiary, AMD Fab 36 KG, and its affiliated limited partners to pay us dividends and other payments and also require us to maintain specified financial ratios when group consolidated cash is below specified amounts. Our ability to satisfy these covenants, financial ratios and tests can be affected by events beyond our control. We cannot assure you that we will meet those requirements. A breach of any of these covenants, financial ratios or tests could result in a default under the term loan agreement.

The agreements governing our borrowing arrangements contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. For example, the occurrence of a default with respect to any indebtedness or any failure to repay debt when due in an amount in excess of $50 million would cause a cross default under the indentures governing our 5.75% Notes, 6.00% Notes and 7.75% Notes. The occurrence of a default under any of these borrowing arrangements would permit the applicable lenders or note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the note holders or the trustee under the indentures governing our 5.75% Notes, 6.00% Notes or 7.75% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings and our other indebtedness.

If we are unable to successfully implement our cost cutting efforts, our business could be materially adversely affected.

For the third quarter of fiscal 2008, we incurred a net loss of approximately $127 million. We have taken and plan to continue to undertake a number of actions to decrease our expenses and realign our cost structure. For example, in April 2008, we commenced headcount reductions, with the goal of reducing headcount by approximately 10 percent by the end of the fourth quarter of 2008. Similarly, we intend to decrease fiscal 2008 capital expenditures by about $300 million to a total of $800 million. In addition to the headcount reductions announced in April 2008, in order to achieve our goal of reducing our breakeven point, we plan to undertake additional cost reduction actions, including a reduction in headcount during the fourth quarter of 2008 and additional cost reduction activities in the fourth quarter of 2008 and in 2009. We cannot assure you that we will be able to reduce our expenses as planned. If these reductions are not effectively managed, we may experience unanticipated effects from these reductions causing harm to our business and customer relationships.

We have not realized all of the anticipated benefits of our acquisition of ATI and may continue to incur future impairments of goodwill and assets related to the business acquired from ATI.

We have not realized all of the anticipated benefits of our acquisition of ATI. In the fourth quarter of 2007, we performed our annual impairment analysis with respect to the goodwill associated with the businesses acquired from ATI and, based on the outcome of that analysis, we also evaluated our acquisition-related intangible assets for impairment. We determined that goodwill recorded as a result of the acquisition of ATI was impaired, and incurred a goodwill impairment charge of approximately $1.3 billion, as well as an impairment charge of $349 million related to acquisition-related identifiable intangible assets acquired from ATI. These charges resulted in a reduction of the carrying values of goodwill and acquisition related intangible assets as recorded on our balance sheet and were based on an updated long-term financial outlook for the former ATI operations that was lower than previously calculated.

During the second quarter of 2008 we performed an interim impairment analysis of the goodwill and intangible assets associated with the Handheld and Digital Television business units acquired from ATI, which prior to the second quarter of 2008 were reported as part of the Consumer Electronics segment. We undertook the analysis because we decided to divest the businesses, which we determined were not directly aligned with our core strategy. From the second quarter of 2008, these businesses have been classified as "discontinued operations" for financial reporting purposes. As a result of our interim impairment analysis, we concluded that the carrying amounts of goodwill and certain finite-lived intangible assets associated with our Handheld and Digital Television business units were impaired and recorded a goodwill impairment charge of $799 million and a finite-lived intangible asset impairment charge of $77 million**.** During the third quarter of 2008 we entered into an asset purchase agreement with Broadcom to sell certain assets related to the Digital Television business unit for $192.8 million. The asset purchase agreement was amended on October 27, 2008 to reduce the purchase price to $141.5 million. Upon closing of the transaction and based on the final terms, we wrote down goodwill by $135 million in the third quarter of 2008.

As at September 27, 2008, the carrying amounts of goodwill and certain finite-lived intangible assets were $205 million for our Computing Solutions segment and $964 million for our Graphics segment (which now includes revenue from royalties received in connection with sales of game console systems that incorporate our technology) and $193 million for our discontinued operations. We considered the income approach in determining the implied fair value of the goodwill, which requires estimates of future operating results and cash flows of each of the reporting units discounted using estimated discount rates taking into consideration the estimated sales proceeds that we expect to receive from any divestiture of these businesses. However, actual performance in the near-term and longer-term or cash flow from divesture of any of the assets related to these operations could be materially different from these forecasts, which could impact future estimates of fair value of our reporting units and may result in further impairment of goodwill.

Our ability to realize the benefits of the continuing operations of ATI depends, in part, on our ability to realize the anticipated synergies, cost savings and growth opportunities from integrating those businesses with the businesses of AMD, and failure to realize these anticipated benefits could have a further adverse affect on our business. Our success in realizing these benefits and the timing of this realization depends upon our ability to continue to integrate ATI's chipset, graphics and game console operations. Difficulties may include, among others:

- retaining key employees;
- coordinating sales and marketing functions;
- preserving our customer, supplier, ecosystem partner and other important relationships;
- aligning and executing on new product roadmaps; and
- coordinating geographically separate organizations.

Any inability to continue to integrate successfully could have a material adverse effect on us.

Our inability to divest our Handheld business unit could materially adversely affect our business.

Although we have decided to divest our Handheld business unit, we cannot assure you that we will be able to divest this business on terms favorable to us or at all. If we are unable to divest this business, we may be required to shut this business down. In addition, we may have to record additional goodwill impairment charges and finite-lived intangible asset impairment charges as well as potential significant shut-down costs.

We cannot be certain that our substantial investments in research and development will lead to timely improvements in product designs or technology used to manufacture our products or that we will have sufficient resources to invest in the level of research and development that is required to remain competitive.

We will make substantial investments in research and development for process technologies in an effort to design and manufacture leading-edge microprocessors unless and until we consummate our proposed joint venture with ATIC. We also make substantial investments in research and development related to product designs and we anticipate that we will continue to invest in research and development in the future. We cannot be certain that we will be able to develop, obtain or successfully implement leading-edge process technologies needed to manufacture future generations of our products profitably or on a timely basis or that our

competitors will not develop new technologies, products or processes that render our products uncompetitive or obsolete. If new competitors, technological advances by existing competitors or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline. However, we cannot assure you that we will have sufficient resources to achieve planned investments in research and development or to otherwise maintain the level of investment in research and development that is required for us to remain competitive.

We entered into an amended and restated joint development agreement with IBM, pursuant to which we have agreed to work together to develop new process technologies until the earlier of (i) the expiration or earlier termination of all project agreements as set forth in the joint development agreement or (ii) December 31, 2015. We anticipate that under this agreement, we will pay fees to IBM of approximately $956 million in connection with joint development projects between August 15, 2008 and 2015. If this agreement were to be terminated, we would have to substantially increase our research and development activities internally, which could significantly increase our research and development costs, and we could experience delays or other setbacks in the development of new process technologies, any of which would materially adversely affect us. Moreover, the timely achievement of the milestones set forth in the joint development agreement is critical to our ability to continue to manufacture microprocessors using advanced process technologies.

The success of our business is dependent upon our ability to introduce products on a timely basis with required features and performance levels that provide value to our customers and support and coincide with significant industry transitions.

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop and qualify new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. If we are delayed in developing or qualifying new products or technologies, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products. For example, in the third quarter of 2007, we commenced initial shipments of our quad core AMD Opteron processors, but our initial production ramp of these processors was slower than we anticipated because we had to undertake design and process tuning.

Delays in developing or qualifying new products can also cause us to miss our customers' product design windows. If our customers do not include our products in the initial design of their computer systems, they will typically not use our products in their systems until at least the next design configuration. The process of being qualified for inclusion in a customer's system can be lengthy and could cause us to further miss a cycle in the demand of end-users, which also could result in a loss of market share and harm our business.

Moreover, market demand requires that products incorporate new features and performance standards on an industry-wide basis. Over the life of a specific product, the average selling price undergoes regular price reductions. The introduction of new products and enhancements to existing products is necessary to maintain overall corporate average selling prices. If we are unable to introduce new products or launch new products with sufficient increases in average selling price or increased unit sales volumes capable of offsetting these reductions in average selling prices of existing products, our revenues, inventories, gross margins and operating results could be materially adversely affected.

Our ability to design and introduce new graphics products in a timely manner is dependent upon third party intellectual property.

In the design and development of new products and graphics product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. Our graphics business has experienced delays in the introduction of products as a result of the inability of then available third party development tools to fully simulate the complex features and functionalities of its products. The design requirements necessary to meet consumer demands for more features and greater functionality from graphics products in the future may exceed the capabilities of the third party development tools available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be materially adversely affected.

The loss of a significant customer may have a material adverse effect on us.

Collectively, our top four customers accounted for approximately 35 percent of our total revenue in the third quarter of 2008. Moreover, historically a significant portion of ATI's revenues were derived from sales to a small number of customers, and we expect that a small number of customers will continue to account for a substantial part of revenues from our graphics businesses in the future. For example, during the third quarter of 2008, four customers accounted for over 54 percent of the revenue of our Graphics segment. If one of our top microprocessor or graphics business customers decided to stop buying our products, or if one of these customers were to materially reduce its operations or its demand for our products, we would be materially adversely affected.

The semiconductor industry is highly cyclical and has experienced severe downturns that materially adversely affected, and may in the future materially adversely affect, our business.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in conjunction with constant and rapid technological change, wide fluctuations in supply and demand, continuous new product introductions, price erosion and declines in general economic conditions. The current uncertainty in global economic conditions may also impact the semiconductor market as consumers and businesses may defer purchases, which could negatively impact demand for our products. Our financial performance has been, and may in the future be, negatively affected by these downturns. We incurred substantial losses in recent downturns, due to:

- substantial declines in average selling prices;
- the cyclical nature of supply/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products (such as PCs) that incorporate our products;
- excess inventory levels in the channels of distribution, including those of our customers; and
- excess production capacity.

If the semiconductor industry were to experience a downturn in the future, we would be materially adversely affected.

The demand for our products depends in part on continued growth in the industries and geographies into which they are sold. Fluctuations in demand for our products or a market decline in any of these industries or geographies would have a material adverse effect on our results of operations.

Our microprocessor business is dependent upon the market for mobile and desktop PCs and servers. Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. Depending on the growth rate of computers sold, sales of our products may not grow and may even decrease. If demand for computers is below our expectations, we could be materially adversely affected.

The business we acquired from ATI is also dependent upon the market for mobile, desktop and workstation PCs and game consoles. A market decline in any of these industries could cause the demand for our products to decrease and could have a material adverse effect on our results of operations.

The growth of our business is also dependent on continued demand for our products from high-growth global markets. If demand from these markets is below our expectations, sales of our products may decrease, which would have a material adverse effect on us.

The markets in which our products are sold are highly competitive.

The markets in which our products are sold are very competitive, and delivering the latest and best products to market on a timely basis is critical to achieving revenue growth. We expect competition to intensify due to rapid technological changes, frequent product introductions and aggressive pricing by competitors. We believe that the main factors that determine our competitiveness are product quality, power consumption, reliability, speed, size (or form factor), cost, selling price, adherence to industry standards, software and hardware compatibility and stability, brand recognition, timely product introductions and availability. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency improves, and successive generations of products are developed and introduced for sale. We expect that competition will continue to be intense in these markets and our competitors' products may be less costly, provide better performance or include additional features that render our products uncompetitive. With respect to our graphics products, Intel and Nvidia are our competitors. Some competitors may have greater access or rights to companion technologies, including interface, processor and memory technical information. Competitive pressures could adversely impact the demand for our products, which could harm our revenue and gross margin. For example, during the second quarter of 2008, we experienced a competitive pricing environment for our lower end graphics products and reduced prices for some of our graphics products in response to our competitor's price cuts.

If we fail to continue to improve the efficiency of our supply chain in order to respond to increases or changes in customer demand for our products, our business could be materially adversely affected.

Our ability to meet customer demand for our products depends, in part, on our ability to deliver the products our customers want on a timely basis. Accordingly, we must continually improve the management of our supply chain by synchronizing the entire supply chain, from sourcing through manufacturing, distribution and fulfillment. As we continue to grow our business, acquire new OEM customers and strengthen relationships with existing OEM customers, the efficiency of our supply chain will become increasingly important because OEMs tend to have specific requirements for particular products, and specific time-frames in which they require delivery of these products. We have previously experienced challenges related to the logistics of delivering our products across a diverse set of customers and geographies on a timely basis. In addition, upon consummation of our proposed joint venture with ATIC, we will need to revise our processes upon transitioning to manufacturing at a foundry. If we fail to continue to improve the efficiency of our supply chain our business could be materially adversely affected.

We depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other components.

We depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other components that support our microprocessor offerings. In addition, we continue to work with other third parties to obtain graphics chips in order to provide our customers with a greater choice of technologies to best meet their needs.

Our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors because our patent cross-license agreement with Intel does not extend to Intel's proprietary bus interface protocol. If we are unable to secure sufficient support for our microprocessor products from designers and manufacturers of motherboards and chipsets, our business would be materially adversely affected. As a result of our acquisition of ATI, we design and supply a significantly greater amount of graphics products ourselves. This may cause third-party designers, manufacturers and suppliers to be less willing to do business with us or to support our products out of a perceived risk that we will be less willing to support their products or because we may compete with them. As a result, these third-party designers, manufacturers and suppliers could forge relationships, or strengthen their existing relationships, with our competitors. If the designers, manufacturers and suppliers of graphics chips, motherboards, and other components decrease their support for our product offerings and increase their support for the product offerings of our competitors, our business could be materially adversely affected.

If we are ultimately unsuccessful in any of our antitrust lawsuits against Intel, our business may be materially adversely affected.

On June 27, 2005, we filed an antitrust complaint against Intel Corporation and Intel's Japanese subsidiary, Intel Kabushiki Kaisha, which we refer to collectively as Intel, in the United States District Court for the District of Delaware under Section 2 of the Sherman Antitrust Act, Sections 4 and 16 of the Clayton Act, and the California Business and Professions Code. Our complaint alleges that Intel has unlawfully maintained a monopoly in the x86 microprocessor market by engaging in anti-competitive financial and exclusionary business practices that limit the ability and/or incentive of Intel's customers in dealing with us. Also, on June 30, 2005, our subsidiary in Japan, AMD Japan K.K., filed an action in Japan against Intel K.K. in the Tokyo High Court and the Tokyo District Court for damages arising from violations of Japan's Antimonopoly Act. On September 26, 2006, the United States District Court for the District of Delaware granted Intel's motion to dismiss foreign conduct claims. The effect of that decision was clarified by the Court's January 12, 2007 adoption of the Special Master's decision on our motion to compel foreign conduct discovery. As a result of these two decisions, we will be permitted to develop evidence of Intel's exclusionary practices wherever they occur, including practices foreclosing us from foreign customers or in foreign market segments. However, the court's ruling limits our damages to lost sales in the United States and lost sales abroad that would have originated from the United States. Trial is set for February 2010.

If our antitrust lawsuits against Intel are ultimately unsuccessful, our business, including our ability to increase market share in the microprocessor market, could be materially adversely affected.

Our operating results are subject to quarterly and seasonal sales patterns.

A substantial portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of revenues for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition. In addition, our operating results tend to vary seasonally. For example, demand in the retail sector of the PC market is often stronger during the fourth quarter as a result of the winter holiday season. European sales are often weaker during the summer months. Many of the factors that create and affect seasonal trends are beyond our control.

Industry overcapacity could cause us to under-utilize our microprocessor manufacturing facilities and have a material adverse effect on us.

It is difficult to predict future growth or decline in the demand for our products, making it very difficult to estimate requirements for production capacity. Both we and our competitor, Intel, have added significant capacity in recent years, both by expanding capacity at wafer fabrication facilities and by transitioning to more advanced manufacturing technologies. In the past, capacity additions sometimes exceeded demand requirements leading to oversupply situations and downturns in the industry. Fluctuations in the growth rate of industry capacity relative to the growth rate in demand for our products contribute to cyclicality in the semiconductor market, which may in the future put pressure on our average selling prices and materially adversely affect us.

During periods of industry overcapacity, customers do not generally order products as far in advance of the scheduled shipment date as they do during periods when our industry is operating closer to capacity, which can exacerbate the difficulty in forecasting capacity requirements. If our target markets do not grow as we anticipate, we may under-utilize our manufacturing facilities, which may result in write-downs or write-offs of inventories and losses on products for which demand is lower than we anticipate. Many of our costs are fixed. Accordingly, during periods in which we under-utilize our manufacturing facilities as a result of reduced demand for certain of our products, our costs cannot be reduced in proportion to the reduced revenues for such a period. When this occurs, our operating results are materially adversely affected. If the demand for our microprocessor products is not consistent with our expectations, we may under-utilize our manufacturing facilities or we may not fully utilize the reserved capacity at Chartered Semiconductor Manufacturing's foundry. This may have a material adverse effect on us.

Manufacturing capacity constraints and manufacturing capacity utilization rates may have a material adverse effect on us.

There may be situations in which our microprocessor manufacturing facilities, including our foundries, are inadequate to meet the demand for certain of our microprocessor products. Capacity addition is dependent on many factors such as tool delivery, lead-times, installation and qualification. Our inability to provide sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with third parties, could result in an adverse effect on our relationships with customers, which could have a material adverse effect on us.

While currently, our owned manufacturing facilities are underutilized, if we do not have or cannot obtain sufficient manufacturing capacity to meet demand for our microprocessor products in the long term, either in our own facilities or through foundry or similar arrangements, we could be materially adversely affected.

We rely on third-party foundries and other contractors to manufacture certain products.

We rely on independent foundries such as Taiwan Semiconductor Manufacturing Company and United Microelectronics Corp. to manufacture our graphics and chipset products. Chartered Semiconductor Manufacturing manufactures some of our microprocessor products and products for consumer electronics devices. We also rely on third party manufacturers to manufacture our high end graphics boards. Independent contractors also perform the assembly, testing and packaging of these products. We obtain these manufacturing services for our graphics and chipset products and products for consumer electronics devices on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product. Accordingly, our graphics and consumer electronics businesses depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields and to deliver those products to us on a timely basis at acceptable prices. We cannot assure you that these manufacturers will be able to meet our near-term or long-term manufacturing requirements. The manufacturers we use also fabricate wafers and assemble, test and package products for other companies, including certain of our competitors. They could choose to prioritize capacity for other users, reduce or eliminate deliveries to us, or increase the prices that they charge us on short notice.

We must have reliable relationships with our wafer manufacturers and subcontractors to ensure adequate product supply to respond to customer demand. If we move production of our products to new manufacturers or if current manufacturers implement new process technology or design rules, any transition difficulties may result in lower yields or poorer performance of our products. Because it could take several quarters to establish a strategic relationship with a new manufacturing partner, we may be unable to secure an alternative supply for any specific product in a short time frame. We could experience significant delays in the shipment of our products if we are required to find alternative foundries or contractors. Other risks associated with our dependence on third-party manufacturers include reduced control over delivery schedules, quality assurance, manufacturing yields and cost, lack of capacity in periods of excess demand, misappropriation of our intellectual property, dependence on several small undercapitalized subcontractors, reduced ability to manage inventory and parts, and exposure to foreign countries and operations. If we are unable to secure sufficient or reliable supplies of wafers, our ability to meet customer demand for our graphics and consumer electronics businesses may be adversely affected and this could have a material adverse effect on us.

If essential equipment or materials are not available to manufacture our products, we could be materially adversely affected.

Our microprocessor manufacturing operations depend upon obtaining deliveries of equipment and adequate supplies of materials on a timely basis. We purchase equipment and materials from a number of suppliers. From time to time, suppliers may extend lead times, limit supply to us or increase prices due to capacity constraints or other factors. Because the equipment that we purchase is complex, it is difficult for us to substitute one supplier for another or one piece of equipment for another. Certain raw materials we use in manufacturing our microprocessor products or that are used in the manufacture of our graphics products are available only from a limited number of suppliers.

For example, we are largely dependent on one supplier for our silicon-on-insulator (SOI) wafers that we use to manufacture our microprocessor products. We are also dependent on key chemicals from a limited number of suppliers and rely on a limited number of foreign companies to supply the majority of certain types of integrated circuit packages for our microprocessor products. Similarly, certain non-proprietary materials or components such as memory, PCBs, substrates and capacitors used in the manufacture of our graphics products are currently available from only a limited number of sources and are often subject to rapid changes in price and availability. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we are unable to procure certain of these materials, we may have to reduce our manufacturing operations. Such a reduction has in the past and could in the future have a material adverse effect on us.

Unless we maintain manufacturing efficiency, our future profitability could be materially adversely affected.

Manufacturing our microprocessor products involves highly complex processes that require advanced equipment. Unless and until we consummate our proposed joint venture with ATIC, our manufacturing efficiency will continue to be an important factor in our profitability, and we cannot be sure that we will be able to maintain or increase our manufacturing efficiency to the same extent as our competitors, including their foundries. We continually modify manufacturing processes and transition to more advanced manufacturing process technologies in an effort to improve yields and product performance and decrease costs. We may fail to achieve acceptable yields or experience product delivery delays as a result of, among other things, capacity constraints, delays in the development or implementation of new process technologies, changes in our process technologies, upgrades or expansion of existing facilities, or impurities or other difficulties in the manufacturing process. Any decrease in manufacturing yields could result in an increase in our per unit costs or force us to allocate our reduced product supply among our customers, which could potentially harm our customer relationships, reputation, revenue and gross profit.

Improving our microprocessor manufacturing efficiency in future periods is dependent on our ability to:

- develop advanced product and process technologies;
- successfully transition to advanced process technologies;
- ramp product and process technology improvements rapidly and effectively to commercial volumes across our facilities;
- sustain continuous improvement levels at traditional rates, such as through our automated precision manufacturing efforts; and
- achieve acceptable levels of manufacturing wafer output and yields, which may decrease as we implement more advanced technologies.

During periods when we are implementing new process technologies, manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller process technologies could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies earlier than we do. Our results of operations would also be adversely affected by the increase in fixed costs and operating expenses if revenues do not increase proportionately.

Similarly, the operating results of our graphics business and handheld business unit are dependent upon achieving planned semiconductor manufacturing yields. Our graphics and chipset products and products for consumer electronics devices are manufactured at independent foundries, but we have the responsibility for product design and the design and performance of the tooling required for manufacturing. Semiconductor manufacturing yields are a function of both product design and process technology, which is typically proprietary to the manufacturer, and low yields can result from either design or process technology failures. In addition, yield problems require cooperation by and communication between us and the manufacturer and sometimes the customer as well. The offshore location of our principal manufacturers compounds these risks, due to the increased effort and time required to identify, communicate and resolve manufacturing yield problems. We cannot assure you that we or our foundries will identify and fix problems in a timely manner and achieve acceptable manufacturing yields in the future. Our inability, in cooperation with our independent foundries, to achieve planned production yields for these products could have a material adverse effect on us. In particular, failure to reach planned production yields over time could result in us not having sufficient product supply to meet demand and/or higher production costs and lower gross margins. This could materially adversely affect us.

If our proposed joint venture with ATIC is consummated, our issuance to WCH of 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock, if and when exercised by ATIC, will dilute the ownership interests of our existing stockholders, and the conversion of our 5.75% Notes and 6.00% Notes may dilute the ownership interest of our existing stockholders.

In connection with our proposed joint venture with ATIC, we have agreed to sell to WCH 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock at an exercise price of $0.01 per share. Our issuance of the shares to WCH upon the consummation of our joint venture with ATIC and any subsequent issuance by us of additional shares to WCH upon exercise of the warrants will dilute the ownership interests of our existing stockholders. Any sales in the public market by WCH of any shares we issue to WCH could adversely affect prevailing market prices of our common stock, and the anticipated exercise by WCH of the warrants we issue to WCH could depress the price of our common stock.

Moreover, the conversion of some or all of the 5.75% Notes and the 6.00% Notes may dilute the ownership interests of our existing stockholders. The conversion of the 5.75% Notes and the 6.00% Notes could have a dilutive effect on our earnings per share to the extent that the price of our common stock exceeds the conversion price of the 5.75% Notes and 6.00% Notes. Any sales in the public market of our common stock issuable upon conversion of the 5.75% Notes or 6.00% Notes could adversely affect prevailing market prices of our common stock. In addition, the anticipated conversion of the 5.75% Notes or 6.00% Notes into cash and shares of our common stock could depress the price of our common stock.

The voluntary bankruptcy petition by Lehman Brothers has eliminated the potential dilution benefits of our capped call transaction, and we may not receive any funds from Lehman Brothers in connection with the transaction.

We entered into a capped call transaction in connection with the issuance of the 6.00% Notes with Lehman Brother Derivatives, represented by Lehman Brothers Inc. The capped call transaction was intended to reduce the potential dilution upon conversion of the 6.00% Notes in the event that the market value per share of our common stock at the time of exercise, as measured under the terms of the capped call transaction, was greater than the strike price of the capped call transaction, which corresponded to the initial conversion price of the 6.00% Notes and was subject to certain adjustments similar to those contained in the 6.00% Notes. If, however, the market value per share of our common stock exceeded the cap price of the capped call transaction, as measured under the terms of the capped call transaction, the dilution mitigation under the capped call transaction would have been limited, which means that there would be dilution to the extent that the then market value per share of our common stock exceeded the cap price of the capped call transaction. Lehman Brothers Derivatives filed a voluntary Chapter 11 bankruptcy petition on October 4, 2008, which was an event of default under the capped call arrangement. The Lehman Brothers Derivatives bankruptcy proceedings are ongoing and our ability to reduce the potential dilution upon conversion of the 6.00% Notes through the capped call transaction has effectively been eliminated. As a result of the uncertain recoverability of this counterparty exposure, we are unable to predict whether, and to what extent, we may be able to recover for our losses under the capped call transaction. Moreover, if the capped call is legally terminated, we likely will be subject to potentially disadvantageous tax consequences, including the use of a material amount of our net operating losses against triggered taxable income.

If we lose Microsoft Corporation's support for our products, our ability to sell our products could be materially adversely affected.

Our ability to innovate beyond the x86 instruction set controlled by Intel depends partially on Microsoft designing and developing its operating systems to run on or support our microprocessor products. If Microsoft does not continue to design and develop its operating systems so that they work with our x86 instruction sets, independent software providers may forego designing their software applications to take advantage of our innovations and customers may not purchase PCs with our microprocessors. In addition, software drivers sold with our products are certified by Microsoft. If Microsoft did not certify a driver, or if we otherwise fail to retain the support of Microsoft, our ability to market our products would be materially adversely affected.

If we are unable to comply with the covenants in the subsidy grant documents that we receive from the State of Saxony, the Federal Republic of Germany and/or the European Union for Fab 30, Fab 36, Fab 38 or other research and development projects we may undertake in Germany, we may forfeit or have to repay our subsidies, which could materially adversely affect us.

We receive capital investment grants and allowances from the State of Saxony and the Federal Republic of Germany for Fab 36. We have also received capital investment grants and allowances as well as interest subsidies from these governmental entities for Fab 30 and Fab 38. From time to time, we also apply for and obtain subsidies from the State of Saxony, the Federal Republic of Germany and the European Union for certain research and development projects. The subsidy grant documents typically contain covenants that must be complied with, and noncompliance with the conditions of the grants, allowances and subsidies could result in the forfeiture of all or a portion of any future amounts to be received, as well as the repayment of all or a portion of amounts received to date. If we are unable to comply with any of the covenants in the grant documents, we could be materially adversely affected. In addition, the continued availability of these subsidies to The Foundry Company is a condition to the closing of our proposed joint venture with ATIC.

If our products are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

Our products may not be fully compatible with some or all industry-standard software and hardware. Further, we may be unsuccessful in correcting any such compatibility problems in a timely manner. If our customers are unable to achieve compatibility with software or hardware after our products are shipped in volume, we could be materially adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on us.

Costs related to defective products could have a material adverse effect on us.

Products as complex as those we offer may contain defects or failures when first introduced or when new versions or enhancements to existing products are released. We cannot assure you that, despite our testing procedures, errors will not be found in new products or releases after commencement of commercial shipments in the future, which could result in loss of or delay in market acceptance of our products, material recall and replacement costs, delay in recognition or loss of revenues, writing down the inventory of defective products, the diversion of the attention of our engineering personnel from product development efforts, defending against litigation related to defective products or related property damage or personal injury, and damage to our reputation in the industry and could adversely affect our relationships with our customers. In addition, we may have difficulty identifying the end customers of the defective products in the field. As a result, we could incur substantial costs to implement modifications to correct defects. Any of these problems could materially adversely affect us.

In addition, because we sell directly to consumers, we could be subject to potential product liability claims if one of our products causes, or merely appears to have caused, an injury. Claims may be made by consumers or others selling our products, and we may be subject to claims against us even if an alleged injury is due to the actions of others. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could have a material adverse effect on our business.

Our receipt of royalty revenues is dependent upon the success of third-party products.

Our graphics technology for game consoles is being used in the Nintendo GameCube, Nintendo Wii and Microsoft® Xbox 360™ game consoles. The revenues that we receive from these products are in the form of non-recurring engineering fees charged for design and development services, as well as per unit royalties paid to us by Nintendo and Microsoft. Our royalty revenues are directly related to the sales of these products and reflective of their success in the market. We have no control over the marketing efforts of Nintendo and Microsoft and we cannot make any assurances that sales of those products will achieve expected levels in the current or future fiscal years. Consequently, the revenues from royalties expected by us from these products may not be fully realized, and our operating results may be adversely affected.

Our inability to continue to attract and retain qualified personnel may hinder our product development programs.

Our future success depends upon the continued service of numerous qualified engineering, manufacturing, marketing, sales and executive personnel. If we are not able to continue to attract, retain and motivate qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected.

We outsource to third parties certain supply-chain logistics functions, including portions of our product distribution and transportation management, and co-source some information technology services.

We rely on third-party providers to operate our regional product distribution centers and to manage the transportation of our work-in-process and finished products among our facilities and to our customers. In addition, we rely on a third party in India to provide certain information technology services to us, including helpdesk support, desktop application services, business and software support applications, server and storage administration, data center operations, database administration, and voice, video and remote access. Our relationships with these providers are governed by fixed term contracts. We cannot guarantee that these providers will fulfill their respective responsibilities in a timely manner in accordance with the contract terms, in which case our internal operations and the distribution of our products to our customers could be materially adversely affected. Also, we cannot guarantee that our contracts with these third-party providers will be renewed, in which case we would have to transition these functions in-house or secure new providers, which could have a material adverse effect on us if the transition is not executed appropriately.

Uncertainties involving the ordering and shipment of, and payment for, our products could materially adversely affect us.

We typically sell our products pursuant to individual purchase orders. We generally do not have long-term supply arrangements with our customers or minimum purchase requirements. Generally, our customers may cancel orders more than 30 days prior to shipment without incurring a significant penalty, while customers of products for consumer electronics devices may cancel orders by providing 90 days prior advance notice. We base our inventory levels on customers' estimates of demand for their products, which may not accurately predict the quantity or type of our products that our customers will want in the future or ultimately end up purchasing. For example, customers who are concerned about potential supply shortages may "double order" products by ordering more product from us than they ultimately need. Subsequently, these customers could cancel all or a portion of these orders when they realize they have sufficient supply. This behavior would increase our uncertainty regarding demand for our products and could materially adversely affect us. With respect to our graphics products, we do not have any commitment or requirements for minimum product purchases in our sales agreement with AIB customers, upon whom we rely to manufacture, market and sell our desktop GPUs. These sales are subject to uncertainty because demand by our AIBs can be unpredictable and susceptible to price competition. Our ability to forecast demand is even further complicated when we sell to OEMs indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. Moreover, PC and consumer markets are characterized by short product lifecycles, which can lead to rapid obsolescence and price erosion. In addition, our customers may change their inventory practices on short notice for any reason. We may build inventories during periods of anticipated growth, and the cancellation or deferral of product orders, the return of previously sold products or overproduction due to failure of anticipated orders to materialize, could result in excess or obsolete inventory, which could result in write-downs of inventory and an adverse effect on profit margins. Factors that may result in excess or obsolete inventory, which could result in write-downs of the value of our inventory, a reduction in average selling prices, and/or a reduction in our gross margin include:

- a sudden and significant decrease in demand for our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements;
- a failure to estimate customer demand for our older products as our new products are introduced; or
- our competitors taking aggressive pricing actions.

Because market conditions are uncertain, these and other factors could materially adversely affect us.

Our reliance on third-party distributors subjects us to certain risks.

We market and sell our products directly and through third-party distributors pursuant to agreements that can generally be terminated for convenience by either party upon prior notice to the other party. These agreements are non-exclusive and permit our distributors to offer our competitors' products. Our third party distributors have been a significant factor in our ability to increase sales of our products in certain high growth international markets. Accordingly, we are dependent on our distributors to supplement our direct marketing and sales efforts. If any significant distributor or a substantial number of our distributors terminated their relationship with us or decided to market our competitors' products over our products, our ability to bring our products to market would be impacted and we would be materially adversely affected.

Additionally, distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book and that is not more than twelve months older than the manufacturing code date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. We defer the gross margins on our sales to distributors, resulting from both our deferral of revenue and related product costs, until the applicable products are re-sold by the distributors. However, in the event of an unexpected significant decline in the price of our products, the price protection rights we offer to our distributors would materially adversely affect us because our revenue would decline.

Recent failures in the global credit markets may impact the liquidity of our auction rate securities (ARS).

As at September 27, 2008, our investments in ARS included approximately $133 million of student loan ARS, $35 million of municipal and corporate ARS and $12 million ARS in preferred shares of closed end mutual funds. Approximately 81 percent of our ARS holdings were AAA rated investments and all of the $133 million student loan ARS were guaranteed by the Federal Family Educational Loan Program. The recent uncertainties in the credit markets have affected all of our ARS and auctions for these securities have failed to settle on their respective settlement dates. The auctions failed because there was insufficient demand for these securities. A failed auction does not represent a default by the issuer of the ARS. For each unsuccessful action, the interest rate is reset based on a formula set forth in each security, which is generally higher than the current market unless subject to an interest rate cap. When auctions for these securities fail, the investments may not be readily convertible to cash until a future auction of these investments is successful, a buyer is found outside of the auction process, the issuers of the ARS establish a different form of financing to replace these securities, or final payment is due according to contractual maturities (currently, ranging from 17 to 42 years for our ARS). As a result the liquidity of these investments has been impacted.

During the second quarter of 2008, under the guidance of SFAS 157 we determined that the fair value of our ARS was less than their carrying value and as a result, we recorded an "other than temporary" impairment charge of $12 million. At this time, we believe that the current illiquidity of these investments is temporary. Because of the unprecedented events in the ARS market, we cannot predict with certainty when liquidity in the ARS market will return. If this market illiquidity continues or worsens, we may be required to record additional impairment charges with respect to these investments in the future, which could materially adversely impact our results of operations.

In October 2008, UBS offered to repurchase all of our ARS that we purchased from UBS prior to February 13, 2008. As of September 27, 2008, we owned $82 million par value of these securities. We accepted this offer. From June 30, 2010 and ending July 2, 2012, we have the right, but not the obligation, to sell, at par, these ARS to UBS. Prior to June 30, 2010, we will continue to earn and receive all interest that is payable for these ARS. Furthermore, prior to June 30, 2010, UBS, at its sole discretion, may sell, or otherwise dispose of, and/or enter orders in the auctions process with respect to these securities on our behalf so long as we receive par value for the ARS sold. UBS has also agreed to use their best efforts to facilitate issuer redemptions and/or to resolve the liquidity concerns of holders of their ARS through restructurings and other means. However, during the course of our exercise period with respect to the UBS ARS, UBS may not have financial resources to satisfy its financial obligations. In the event UBS can not satisfy its financial obligations, we would no longer have the certainty as to the liquidity of these UBS ARS.

Our operations in foreign countries are subject to political and economic risks, which could have a material adverse effect on us.

We maintain operations around the world, including in the United States, Canada, Europe and Asia. For example, all of our wafer fabrication capacity for microprocessors is located in Germany. Nearly all product assembly and final testing of our microprocessor products is performed at manufacturing facilities in China, Malaysia and Singapore. In addition, our graphics and chipset products and products for consumer electronics devices are manufactured, assembled and tested by independent third parties in the Asia-Pacific region and inventory related to those products is stored there, particularly in Taiwan. We also have international sales operations and as part of our business strategy, we are continuing to seek expansion of product sales in high growth markets. Our international sales as a percentage of our total consolidated revenue was 89 percent in the third quarter of 2008, and China was one of our largest and fastest growing markets.

The political and economic risks associated with our operations in foreign countries include, without limitation:

- expropriation;

- changes in a specific country's or region's political or economic conditions;
- changes in tax laws, trade protection measures and import or export licensing requirements;
- difficulties in protecting our intellectual property;
- difficulties in achieving headcount reductions;
- changes in foreign currency exchange rates;
- restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities; and
- loss or modification of exemptions for taxes and tariffs.

Any conflict or uncertainty in the countries in which we operate, including public health or safety, natural disasters or general economic factors, could have a material adverse effect on our business. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, potentially longer payment cycles, potentially increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on us.

Worldwide economic and political conditions may adversely affect demand for our products.

Worldwide economic conditions may adversely affect demand for our products. For example, China's economy has been growing at a fast pace over the past several years, and China was one of our largest and fastest growing markets. A decline in economic conditions in China could lead to declining worldwide economic conditions. If economic conditions decline, whether in China or worldwide, we could be materially adversely affected.

The occurrence and threat of terrorist attacks and the consequences of sustained military action in the Middle East have in the past, and may in the future, adversely affect demand for our products. Terrorist attacks may negatively affect our operations, directly or indirectly, and such attacks or related armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us.

The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales and our supply chain. Political and economic instability in some regions of the world may also result and could negatively impact our business. The consequences of armed conflicts are unpredictable and we may not be able to foresee events that could have a material adverse effect on us.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States economy and worldwide financial markets. Any of these occurrences could have a material adverse effect on us and also may result in volatility of the market price for our securities.

Unfavorable currency exchange rate fluctuations could continue to adversely affect us.

We have costs, assets and liabilities that are denominated in foreign currencies, primarily the Euro and the Canadian dollar. For example, some fixed asset purchases and certain expenses of our German subsidiaries, AMD Saxony and AMD Fab 36 KG, are denominated in euros while sales of products are denominated in U.S. dollars. Additionally, as a result of our acquisition of ATI, some of our expenses and debt are denominated in Canadian dollars. Furthermore, as a result of a new sales program that has been implemented in China, our sales in China are now denominated in Chinese Renminbi. As a consequence, movements in exchange rates could cause our foreign currency denominated expenses to increase as a percentage of revenue, affecting our profitability and cash flows. In the past, the value of the U.S. dollar has fallen significantly, leading to increasingly unfavorable currency exchange rates on foreign denominated expenses. However, during the third quarter of 2008, the U.S. dollar strengthened leading to favorable currency exchange rates on foreign denominated expenses. Whenever we believe appropriate, we hedge a portion of our short-term foreign currency exposure to protect against fluctuations in currency exchange rates. We determine our total foreign currency exposure using projections of long-term expenditures for items such as payroll and equipment and materials used in manufacturing. We cannot assure you that these activities will be effective in reducing foreign exchange rate exposure. Failure to do so could have an adverse effect on our business, financial condition, results of operations and cash flow.

In addition, the majority of our product sales are denominated in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the local currency can cause increases or decreases in the cost of our products in the local currency of such customers. An appreciation of the U.S. dollar relative to the local currency could reduce sales of our products.

Our inability to effectively control the sales of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors. From time to time, our products are diverted from our authorized distribution channels and are sold on the "gray market." Gray market products entering the market result in shadow inventory that is not visible to us, thus making it difficult to forecast demand accurately. Also, when gray market products enter the market, we and our distribution channel compete with heavily discounted gray market products, which adversely affects demand for our products. In addition, our inability to control gray market activities could result in customer satisfaction issues, because any time products are purchased outside our authorized distribution channel, there is a risk that our customers are buying counterfeit or substandard products, including products that may have been altered, mishandled or damaged, or used products represented as new. Our inability to control sales of our products on the gray market could have a material adverse effect on us.

If we cannot adequately protect our technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses.

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the United States and abroad, our technology or other intellectual property may be compromised, and we would be materially adversely affected.

We are party to litigation and may become a party to other claims or litigation that could cause us to incur substantial costs or pay substantial damages or prohibit us from selling our products.

From time to time we are a defendant or plaintiff in various legal actions. We also sell products to consumers, which could increase our exposure to consumer actions such as product liability claims. Litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim that is successfully asserted against us may cause us to pay substantial damages.

With respect to intellectual property litigation, from time to time, we have been notified, or third parties may bring or have brought actions against us, based on allegations that we are infringing the intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that we will be able to obtain all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain a license, these parties may file lawsuits against us seeking damages (potentially up to and including treble damages) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted, which could result in our having to stop the sale of some of our products or to increase the costs of selling some of our products or could damage our reputation. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, would have a material adverse effect on us. We could decide, in the alternative, to redesign our products or to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on us. We cannot assure you that litigation related to our intellectual property rights or the intellectual property rights of others can always be avoided or successfully concluded.

Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations, which could have a material adverse effect on us.

We are subject to a variety of environmental laws that could result in liabilities.

Our operations and properties are subject to various United States and foreign environmental laws and regulations, including those relating to materials used in our products and manufacturing processes, discharge of pollutants into the environment, the treatment, transport, storage and disposal of solid and hazardous wastes, and remediation of contamination. These laws and regulations require us to obtain permits for our operations, including the discharge of air pollutants and wastewater. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with any of them, a range of consequences could result, including fines, suspension of production, alteration of manufacturing processes, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions. We could also be held liable for any and all consequences arising out of exposure to hazardous materials used, stored, released, disposed of by us or located at or under our facilities or other environmental or natural resource damage.

Certain environmental laws, including the U.S. Comprehensive, Environmental Response, Compensation and Liability Act of 1980, or the Superfund Act, impose strict, joint and several liability on current and previous owners or operators of real property for the cost of removal or remediation of hazardous substances and impose liability for damages to natural resources. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. We have been named as a responsible party on Superfund clean-up orders for three sites in Sunnyvale, California. Although we have not yet been, we could be named a potentially responsible party at other Superfund or contaminated sites in the future. In addition, contamination that has not yet been identified could exist at our other facilities.

Environmental laws are complex, change frequently and have tended to become more stringent over time. For example, the European Union and China are two among a growing number of jurisdictions that have enacted in recent years restrictions on the use of lead, among other chemicals, in electronic products. These regulations affect semiconductor packaging. There is a risk that the cost, quality and manufacturing yields of lead-free products may be less favorable compared to lead-based products or that the transition to lead-free products may produce sudden changes in demand, which may result in excess inventory. Other regulatory requirements potentially affecting our manufacturing processes and the design and marketing of our products are in development throughout the world. While we have budgeted for foreseeable associated expenditures, we cannot assure you that future environmental legal requirements will not become more stringent or costly in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past and future releases of, or exposure to, hazardous substances will not have a material adverse effect on us.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could harm our future revenue and financial condition and increase our costs and expenses.

All of our wafer fabrication capacity for microprocessors is located in Germany. Nearly all product assembly and final testing of our microprocessor products is performed at manufacturing facilities in China, Malaysia and Singapore. The independent foundries we use to manufacture our graphics and chipset products and products for consumer electronics devices are located in the Asia-Pacific region and inventory is stored there, particularly in Taiwan. Many of our assembly, testing and packaging suppliers for our graphics products are also located in southern Taiwan. On September 22, 1999, Taiwan suffered a major earthquake that measured 7.6 on the Richter scale and disrupted the operations of these manufacturing suppliers and contributed to a temporary shortage of graphics processors. Additional earthquakes, fires or other occurrences that disrupt our manufacturing suppliers may occur in the future. To the extent that the supply from our independent foundries or suppliers is interrupted for a prolonged period of time or terminated for any reason, we may not have sufficient time to replace our supply of products manufactured by those foundries.

Moreover, our corporate headquarters are located near major earthquake fault lines in California. In the event of a major earthquake, or other natural or manmade disaster, we could experience loss of life of our employees, destruction of facilities or business interruptions, any of which could materially adversely affect us.

Our business is subject to potential tax liabilities.

We are subject to income taxes in the United States, Canada and other foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be materially different from that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, there could be a material effect on our cash, goodwill recorded as a result of our acquisition of ATI, income tax provision and net income in the period or periods for which that determination is made.

For example, the Canadian Revenue Agency, or CRA, is auditing ATI for the years 2000-2004 with respect to transactions between ATI and its subsidiaries. The audit has been completed and we have responded to the CRA's letter of proposed adjustments in July 2008. We could be subject to significant tax liability as well as a loss of certain tax credits and other tax attributes as a result of the CRA audit.

ITEM 6. EXHIBITS

2.1*	Asset Purchase Agreement dated as of August 25, 2008 among Broadcom Corporation, Broadcom International Limited and Advanced Micro Devices, Inc.
2.2	Amendment No. 1 dated October 27, 2008 among Broadcom Corporation, Broadcom International Limited and Advanced Micro Devices, Inc.
10.1*	First Amended and Restated Participation Agreement dated August 15, 2008 between International Business Machines Corp. and Advanced Micro Devices, Inc.
10.2*	Intellectual Property Cross License Agreement dated August 25, 2008 between Broadcom Corporation and Advanced Micro Devices, Inc.
10.3*	IP Core License Agreement dated August 25, 2008 between Broadcom Corporation and Advanced Micro Devices, Inc.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ADVANCED MICRO DEVICES, INC.

Date: November 5, 2008

By: /s/ ROBERT J. RIVET
Robert J. Rivet
Executive Vice President,
Chief Financial Officer, Chief Operations and Administrative Officer

Signing on behalf of the registrant and as the principal accounting officer

Exhibit 2.1

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

BY AND AMONG

BROADCOM CORPORATION,

BROADCOM INTERNATIONAL LIMITED,

and

ADVANCED MICRO DEVICES, INC.

Dated as of August 25, 2008

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

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TABLE OF EXHIBITS AND PRINCIPAL SCHEDULES

Advanced Micro Devices, Inc. agrees to furnish supplementally a copy of any of the foregoing exhibits or schedules to the SEC upon request.

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (together with the Disclosure Schedules and the other schedules and exhibits hereto, the "Agreement") is made and entered into as of August 25, 2008, by and among Broadcom Corporation, a California corporation ("Purchaser"), Broadcom International Limited, an exempted company organized and existing under the laws of the Cayman Islands ("BIL"), and Advanced Micro Devices, Inc., a Delaware corporation ("Seller"). Capitalized terms used and not otherwise defined herein have the meanings set forth in Article 10.

RECITALS

A. Seller, through its Consumer Electronics Group, is engaged, directly and through certain of its Subsidiaries, in the Business.

B. Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, certain of the assets of Seller and its Subsidiaries, on the terms and subject to the conditions set forth herein.

C. Seller and Purchaser desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated by this Agreement, and concurrently herewith are executing and delivering Intellectual Property License Agreements in the forms annexed hereto as Exhibits K.1, K.2 and K.3, the licenses granted therein to be subject to the consummation of the transactions contemplated by this Agreement and to be effective from and after the Effective Time.

D. A portion of the cash consideration otherwise payable by Purchaser pursuant to this Agreement will be placed into escrow by Purchaser, the release of which will be contingent upon certain events and conditions, all as set forth in Article 1 and Article 7.

NOW, THEREFORE, in consideration of the premises, and the covenants, promises, representations and warranties set forth herein, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties), intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1.
PURCHASE AND SALE OF ASSETS; CLOSING

1.1 Purchase and Sale of Assets. At the Closing, on the terms and subject to the conditions set forth in this Agreement (and, in the case of Assets and Properties located in the People's Republic of China, in the China Asset Purchase Agreement, in the case of Assets and Properties located in India, in the India Asset Purchase Agreement, in the case of Assets and Properties located in Korea, in the Korea Asset Purchase Agreement, and, in the case of Assets and Properties located in Japan, in the Japan Asset Purchase Agreement), BIL (and/or one or more Subsidiaries of BIL, as designated by BIL prior to the Closing) shall purchase, acquire and accept from Seller and its Subsidiaries, and Seller shall (and shall cause each applicable

Subsidiary of Seller to) sell, transfer, assign, convey and deliver to BIL (and/or one or more Subsidiaries of BIL, as designated by BIL prior to the Closing), all right, title and interest held by Seller and its Subsidiaries in, to and under all of the Assets and Properties described in Section 1.1(b) and Section 1.1(c) (or such portion thereof or such fractional interest therein as BIL shall designate prior to the Closing) and Purchaser shall (and shall cause its designated Subsidiaries to) purchase, acquire and accept from Seller and its Subsidiaries, and Seller shall (and shall cause each applicable Subsidiary of Seller to) sell, transfer, assign, convey and deliver to Purchaser and its designated Subsidiaries, all right, title and interest held by Seller and its Subsidiaries in, to and under all of the Assets and Properties (other than the Assets and Properties described in Section 1.1(b) and Section 1.1(c), or the portion thereof or fractional interest therein, purchased by BIL or Subsidiaries of BIL), wherever situated and of whatever kind and nature (whether real or personal, tangible or intangible, and whether or not reflected on the books and records of Seller or any of its Subsidiaries or Affiliates), that, other than the Excluded Assets, are primarily related to (or are otherwise required for the operation of) the Business (*provided, however*, that with respect to the categories and types of Assets and Properties set forth in Sections 1.1(a), (b), (c), (d) and (m), only such Assets and Properties as specifically listed or described in such sections) (the "Purchased Assets"), free and clear of all Liens except for Permitted Exceptions, by delivery of one or more Bills of Sale in substantially the forms set forth in Exhibit E hereto, Patent assignments in substantially the forms set forth in Exhibit F hereto, trademark assignments in substantially the form set forth in Exhibit G hereto, copyright assignments in substantially the form set forth in Exhibit H hereto, an Assignment and Assumption Agreement in substantially the form of Exhibit I hereto, Real Property Transfer Agreements in substantially the form set forth in Exhibit M hereto (with such amendments, reasonably acceptable to Purchaser, BIL and Seller, as may be required to obtain applicable landlord consents thereto) and/or such other instruments of transfer and title as are contemplated by the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement and the Japan Asset Purchase Agreement or as Purchaser may otherwise reasonably request, in each case in form and substance reasonably acceptable to Purchaser, including each of the assets described in this Section 1.1, such sales, transfers, assignments, conveyances and deliveries to be effective immediately after midnight of the day on which the last of the acts constituting the Closing shall be completed (the "Effective Time"):

(a) the leasehold and subleasehold interests of Seller and its Subsidiaries in the Business Real Properties listed in Schedule 1.1(a), and all right, title and interest held by Seller and its Subsidiaries in, to and under all tenant improvements therein and thereto (the "Assigned Leasehold and Subleasehold Interests");

(b) (i) the Registered Intellectual Property Rights listed in Schedule 1.1(b) (the "Purchased Registered Intellectual Property Rights"), and (ii) all other Intellectual Property Rights (other than Patents) exclusively related to the Business or to the extent otherwise covering the Purchased Technology (the "Other Purchased Intellectual Property Rights");

(c) (i) all versions of the Technology listed in Schedule 1.1(c) (whether or not such version is included in a Current Business Product existing on the date hereof) ("Listed Purchased Technology"), and (ii) all versions of all other Technology owned by Seller or its Subsidiaries that is exclusively related to the Business as of the Closing Date (the "Other Purchased Technology");

(d) the Contracts listed or described in Schedule 1.1(d) (but not, for the avoidance of doubt, Excluded Contracts as defined in Section 1.2) (the "Assigned Contracts");

(e) all goods and services and all other economic benefits to be received, directly or indirectly, by the Business subsequent to the Effective Time arising out of prepayments and payments by Seller and its Subsidiaries prior to the Effective Time, including the prepayments and payments listed in Schedule 1.1(e) (the "Assigned Prepayments");

(f) all Permits and Approvals (including all Environmental Permits) primarily related to or necessary for the operation of the Business or any of the Purchased Assets (to the extent such Permits and Approvals are transferable), including those listed in Schedule 1.1(f) (the "Assigned Permits and Approvals");

(g) all equipment (including work stations, computers, servers, routers, hardware emulators, third-party reference designs and laboratory equipment), furniture, furnishings, fixtures, machinery, vehicles, tools and tooling and other tangible personal property primarily related to (or otherwise necessary for the operation of) the Business (including all equipment, furniture, furnishings, fixtures, machinery, vehicles, tools and tooling and other tangible personal property used or held for use in the Business and all related warranties and guarantees, if any, whether express or implied, existing for the benefit of Seller or any of its Subsidiaries in connection therewith to the extent transferable), including the items listed in Schedule 1.1(g) (the "Purchased Furniture and Equipment"), it being understood and agreed that, for the avoidance of doubt, the following are not intended to be covered by this Section 1.1(g): (i) software tools which are addressed pursuant to Section 1.1(c) and Section 1.1(d) of this Agreement or the Transition Services Agreement and (ii) office equipment used by Non-transferring Employees;

(h) all inventories of raw materials, work in process, finished goods and spare parts, office supplies, maintenance supplies, packaging materials, promotional materials and other similar inventory primarily related to the Business, including all such items listed in Schedule 1.1(h) (the "Purchased Inventory");

(i) to the extent such rights relate to any of the tangible Purchased Assets (but not to any Intellectual Property Rights or Technology), all rights of Seller and its Subsidiaries under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent related to any of the tangible Purchased Assets, including the rights listed in Schedule 1.1(i) (the "Assigned Warranty Rights");

(j) all property and casualty insurance proceeds, and all rights to property and casualty insurance proceeds, in each case to the extent received or receivable in respect of any of the Purchased Assets, including the proceeds and rights to proceeds listed in Schedule 1.1(j) (the "Assigned Insurance Proceeds");

(k) all Business Books and Records, subject to any restrictions imposed by applicable Law on the transfer of employee files, it being understood and agreed that where such Business Books and Records also relate to or are also required for the operation of the assets and businesses retained by Seller, Seller may retain the originals of any such Business Books and Records that relate primarily to other assets and businesses of Seller and may deliver copies thereof to Purchaser;

(l) all Assets and Properties to be sold, assigned, transferred, conveyed, subleased, and delivered to Purchaser or a Subsidiary of Purchaser pursuant to the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement and the Japan Asset Purchase Agreement;

(m) all Assets and Properties being transferred pursuant to the IT Separation Plan listed on Schedule 1.1(m) and the furniture, equipment and other Assets and Properties listed on Schedule 1.1(m) used by Continuing Employees who are members of Seller's ASAT Group; and

(n) the goodwill of the Business to the extent associated with the trademarks and service marks included in the Purchased Registered Intellectual Property Rights or otherwise exclusively related to the Business.

1.2 Excluded Assets. Unless otherwise listed or described in any of the Asset Schedules, nothing herein shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser or any of its Subsidiaries, and Seller shall retain all right, title and interest in, to and under the Excluded Assets. "Excluded Assets" means each of the following assets:

(a) any and all Contracts not expressly assigned to and assumed by Purchaser or a Subsidiary of Purchaser pursuant to this Agreement or any of the Ancillary Agreements, including collective bargaining agreements (if any) and the Contracts listed in Schedule 1.2(a) (the "Excluded Contracts");

(b) cash;

(c) accounts receivable for the Business Products actually shipped by Seller and its Subsidiaries prior to the Effective Time in the ordinary course of business consistent with past practice;

(d) personnel files for employees who are not Continuing Employees;

(e) all Technology and Intellectual Property Rights other than the Purchased IP Assets. For the avoidance of doubt, "Excluded Assets" include any processor core or product that (i) is able to execute the object code of any AMD Processor, (ii) substantially utilizes the instruction set of any AMD Processor, (iii) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor, or (iv) is a chipset (Northbridge/Southbridge) for use with any AMD Processor;

(f) Assets and Properties used primarily in the ASAT organization except the assets described in Section 1.1(b), Section 1.1(c), Schedule 1.1(d), Schedule 1.1(g) and/or Schedule 1.1(m);

(g) Assets and Properties under any Seller Benefit Plans; and

(h) Assets and Properties listed in Schedule 1.2(h).

1.3 Assumption of Liabilities. At the Closing, on the terms and subject to the conditions set forth in this Agreement, Purchaser shall (or shall cause its designated Subsidiaries to) assume, effective as of the Closing, the following liabilities (collectively, the "Assumed Liabilities") and no other liabilities, the assumption of such liabilities to be effective as of the Effective Time:

(a) Liabilities that arise out of the ownership or use by Purchaser and its Subsidiaries of, or the exercise by Purchaser and its Subsidiaries of rights under, the Purchased Assets or the operation of the Business by Purchaser and its Subsidiaries (and that relate to periods) after the Effective Time (other than Liabilities that arise out of the use by Seller or any of its Subsidiaries of, or the exercise by Seller or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology licensed to Seller pursuant to the Intellectual Property License Agreements) (but including, for the avoidance of doubt, Liabilities that arise out of a continuation or recurrence of the facts or circumstances giving rise to the matters set forth in Schedule 2.9 to the extent (but only to the extent), if any, that such facts and circumstances continue or recur (and relate to periods) after the Effective Time and arise out of the ownership or use by Purchaser and its Subsidiaries of, or the exercise by Purchaser and its Subsidiaries or rights under, the Purchased Assets or the operation of the Business by Purchaser and its Subsidiaries);

(b) Liabilities for severance (if any) payable to any Continuing Employee in the event of termination of such Continuing Employee's employment with Purchaser and its Subsidiaries after the Effective Time, but only to the following extent and subject in each case to the following limitations: (i) if termination occurs more than thirty six (36) months after the Effective Time, Purchaser shall bear and be liable and responsible for the full amount of such severance (if any) payable to such Continuing Employee, and (ii) if termination occurs after the Effective Time and not more than thirty six (36) months after the Effective Time, Purchaser shall bear and be liable and responsible only for the portion of such severance amount that is calculated and payable based on the duration of such Continuing Employee's post-Closing service to Purchaser and its Subsidiaries and shall not bear or be liable or responsible for the portion of such severance that is calculated or payable based on any period of pre-Closing service, such amounts to be calculated and paid, in each case, in accordance with the provisions of Section 5.7(g);

(c) other Liabilities in respect of the Continuing Employees for events occurring, and for employment periods, after the Effective Time (it being understood and agreed, for the avoidance of doubt, that with respect to severance liabilities, in the event of conflict between the provisions of this Section 1.3(c) and Section 1.3(b), the provisions of Section 1.3(b) shall govern, control and prevail);

(d) Liabilities for Taxes for which Purchaser is liable pursuant to Section 5.6;

(e) Liabilities under the Assigned Contracts and the leases and subleases underlying the Assigned Leasehold and Subleasehold Interests that arise (and that relate to periods) after the Effective Time (it being understood and agreed, for the avoidance of doubt, that Purchaser assumes no Liability for breaches, defaults or nonperformance under any Assigned Contract or any lease or sublease underlying any of the Assigned Leasehold and Subleasehold Interests occurring prior to the Effective Time); *provided*, *however* that with respect to those premises that are occupied both by employees of Purchaser and by employees of Seller (or their respective Subsidiaries), such Liabilities shall be limited as provided under the applicable Real Property Transfer Agreement or the applicable provisions of the Transition Services Agreement or related statement of work;

(f) Liabilities that arise out of the use by Purchaser or any of its Affiliates or any of its or their sublicensees of, or the exercise by Purchaser or any of its Affiliates or any of its or their sublicensees of rights under, the Intellectual Property Rights or Technology licensed to Purchaser pursuant to the Intellectual Property License Agreements; and

(g) Liabilities in respect of any Action or Proceeding or claim to the extent arising out of, relating to, or otherwise in respect of Purchaser's or its Subsidiaries' operation of the Business or ownership of the Purchased Assets after the Effective Time.

1.4 Retained Liabilities. Neither Purchaser nor BIL (nor any of their respective Subsidiaries) shall assume or be liable for any Retained Liabilities. Seller shall, and shall cause its Subsidiaries to, timely perform, satisfy and discharge all Retained Liabilities related to the Business in accordance with their respective terms. "Retained Liabilities" means all Liabilities of Seller and its Subsidiaries other than Assumed Liabilities, including all Liabilities in the following categories:

(a) Liabilities that arise out of or relate to the ownership or use of, or the exercise of rights under, the Purchased Assets or the operation of the Business prior to the Effective Time (including, for the avoidance of doubt, Liabilities that arise out of, or relate to, the facts, claims, allegations or circumstances giving rise or related to the matters set forth on Schedule 2.9 and that relate to such period prior to the Effective Time);

(b) Liabilities arising out of, relating to, or otherwise in respect of any of the Excluded Assets (other than Liabilities that arise out of the use by Purchaser or any of its Subsidiaries of, or the exercise by Purchaser or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology licensed to Purchaser pursuant to the Intellectual Property License Agreements);

(c) Liabilities arising out of the ownership or use by Seller or any of its Subsidiaries of, or the exercise by Seller or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology covered by the Intellectual Property License Agreements;

(d) Liabilities in respect of any and all products sold and/or services performed by Seller and its Subsidiaries prior to the Effective Time;

(e) Liabilities in respect of Environmental Laws and Environmental Permits, and/or Releases of Hazardous Materials, in each case to the extent arising out of or otherwise related to (i) acts or omissions occurring prior to the Effective Time or the ownership, occupancy or operation by Seller or any of its Subsidiaries of the Business Real Property or any other real property of Seller or any of its Subsidiaries prior to the Effective Time, or any condition thereon, including (A) the Release prior to the Effective Time (or continuing Release, if existing as of the Effective Time) of any Hazardous Material, and (B) any noncompliance by Seller or any of its Subsidiaries with Environmental Laws, (ii) the Business or any of the Purchased Assets for any time period prior to the Effective Time, (iii) the Excluded Assets or any other real property formerly owned, operated, leased or otherwise used by Seller or any of its Subsidiaries, or (iv) the offsite transportation, storage disposal, treatment or recycling of Hazardous Material generated by or taken offsite by or on behalf of Seller or any of its Subsidiaries;

(f) Liabilities for severance (if any) payable to any Continuing Employee in the event of termination of such Continuing Employee's employment with Purchaser and its Subsidiaries within thirty six (36) months after the Effective Time, to the extent that such severance amount is calculated or payable based on the duration of such Continuing Employee's pre-Closing service to Seller and its Subsidiaries or any of their predecessors in interest (it being understood and agreed, for the avoidance of doubt, that Seller shall not bear or be liable or responsible for the portion of such severance that is calculated or payable based on any period of post-Closing service to Purchaser and its Subsidiaries), such amounts to be calculated and paid, in each case, in accordance with the provisions of Section 5.7(g);

(g) Liabilities arising out of, relating to or with respect to (i) the employment by Seller or any of its Subsidiaries of employees (including Liabilities for salary, wages, bonuses and other compensation) or the performance of services by such employees prior to the Effective Time, or termination of employment of any Business Employee by Seller or any of its Subsidiaries prior to the Effective Time, (ii) workers' compensation claims against Seller or any of its Subsidiaries that relate to the Continuing Employees for the period prior to the Effective Time (or to other Business Employees for any period), regardless of whether such claims are made prior to or after the Effective Time, or (iii) any Seller Benefit Plan, including Liabilities arising under COBRA (regardless of when the Liability for such claims arise) (it being understood and agreed, for the avoidance of doubt, that with respect to severance liabilities, in the event of conflict between the provisions of Section 1.4(f) and this Section 1.4(g), the provisions of Section 1.4(f) shall govern, control and prevail);

(h) Liabilities arising out of, under or in connection with any Contract that is not an Assigned Contract and, with respect to Assigned Contracts and the leases and subleases underlying the Assigned Leasehold and Subleasehold Interests, Liabilities in respect of a breach or nonperformance by or default of Seller or any of its Subsidiaries occurring or accruing under such Contracts or the leases or subleases underlying such Assigned Leasehold and Subleasehold Interests, or with respect to any period prior to the Effective Time;

(i) Liabilities arising out of, under or in connection with any non-current accounts payable of Seller or any of its Subsidiaries, or accounts payable related to Assets and Properties that are not included in the Purchased Assets;

(j) Liabilities for Taxes for which Seller and/or any of its Subsidiaries is liable pursuant to Section 5.6;

(k) Liabilities in respect of any pending or threatened Action or Proceeding or claim to the extent arising out of, relating to, or otherwise in respect of (i) the operation of the Business or the ownership of the Purchased Assets prior to the Effective Time, or (ii) any Excluded Asset;

(l) Liabilities arising out of Indebtedness of Seller or any of its Subsidiaries;

(m) Liabilities relating to amounts required to be paid by Seller hereunder;

(n) Liabilities arising out of, relating to or with respect to WARN or similar applicable state, local and foreign laws arising out of the termination of employment of any Business Employee as a result of the transactions contemplated by this Agreement; and

(o) Liabilities retained by Seller or any of its Subsidiaries pursuant to the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement or the Japan Asset Purchase Agreement, including Liabilities for customs and import duties and VAT under the Laws of the People's Republic of China (or any Governmental or Regulatory Authority thereunder or subdivision thereof) relating to equipment and machinery currently under customs supervision and previously exempted on a bonded basis.

1.5 Consideration. The aggregate consideration for the Purchased Assets shall consist of (i) cash in the amount of one hundred ninety two million eight hundred thousand dollars ($192,800,000), minus the value of employee-related expenses calculated in accordance with Section 5.7(d)(i) and Section 5.7(d)(iii) and subject to the provisions of Section 5.16 (the "Purchase Price"), and (ii) the assumption of the Assumed Liabilities.

1.6 Closing.

(a) Subject to the satisfaction of the conditions set forth in Article 6 (or the waiver thereof by the Party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities provided for in Article 1 (the "Closing") shall take place at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 1117 California Avenue, Palo Alto, CA 94304 (or at such other place as the parties may designate in writing) at 10:00 a.m. (local time) on the second Business Day after satisfaction or waiver of the conditions set forth in Article 6 (other than conditions that by their nature are to be

satisfied at the Closing), unless another time and/or date are agreed to in writing by the Parties. Notwithstanding the foregoing, and notwithstanding any other provision of this Agreement, if the immediately preceding sentence would require the Closing to occur (i) prior to October 15, 2008, then the Closing shall not occur prior to such date unless otherwise mutually agreed by Purchaser and Seller, (ii) after November 9, 2008 and before January 1, 2009, then the Closing shall not occur (and Purchaser and BIL shall not be required to consummate the transactions contemplated by this Agreement) until after January 1, 2009 unless Purchaser in its sole and absolute discretion agrees to an earlier date, and (iii) after January 1, 2009 and prior to January 15, 2009, then the Closing shall not occur (and Seller shall not be required to consummate the transactions contemplated by this Agreement) until January 15, 2009 unless Seller in its sole and absolute discretion agrees to an earlier date.

(b) At the Closing: (i) Purchaser and BIL shall pay, and Purchaser shall cause the other Subsidiaries of Purchaser designated in Schedule 1.6 to pay, to Seller (in one or more payments, either directly or indirectly by causing an appropriate Subsidiary of Purchaser to pay to an appropriate Subsidiary of Seller, in accordance with Schedule 1.6) (such schedule to be agreed by the Parties no later than two (2) Business Days prior to the Closing) the cash Purchase Price prescribed by Section 1.5, minus the Escrow Amount and minus the Withheld Amount, if any, pursuant to Section 5.16, by wire transfer of immediately available funds to an account or accounts designated by Seller not less than two (2) Business Days before the Closing Date; (ii) Purchaser shall deliver to the Escrow Agent the Escrow Amount for deposit into the Escrow Fund and the Withheld Amount, if any, into a separate escrow fund (such fund as mutually agreed by Seller and Purchaser); and (iv) Purchaser shall deliver to Seller the Purchaser Closing Deliverables; and (v) Seller shall sell, transfer, assign, convey and deliver to Purchaser and BIL (and such other Subsidiaries of Purchaser as may be designated in Schedule 1.6) the respective Purchased Assets being acquired by them (as set forth in Section 1.1, the Foreign Asset Purchase Agreements, and the Bills of Sale) and (vi) Seller shall deliver copies of the Technology elements of the Licensed IP Assets to Purchaser, and (vii) Seller shall deliver to Purchaser the Seller Closing Deliverables, in each case, pursuant to Section 1.7 below.

(c) The date on which the Closing is actually held (and, if held on more than one day, the date on which the Closing is actually completed) is referred to in this Agreement as the "Closing Date." All transactions occurring at the Closing shall be deemed to occur simultaneously, and shall be effective as of the Effective Time.

1.7 Delivery of Assets; Further Conveyances and Assumptions; Consent of Third Parties.

(a) The parties hereto acknowledge and agree that all Purchased Technology and Technology elements of the Licensed IP Assets will be delivered at the Closing by electronic transmission and/or in physical form, in each case as Purchaser shall reasonably direct within five (5) calendar days prior to the Closing; *provided, however*, that the delivery of such Purchased Technology and of the Technology elements of the Licensed IP Assets shall be governed by the applicable provisions of the Transition Services Agreement (or related statement of work), to the extent (and only to the extent) expressly covered thereby and expressly

enumerated therein. In addition, on the Closing Date, Seller shall deliver (i) to Purchaser at the site designated by Purchaser copies or originals of all Business Books and Records, Assigned Contracts, Assigned Permits and Approvals and (ii) at the locations designated by Purchaser all other Purchased Assets. With respect to any Purchased Assets that are computer software or are otherwise determined to constitute "prewritten programs" within the meaning of the California Sales and Use Tax Regulations (collectively, the "Purchased Software"), Purchaser and Seller shall (and, to the extent appropriate, Seller shall cause its Affiliates to) take all steps necessary to ensure that the transfer of the Purchased Software is not subject to California sales or use Tax, including transferring the Purchased Software either (i) by remote telecommunications (where Purchaser does not obtain possession of any tangible personal property, such as storage media, in connection with the transfer) or (ii) by Seller (and, to the extent appropriate, Seller's Affiliates) installing the Purchased Software on Purchaser's computers without providing any storage media to Purchaser in connection with the transfer.

(b) From time to time following the Closing, Purchaser and Seller shall, and shall cause their respective Subsidiaries and Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases, assignments and such other instruments, and shall take such further actions, as may be reasonably necessary (i) to assure fully to Purchaser, BIL or any other Subsidiary of Purchaser acquiring Purchased Assets and their respective successors or assigns, the transfer to Purchaser and the ownership, possession and control by Purchaser of all of the Purchased Assets, (ii) to enable Purchaser, its Subsidiaries and its and their respective successors or assigns to exercise their license rights under the Intellectual Property License Agreements, including the delivery of the Technology elements of the Licensed IP Assets, (iii) otherwise to make effective the transactions contemplated by this Agreement, (iv) to assure fully to Seller the assumption by Purchaser of the Assumed Liabilities and otherwise to make effective the transactions contemplated by this Agreement, and (v) to seek to obtain for Purchaser, using commercially reasonable efforts, the benefits of the performance warranties, representations or guarantees received by Seller or any of its Subsidiaries pursuant to Contracts with third parties applicable to the Purchased Assets (including Technology); *provided, however*, that (x) the delivery of such Purchased Assets and of the Technology elements of the Licensed IP Assets shall be governed by the applicable provision of the Transition Services Agreement (or related statement of work), to the extent (and only to the extent) expressly covered thereby and expressly enumerated therein; (y) Seller shall deliver all the forms of the Technology elements of the Purchased Assets and of the Licensed IP Assets then in the possession of Seller, its Subsidiaries or Affiliates (including, by of example, the Source Code, object code and machine-executable forms of any Software), in accordance with Section 1.7(a); and (z) upon identification by either Party of any prior version of Technology included in the Purchased Assets previously undelivered, Seller shall deliver such version to Purchaser if such version then exists in Seller's possession. In addition, Seller may retain copies of the relevant Technology elements of the Purchased IP Assets solely for purposes of enabling Seller and its Subsidiaries to exercise their license rights pursuant to the Intellectual Property License Agreements. In addition, to the extent that Purchaser received a copy, Purchaser shall, and shall cause its Subsidiaries to, take such further action as may be reasonably necessary to deliver copies of the Technology elements of the Purchased IP Assets to Seller and its Subsidiaries and Affiliates for purposes of enabling Seller and its Subsidiaries to exercise their license rights pursuant to the Intellectual Property License Agreements.

(c) Nothing in this Agreement or in the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to assign (or enter into a sublease with respect to) any Purchased Asset, Contract underlying a consent required by Section 6.3(d), or other Contract, Permit (including any Environmental Permit), Approval, certificate, authorization or other right, which by its terms or by Law is nonassignable (or otherwise is prohibited) without the consent of a third party or a Governmental or Regulatory Authority or is cancelable by a third party in the event of an assignment (or sublease) ("Nonassignable Assets") unless and until such consent shall have been obtained; *provided*, *however* that the Parties acknowledge and agree that the Real Property Transfer Agreements for Seller's Assigned Leasehold and Subleasehold Interests in Frimley, United Kingdom and Shanghai, China shall be in the form of a real property license or similar occupancy agreement which shall not require the respective landlord's consent, and Purchaser's employees shall have the right to occupy such Nonassignable Assets in accordance with the terms and conditions of the Real Property Transfer Agreements applicable thereto. Seller and Purchaser shall, and shall cause each of its relevant Subsidiaries to, diligently and expeditiously take such action as is necessary or advisable to obtain such consents as promptly as reasonably practicable; *provided, however,* that all costs and expenses (other than costs and expenses of Seller's legal counsel) of obtaining any such consent, including consents or renegotiations of any other Contract, Permit (including any Environmental Permit), Approval, certificate, authorization or other right constituting a consent required by Section 6.3(d) or other arrangement that the Parties mutually agree shall be delivered in connection with the transactions contemplated hereby, shall be the responsibility of Purchaser (it being understood and agreed that nothing herein shall require Purchaser, in connection with any such required consent or arrangement, (i) to pay or assume responsibility for any unreasonable cost or expense or (ii) agree to additional terms and conditions that are adverse to Purchaser in any material respect, in each case in connection with the applicable Contract, Permit, Approval, or other instrument to which such required consent relates). To the extent not prohibited by applicable Law and the terms of the Nonassignable Assets, in the event any such consents to assignment cannot be obtained, such Nonassignable Assets shall be held, from and after the Closing, by Seller and its Subsidiaries in trust for Purchaser and the covenants and obligations thereunder shall be performed by Purchaser in the name of Seller and its Subsidiaries and all benefits and obligations existing thereunder shall be for Purchaser's account. Seller and its Subsidiaries shall take or cause to be taken at Purchaser's expense such actions in its name or otherwise as Purchaser may reasonably request so as to provide Purchaser with the benefits of the Nonassignable Assets and to effect collection of money or other consideration that becomes due and payable under the Nonassignable Assets, and Seller and its Subsidiaries shall promptly pay over to Purchaser all money or other consideration received by any of them in respect of all Nonassignable Assets. From and after the Closing, Seller, on its own behalf and on behalf of its Subsidiaries, authorizes Purchaser, to the extent permitted by applicable Law and the terms of the Nonassignable Assets, at Purchaser's expense, to perform all the obligations and receive all the benefits of Seller and its Subsidiaries under the Nonassignable Assets. If after the Closing any Nonassignable Asset becomes assignable (either because consent for the assignment thereof is obtained or otherwise), Seller shall promptly notify Purchaser and transfer and assign such previously Nonassignable Asset to Purchaser or a Subsidiary of Purchaser, as Purchaser shall designate.

(d) From time to time following the Closing, Seller shall, and shall cause its Subsidiaries to, make available to Purchaser such non-confidential data in personnel records of Continuing Employees, to the extent (if any) such records have not theretofore been delivered to Purchaser as part of the Purchased Assets, as is reasonably necessary for Purchaser to transition such employees into Purchaser's records; *provided, however*, that Seller shall have no obligation to make available any records the disclosure of which is prohibited by Law.

(e) From time to time following the Closing, if Seller or any of its Subsidiaries receives any payment for products sold or shipped by Purchaser or any of its Subsidiaries or that is otherwise due or owing to Purchaser or any of its Subsidiaries, Seller shall as promptly as practicable (and in any event within ten (10) Business Days after discovery thereof) forward or remit such payment, or pay the amount of such payment, to Purchaser. From time to time following the Closing, if Purchaser or any of its Subsidiaries receives any payment for products sold or shipped by Seller or any of its Subsidiaries or that is otherwise due or owing to Seller or any of its Subsidiaries, Purchaser shall as promptly as practicable (and in any event within ten (10) Business Days after discovery thereof) forward or remit such payment, or pay the amount of such payment, to Seller.

1.8 Bulk Sales Laws. Seller shall indemnify and hold harmless Purchaser and its Subsidiaries from and against any Liability associated with non-compliance with or under the Bulk Sales Act (Ontario) or any other "bulk sale," "bulk transfer" or similar Law of any other jurisdiction that may be applicable to the transactions contemplated by this Agreement and the Ancillary Agreements. Subject to such indemnification, Purchaser hereby waives compliance by Seller and its Subsidiaries with the requirements and provisions of any "bulk transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser and its designated Subsidiaries.

1.9 Purchase Price Allocation.

(a) Purchaser and BIL shall use commercially reasonable efforts to prepare and deliver to Seller, within ninety (90) calendar days after the Closing Date, copies of Form 8594 under the Internal Revenue Code (and any comparable form under any applicable Tax Law of any other jurisdiction where any of the Purchased Assets are situated, by the date required by applicable Law) and any required exhibits thereto (the "Asset Acquisition Statement") allocating the Purchase Price and the Assumed Liabilities among the Purchased Assets. Seller shall provide such cooperation to Purchaser and BIL as may be required for the preparation of such forms and as Purchaser and BIL may reasonably request. Thereafter Purchaser and BIL shall prepare and deliver to Seller from time to time revised copies of the Asset Acquisition Statement (the "Revised Statements") so as to report any matters in the Asset Acquisition Statement that require revision as a result of any adjustment to the Purchase Price pursuant to this Agreement. If Seller disputes any calculation in the Asset Acquisition Statement or Revised Statements (as the case may be), Seller shall deliver written notice of its objection to Purchaser within ten (10) calendar days after delivery by Purchaser and BIL of the applicable Asset Acquisition Statement

or Revised Statement to Seller, specifying in reasonable detail the items and amounts in dispute and the grounds for dispute. Seller, Purchaser and BIL shall promptly seek in good faith to resolve amicably such dispute within ten (10) calendar days, and if amicable resolution is not reached, either Party may refer the matter for determination to an Accountant, whose determination shall be final and binding. The fees and expenses of the Accountant shall be borne by the non-prevailing Party in such dispute.

(b) The final allocation of the Purchase Price shall be final and binding upon the parties for all purposes, including the filing of all Tax Returns or other returns and the preparation of all financial statements and other documents and records, and the Purchase Price for the Purchased Assets shall be allocated in accordance with the Asset Acquisition Statement or, if applicable, the last Revised Statement, provided by Purchaser or BIL (as applicable) to Seller (or, if applicable, the Accountant's determination), and all Tax Returns and reports filed by Purchaser, BIL and Seller shall be prepared consistently with such allocation, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Internal Revenue Code. The parties shall make jointly the necessary elections and execute and file, within the prescribed delays, the prescribed election forms and any other documents required to give effect to the foregoing and shall also prepare and file all of their respective Tax Returns in a manner consistent with such elections.

(c) Notwithstanding the foregoing, to the extent that the Laws of any jurisdiction require that the portion of the Purchase Price allocated to the Purchased Assets located in such jurisdiction be fixed and determined at or prior to the Effective Time (or within any time period after the Effective Time that is shorter than the time period set forth in this Section 1.9(a)), Purchaser, BIL and Seller shall agree to the allocation of such portion prior to the Closing and shall execute and deliver at the Closing such documentation as may be required by (or sufficient under) applicable Law to memorialize and report such allocation. Notwithstanding the foregoing, Purchaser, BIL and Seller shall use commercially reasonable efforts to agree to the allocation of that portion of the Purchase Price allocated to the Purchased Assets located in each jurisdiction other than the United States and Canada at the Closing in connection with the form of Bill of Sale or local asset purchase agreement (if any) applicable to each such jurisdiction.

ARTICLE 2.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby makes the following representations and warranties to Purchaser, except as otherwise set forth in the disclosure schedule and schedule of exceptions delivered by Seller herewith and dated as of the date hereof (the "Seller Disclosure Schedule"). The parties hereto agree that any reference in a particular section or subsection of the Seller Disclosure Schedule shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) the representations and warranties contained in the corresponding section and subsection of this Agreement and shall not be deemed to be an exception to (or, as applicable, a disclosure for purposes of) any other representation and warranty contained in this Agreement, unless the

relevance of that reference as an exception to (or a disclosure for purposes of) such other representation and warranty is readily apparent from the face of such disclosure to a Person who has read only that reference and such other representation and warranty and Seller has used commercially reasonable efforts to provide express cross-references where applicable.

2.1 Organization and Qualification. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and has full corporate power and authority to conduct the Business as presently conducted and to own, use, license and lease the Assets and Properties of the Business. Seller is duly qualified, licensed or admitted to do business and is in good standing as a foreign corporation in each jurisdiction in which such qualification, licensing or admission is necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, and in each case where the absence of which would not be reasonably likely to materially interfere with the operation of the Business or the Purchased Assets, or otherwise subject the Business or the Purchased Assets to Liability for violation of Law. Each Subsidiary of Seller that holds any of the Purchased Assets, each of which set forth in Section 2.1 of the Seller Disclosure Schedule, is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, as set forth in Section 2.1 of the Seller Disclosure Schedule, and has full corporate power and authority to conduct the Business as presently conducted and to own, use, license and lease its Assets and Properties. Each such Seller Subsidiary is duly qualified, licensed or admitted to do business and is in good standing as a foreign corporation in each jurisdiction in which the ownership, use, licensing or leasing of the Purchased Assets held by it, or the conduct of the portion of the Business conducted by it, makes such qualification, licensing or admission necessary, except for such qualifications, licenses or admissions the absence of which would not have a Business Material Adverse Effect.

2.2 Authority Relative to this Agreement. Seller has full corporate power and corporate authority to execute and deliver this Agreement and the Ancillary Agreements to which Seller is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The board of directors of Seller (and, to the extent required by applicable Law or the organizational documents of each Subsidiary of Seller transferring any Assets and Properties pursuant to this Agreement or an Ancillary Agreement, each such Subsidiary of Seller and its shareholders) have approved this Agreement and the execution and delivery by Seller and each of its Subsidiaries of this Agreement and the Ancillary Agreements to which Seller or such Subsidiary is a party and the consummation by Seller and its Subsidiaries of the transactions contemplated hereby and thereby, and the performance by Seller and its Subsidiaries of its and their obligations hereunder and thereunder, have been duly and validly authorized by all necessary corporate action by Seller and such Subsidiary, as applicable, and no other action on the part of Seller or any of its Subsidiaries is required to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements to which Seller or any of its Subsidiaries is a party and the consummation by Seller and its Subsidiaries of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to which Seller or any of its Subsidiaries is a party have been or will be, as applicable, duly and validly executed and delivered by Seller or such Subsidiary, as applicable, and, assuming the due authorization, execution and delivery hereof (and, in the case of the

Ancillary Agreements to which Purchaser or any of its Subsidiaries is a party, thereof) by Purchaser or its applicable Subsidiary, each constitutes or will constitute, as applicable, a legal, valid and binding obligation of Seller or such Subsidiary enforceable against Seller or such Subsidiary in accordance with its respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity. Seller has the power and authority to cause each of its applicable Subsidiaries to comply with the obligations contemplated in this Agreement and the Ancillary Agreements and to perform the transactions contemplated to be performed by such Subsidiaries pursuant to this Agreement and the Ancillary Agreements.

2.3 Title to and Sufficiency of Purchased Assets. Seller and its Subsidiaries own, are in possession of, and have good title to each of the Purchased Assets and each of the Licensed IP Assets that they purport to own and valid leasehold interests in each of the Purchased Assets that they purport to lease, good title or valid license rights to each of the Licensed IP Assets that they purport to license, and valid rights under Contract with respect to the Purchased Assets that they purport to hold (or that arise) under Contracts, in each case free and clear of all Liens other than Permitted Exceptions and non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice. The Purchased Assets, together with the Licensed IP Assets, constitute all of the material Assets and Properties used or held for use by Seller and its Subsidiaries in the Business and all of the Assets and Properties required for Purchaser to conduct the Business immediately after the Closing Date without interruption in the ordinary course of business as it has heretofore been conducted by Seller without giving effect to any changes in the conduct of the Business by Purchaser and its Subsidiaries. Purchaser acknowledges and agrees that the foregoing is not intended by either Party to address issues of infringement of third-party Intellectual Property Rights, which are addressed in Section 2.11 below. The Purchased Technology includes, in the aggregate, all material Technology that is exclusively related to the Business. Upon execution and delivery by Seller to Purchaser of the instruments of sale, assignment, transfer and conveyance referred to in Section 1.1, Purchaser will become the true and lawful owner of, and will receive good title to, the Purchased Assets, free and clear of all Liens other than Liens (if any) arising solely on account of Purchaser's actions or omissions and other than licenses to which any of the Purchased IP Assets may be subject, as disclosed in Section 2.11(d)(i) of the Seller Disclosure Schedule. The Asset Schedules accurately set forth, for each material Purchased Asset, the location and whether such asset is owned by Seller or a Subsidiary of Seller, and, if owned by a Subsidiary, the identity and jurisdiction of organization of such Subsidiary. Schedules 10.1(CBP), 10.1(PBP) and 10.1(RBP), taken in the aggregate, set forth a true, correct and complete list of all of the past and present products commercialized, or products currently planned to be designed or developed for commercialization, by Seller or its Subsidiaries in the Purchaser Field.

2.4 No Conflicts. The execution and delivery by Seller of this Agreement and the Ancillary Agreements to which Seller is a party do not, and Seller's and its Subsidiaries' performance of (or compliance with) their obligations under this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby do not and will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of Seller's certificate of incorporation, bylaws or similar governing documents;

(b) subject to (i) such filings as may be required under applicable state or federal securities Laws, and (ii) the making of such filings (if any) as may be required under the Competition Act (Canada), the Investment Canada Act, or antitrust, notification, merger control, and similar Laws of other jurisdictions, and the receipt of approvals and/or the expiration or early termination of any applicable waiting period thereunder or therefrom, conflict with or result in a violation or breach of any Law applicable to Seller or any of its Subsidiaries or any of its or their Assets or Properties;

(c) subject to obtaining the consents and Approvals, making the filings and giving the notices set forth in Section 2.4(b), if any, conflict in any material respect with or result in a violation or breach, in any material respect, of any Law applicable to Seller or any of its Subsidiaries, the Business or any of the Purchased Assets; or

(d) (i) conflict with or result in a violation or breach of, (ii) constitute a default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, (iii) require Seller or any of its Subsidiaries to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional right or entitlement to any increased, additional, accelerated or guaranteed payment or performance under, (vi) result in the creation or imposition of (or the obligation to create or impose) any Lien (other than Permitted Exceptions) upon Seller or any of its Subsidiaries or any of the Purchased Assets or any restriction on the Business under, or (vii) result in the loss of any material benefit under, any of the terms, conditions or provisions of any of the Assigned Contracts, any Lease Document underlying the Assigned Leasehold and Subleasehold Interests, any of the Assigned Permits and Approvals, any Contract underlying the Assigned Warranty Rights, any Contract underlying the Assigned Prepayments, any Contract underlying the Assigned Insurance Proceeds or any Contract underlying the Licensed IP Assets or affecting Seller's ability to license the Licensed IP Assets to Purchaser as contemplated by the Intellectual Property License Agreements, in each case in any material respect.

2.5 Books and Records; Organizational Documents. The Business Books and Records transferred hereunder are accurate and complete copies or originals in all material respects.

2.6 Absence of Changes. From March 31, 2008 to the date of this Agreement, except as required by this Agreement or the Ancillary Agreements:

(a) there has not been any Business Material Adverse Effect or any occurrence or event which, individually or in the aggregate, would be reasonably expected to have any Business Material Adverse Effect;

(b) neither Seller nor any of its Subsidiaries has (i) entered into, terminated, amended in any material respect, or granted any material waiver (or agreed or made any commitment to enter into terminate, amend in any material respect or grant any material waiver) under any Contract that constitutes (or would, but for such action, constitute) an Assigned Contract or other Purchased Asset or which is material to the Business or Assumed Liabilities, or (ii) incurred any Liability in excess of two hundred fifty thousand dollars ($250,000), individually or in the aggregate, that constitutes an Assumed Liability;

(c) neither Seller nor any of its Subsidiaries has entered into, approved or resolved to enter into any Contract (other than Licenses, which are addressed in Section 2.6(f) and Section 2.6(e)) involving (i) the sale, disposition or transfer of any of the Purchased Assets, other than the sales of finished Current Business Products in the ordinary course of the business, or (ii) any material restriction on the future conduct of the Business;

(d) neither Seller nor any of its Subsidiaries has entered into, approved or resolved to enter into any Contract that (i) contains noncompetition restrictions, including any covenants limiting or purporting to limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business or with any Person or in any area or which would limit the freedom of Purchaser or any of its Subsidiaries to compete in any material line of business after the Effective Time, (ii) grants any exclusive supply or distribution right for a Business Product in any territory, (iii) grants from Seller or any of its Subsidiaries any "most favored nation" or similar preferred pricing right to any of the customers of Seller or any of its Subsidiaries regarding any of the Business Products, or (iv) grants any right of first refusal, right of first negotiation or similar right with respect to any Business Product or any Purchased IP Asset, any Exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, or any Listed Licensed IP Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements;

(e) there has not been any sale, disposition, transfer or grant of any Lien (not including non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice) or exclusive License to any Person of any right in, to or under (i) any Purchased IP Asset, (ii) any Exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, (iii) any Listed Licensed IP Asset in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements, or (iv) any other Intellectual Property Rights or Technology that, but for such sale, disposition, transfer, Lien or exclusive License, would constitute part of (A) the Purchased IP Assets, (B) the Exclusively Licensed IP Assets or (C) the Listed Licensed IP Assets;

(f) there has not been any grant of a License (i) of Purchased Assets or (ii) of Exclusively Licensed IP Assets in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, in each case, other than non-exclusive Licenses of Software to customers and partners in the ordinary course of business consistent with past practice;

(g) neither Seller nor any of its Subsidiaries has sold, transferred, disposed of, waived any right to, or leased to any other Person, mortgaged, pledged or incurred or suffered to exist any Lien, other than Permitted Exceptions, on, or terminated, accepted for surrender or failed to renew any lease or sublease of, any Asset and Property (excluding Intellectual Property Rights and Technology) that constitutes or, but for such action, would constitute a material Purchased Asset;

(h) neither Seller nor any of its Subsidiaries has made or agreed to make any write-off or write-down, any determination to write-off or write-down, or revalue, any material Purchased Asset or any material portion of the Purchased Assets, or change any reserves or liabilities associated therewith;

(i) neither Seller nor any of its Subsidiaries has failed to pay or otherwise satisfy any material Liability presently due and payable that is an Assumed Liability, except such Liabilities which are being contested in good faith by appropriate means or procedures and which, both individually and in the aggregate, are immaterial in amount;

(j) neither Seller nor any of its Subsidiaries has granted, paid or made any commitment to grant or pay to any Business Employee any bonus, stay-put, severance, or termination payment or any other payment other than normal employee compensation in amounts established in the ordinary course of business;

(k) neither Seller nor any of its Subsidiaries has granted or approved any increase of greater than five percent (5%) in salary, rate of commissions, rate of consulting fees or any other compensation of any Business Employee or any consultant providing services to the Business;

(l) neither Seller nor any of its Subsidiaries has established or modified any target, goal, pool or similar provision under, or any salary range, increased guideline or similar provision in respect of, any Seller Benefit Plan, employment Contract or other employee compensation arrangement or independent contractor Contract or other compensation arrangement applicable to any Business Employee;

(m) neither Seller nor any of its Subsidiaries has adopted, entered into, amended or modified in any material respect, or terminated (whether partially or completely), any Seller Benefit Plan affecting any Business Employee;

(n) neither Seller nor any of its Subsidiaries has (i) made, changed or rescinded any material election in respect of any Tax relating to the Business or any of the Purchased Assets, adopted or changed any accounting or reporting method, policy or principle in respect of any material Tax relating to the Business or any of the Purchased Assets, (ii) entered into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets, (iii) consented to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets with any Taxing Authority or otherwise, or (iv) failed to pay and discharge any material Tax relating to the Business or any of the Purchased Assets, except such Taxes which are being contested in good faith by appropriate means or procedures;

(o) neither Seller nor any of its Subsidiaries has made any change in accounting policies, principles, methods, practices or procedures relating to any of the Purchased Assets or Assumed Liabilities (including for bad debts, contingent liabilities or otherwise, respecting capitalization or expense of research and development expenditures, depreciation or amortization rates or timing of recognition of income and expense), except for any such change required by reason of a concurrent change in GAAP;

(p) neither Seller nor any of its Subsidiaries has commenced or terminated, or made any material change in, any line of business included in the Business;

(q) neither Seller nor any of its Subsidiaries has failed to renew any material insurance policy covering the Business or any of the Purchased Assets; no material insurance policy of Seller or any of its Subsidiaries covering the Business or any of the Purchased Assets has been cancelled or materially amended;

(r) there has been no non-renewal or material amendment of any of the Assigned Permits and Approvals or any of the leases or subleases underlying the Assigned Leasehold and Subleasehold Interests;

(s) Seller and its Subsidiaries have taken all action reasonably necessary or appropriate (i) to procure, maintain, renew, extend or enforce any Seller Registered Intellectual Property Right that is (or, but for the failure to take such action, would be) included in the Purchased Registered Intellectual Property Rights, including submission of required documents or fees during the prosecution of patent, trademark or other applications for such Registered Intellectual Property Right, and (ii) to reasonably protect, maintain or enforce each other Seller IP Asset that is (or, but for the failure to take such action, would be) included in the Other Purchased Intellectual Property Rights or the Purchased Technology;

(t) neither Seller nor any of its Subsidiaries has taken any action with respect to the Business not in the ordinary course of business consistent with past practice (other than actions already addressed by other lettered subsections of this Section 2.6 and disclosed in Section 2.6 of the Seller Disclosure Schedule);

(u) there has been no physical damage, destruction or other casualty loss (whether or not covered by insurance) affecting any of the Purchased Assets or any Assets and Properties that, but for such occurrence, would constitute Purchased Assets, except ordinary wear and tear; and

(v) neither Seller nor any of its Subsidiaries has entered into or approved any agreement, commitment, arrangement or understanding, to do, permit, engage in or cause or having the effect of any of the foregoing.

2.7 Business Financials; Asset Schedules; No Undisclosed Liabilities.

(a) Attached to Section 2.7(a) of the Seller Disclosure Schedule is a correct and complete copy of the Unaudited Business Financials. The Unaudited Business Financials were prepared in all material respects in accordance with the books and records of Seller and its Subsidiaries and in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other (except as may be indicated in the notes thereto as delivered to Purchaser prior to the date hereof) and fairly present, on a carve-out basis and incorporating certain additionally allocated costs for the respective periods presented, in all material respects the results of operations of the Business for the periods indicated, subject to normal year-end adjustments and the omission of footnotes. The Audited Business Financials will be prepared in all material respects in accordance with the books and records of Seller and its Subsidiaries and in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other, and fairly present, on a carve-out basis, in all material respects, as applicable, either (i) the assets acquired and liabilities assumed and the net revenues and direct expenses or (ii) the assets and liabilities, results of operations and cash flows, of the Business as of the dates and for the periods indicated, in each case on the basis described therein, subject, in the case of the Audited 2008 Business Financials, to normal year-end adjustments.

(b) Attached to Section 2.7(b) of the Seller Disclosure Schedule is a correct and complete copy of the schedule of tangible Assets and Properties (including inventory) of the Business as of the date hereof. Such tangible asset schedule fairly reflects in all material respects the correct acquisition value, depreciation amount, and book value of the Assets and Properties (including inventory) listed therein.

(c) Seller and its Subsidiaries make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the acquisitions and dispositions of assets by Seller and its Subsidiaries. Neither Seller nor any of its Subsidiaries has any Liability or Indebtedness related to the Business, the Purchased Assets or the Assumed Liabilities other than (i) Retained Liabilities, (ii) Liabilities that are fully reflected in, reserved against or otherwise detailed in the Unaudited Business Financials, and (iii) Liabilities incurred in the ordinary course of business of the Business since December 31, 2007 that are not material, either individually or in the aggregate, in amount.

2.8 Taxes. Seller has filed all material Tax Returns required by Law to be filed and paid all material Taxes due (whether or not shown as due on such returns) in respect of the Business, the Purchased Assets and the employment of the Business Employees by Seller and its Subsidiaries, and shall transfer such Purchased Assets to Purchaser free and clear of all Liens relating to Taxes, except for Permitted Exceptions. The transactions contemplated by this Agreement do not involve a disposition of "taxable Canadian property" by a Person not resident in Canada for purposes of the Income Tax Act (Canada).

2.9 Legal Proceedings. There is no Action or Proceeding pending or, to Seller's knowledge, threatened against, relating to or affecting the Business or any of the Purchased Assets or Assumed Liabilities or which in any manner challenges or seeks to prevent, enjoin,

alter or materially delay the transactions contemplated by this Agreement or any of the Ancillary Agreements. There is no fact or circumstance known to Seller that, either alone or together with other facts and circumstances, could reasonably be expected to give rise to any material Action or Proceeding against, relating to or affecting the Business or any of the Purchased Assets or Assumed Liabilities and Seller and its Subsidiaries have not received any written notice and otherwise do not have knowledge of any Order relating to or affecting, in any material respect, the Business or any of the Purchased Assets or Assumed Liabilities.

2.10 Compliance with Laws and Orders.

(a) Neither Seller nor any of its Subsidiaries, nor to Seller's knowledge any of its or their respective directors, officers, agents or employees in his, her or its capacity as such, has violated in any material respect, or is currently in default or violation in any material respect under, any Law or Permit applicable to the Business or any of the Purchased Assets or Assumed Liabilities, and Seller has no knowledge of a written claim for such a violation. Seller and its Subsidiaries possess all material Permits and Approvals required by Law for the ownership and operation of the Purchased Assets and for the ownership and operation of the Business as currently conducted; and all such material Permits and Approvals are in full force and effect.

(b) Without limiting the generality of the foregoing, neither Seller nor any of its Subsidiaries that are engaged in the Business, nor, to Seller's knowledge, any agent, employee or other Person associated with or acting on behalf of the Business, has, directly or indirectly, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, made any unlawful payment to any foreign or domestic government official or employee or to any foreign or domestic political party or campaign from corporate funds, violated any provision of the Foreign Corrupt Practices Act of 1977, as amended or Money Laundering Laws, or similar legislation in applicable jurisdictions or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment.

2.11 Intellectual Property.

(a) Purchased Registered Intellectual Property Rights. Section 2.11(a) of the Seller Disclosure Schedule lists all proceedings or actions pending as of the date hereof before any court or tribunal (including the PTO or equivalent authority anywhere in the world) related to any of the Purchased Registered Intellectual Property Rights. To Seller's knowledge, there are no inventorship challenges, opposition or nullity proceedings or interferences declared, commenced or threatened with respect to any patents or patent applications included in the Purchased Registered Intellectual Property Rights and neither Seller nor any of its Subsidiaries nor any of its patent counsel has received from any Person any written notice of an inventorship challenge, opposition or nullity proceeding or interference declared or commenced with respect to any patents or patent applications included in the Purchased Registered Intellectual Property Rights. Seller and its Subsidiaries and their respective patent and trademark counsel have complied with their duty of candor and disclosure to the PTO and any relevant foreign patent or trademark office with respect to all patent and trademark applications included in the Purchased Registered Intellectual Property Rights and have made no material misrepresentation in such applications; *provided* that the foregoing does not guarantee that (i) any patents will issue from

such applications or (ii) if any patents do issue from such applications, that the scope of the claims granted will be the same as the claims set forth in such applications. Seller and its Subsidiaries have no knowledge of any information that would preclude them from having clear title to the Purchased Registered Intellectual Property Rights or affect in any material respect the patentability or enforceability of any Purchased Registered Intellectual Property Rights.

(b) Title; License Rights. Seller and its Subsidiaries have all right, title and interest in, to and under (or valid and enforceable rights under Licenses to grant the rights to Purchaser in accordance with the Intellectual Property License Agreements) all Purchased IP Assets and all Licensed IP Assets. Each item of Purchased IP Assets (i) is owned exclusively by Seller and its Subsidiaries, (ii) is free and clear of all Liens (other than Permitted Exceptions and non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice), and (iii) will be owned or available for use by Purchaser immediately following the Closing on substantially identical terms and conditions as it was owned or available for use by Seller and its Subsidiaries immediately prior to the Closing. To Seller's knowledge, no Person is infringing, violating or otherwise misappropriating or misusing any Purchased IP Asset listed on Schedules 1.1(b) or 1.1(c), and neither Seller nor any of its Subsidiaries has made any written claim of such infringement, violation, misappropriation or misuse against any Person. Each item of Exclusively Licensed IP Assets (A) is owned exclusively by Seller and its Subsidiaries, and (B) is free and clear of all Liens (other than Permitted Exceptions and non-exclusive Licenses to customers and partners granted in the ordinary course of business consistent with past practice) in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements.

(c) Sufficiency. The Purchased Technology listed on Schedule 1.1(c) in the aggregate includes substantially all Technology that is both material to the operation of the Business and exclusively related to the Business. The Purchased Registered Intellectual Property Rights and the Purchased Technology listed on Schedule 1.1(c) and the Licensed IP Assets listed in the schedules to the Intellectual Property License Agreements in the aggregate include substantially all material Intellectual Property Rights and Technology that is both necessary to the operation of the Business and exclusively or primarily related to the Business. All of the Seller Registered Intellectual Property Rights that Seller or its Subsidiaries (or any Person acquired by Seller or any of its Subsidiaries that is comprised in or relates to the Business) acquired from Terayon Communication Systems, Inc. or any of its Affiliates are included in the Purchased Registered Intellectual Property Rights.

(d) Contracts. Section 2.11(d)(i) of the Seller Disclosure Schedule lists, as of the date hereof, all Contracts and Licenses relating to Intellectual Property Rights or Technology (including all inbound Licenses, other than to Non-Critical Software, and all outbound Licenses) to which Seller or any of its Subsidiaries is a party that relate to the Purchased IP Assets or Exclusively Licensed IP Assets, including any agreement, assignment or License pursuant to which any Purchased IP Asset was developed or created by any Person other than Seller and its Subsidiaries. Except pursuant to agreements listed in Section 2.11(d)(i) of the Seller Disclosure Schedule, neither Seller nor any of its Subsidiaries has transferred ownership of, or granted (whether expressly or by implication) (and are not obligated to grant) any License of or other

right under, any Purchased IP Asset or, in the field exclusively licensed to Purchaser and its Affiliates pursuant to the Intellectual Property License Agreements, any Exclusively Licensed IP Asset to any other Person. None of the Purchased IP Assets or, in the field exclusively licensed to Purchaser and its Affiliates pursuant to the Intellectual Property License Agreements, the Exclusively Licensed IP Assets is required to be licensed under any forum, consortium or other standards body agreement. None of the Purchased IP Assets or Exclusively Licensed IP Assets has been submitted to any licensing entity, standards body or representative thereof for a determination of essentiality to or inclusion in an industry standard, nor has any request been made therefor. Section 2.11(d)(ii) of the Seller Disclosure Schedule lists all forums, consortiums, standards bodies or similar organizations in which Seller or any of its Subsidiaries currently, or have in the past, participated in connection with the Business, or been a member or to which Seller or any of its Subsidiaries has made any disclosure of any Purchased IP Assets or Exclusively Licensed IP Assets.

(e) Non-Infringement. The operation of the Business as presently conducted and as conducted within the one (1) year period prior to the date hereof, and the design, development, distribution, marketing, manufacture, use, import, license, or sale of the Current Business Products and functional and discrete components that have been reviewed, verified and integrated into the product database of the Business on or before the Closing Date, do not (and did not at any time within the one (1) year period prior to the date hereof) (i) infringe or misappropriate the Intellectual Property Rights of any Person, (ii) violate any material term or provision of any License or Contract concerning the Intellectual Property Rights or Technology of any Person, (iii) violate any other term or provision of any License or Contract concerning such Intellectual Property Rights or Technology which violation could result in the termination, or any material alteration or limitation of, such License or Contract or the right to use or exercise rights under such Intellectual Property Rights or Technology, (iv) violate any moral right, right of privacy or right of publicity of any Person, (v) disclose any material confidential information of Seller or any of its Subsidiaries that is not pursuant to a confidentiality agreement, other than such disclosures made to the PTO, other patent offices, standard-setting organizations or otherwise, which disclosures were consistent with the exercise of reasonable business judgment, (vi) disclose any material third-party confidential information that is protected by a confidentiality agreement, unless such disclosure was authorized by the relevant third party with the right to permit such disclosure, or (vii) constitute unfair competition or an unfair trade practice under any Law. Neither Seller nor any of its Subsidiaries nor any of its or their respective employees or Representatives has (x) received from any Person any written notice claiming that any Business Product or the operation of the Business infringes or misappropriates the Intellectual Property Rights of any Person or constitutes unfair competition or trade practices under any Law or (y) in the three (3) year period prior to the date hereof, received from any Person and brought to the attention of the legal department of Seller or any of its Subsidiaries any written notice of third-party Patent or other Intellectual Property Rights relating to the operation of the Business or any Current Business Product from a putative or potential licensor of such rights. Neither Seller nor any of its Subsidiaries has, within the one (1) year period prior to the date hereof, brought or resolved any Action or Proceeding for infringement of Purchased IP Assets or Exclusively Licensed IP Assets or breach of any License or Contract involving Purchased IP Assets or Exclusively Licensed IP Assets against any Person. Notwithstanding the foregoing, in no event does Seller represent that operation of the Business or any Business Product or Purchased Asset does not infringe any Patents which would necessarily be infringed by an implementation of a required element of a Standard.

(f) Disputes. There is no Contract or License between Seller or any of its Subsidiaries, on the one hand, and any other Person, on the other hand, with respect to Purchased IP Assets or Exclusively Licensed IP Assets under which there is any material dispute (and, to Seller's knowledge, there are no facts or circumstances that may reasonably be expected to lead to a material dispute) regarding the scope of such Contract or License, or performance under such Contract or License, including with respect to any payment to be made or received by Seller or any of its Subsidiaries thereunder.

(g) IP Protection Measures. Seller and its Subsidiaries have taken all steps reasonably necessary or appropriate (i) consistent with reasonable business judgment to protect and preserve ownership of all Purchased IP Assets and Exclusively Licensed IP Assets claimed or purported to be owned by Seller and its Subsidiaries, (ii) to protect their rights in confidential information and trade secrets of Seller and its Subsidiaries included in Purchased IP Assets or Exclusively Licensed IP Assets, other than such disclosures made to the PTO, other patent offices, standard-setting organizations or otherwise, which disclosures were consistent with the exercise of reasonable business judgment, and (iii) to protect confidential information and trade secrets provided by any other Person to Seller or any of its Subsidiaries subject to a duty of confidentiality or a limitation on use, which confidential information and trade secrets are included in Purchased IP Assets or Exclusively Licensed IP Assets. Without limiting the generality of the foregoing, Seller and its Subsidiaries have, and enforce, a policy requiring each employee, consultant and independent contractor (including consultants and employees who contributed to the creation or development of all Purchased IP Assets, and all Listed Licensed IP Assets and Exclusively Licensed IP Assets owned or purported to be owned by Seller and its Subsidiaries) to execute proprietary information, confidentiality and invention and copyright assignment agreements substantially in the form made available to Purchaser, which agreements, by their terms, irrevocably transfer to Seller and its Subsidiaries all rights in such Intellectual Property Rights and Technology (subject only to a copyright owner's right, pursuant to the Copyright Act of 1976 or the foreign equivalent thereof, to terminate a copyright transfer), and, to Seller's knowledge, all current and former employees, consultants and independent contractors of Seller and its Subsidiaries since October 25, 2006 have executed such an agreement; and copies of all such agreements have heretofore been provided or made available to Purchaser.

(h) Restrictions on Use. No Purchased IP Asset, the Technology in the Licensed IP Asset or Current Business Product is subject to any Order, Action or Proceeding, settlement, compulsory license, U.S. or Canadian government "march in" right, or, to Seller's knowledge, any other Governmental Authority or Regulatory "march in" right, that restricts in any manner the use, transfer or licensing of such Purchased IP Asset, the Technology in the Licensed IP Asset or Current Business Product by Seller or any of its Subsidiaries. For purposes hereof, a "march-in" right is a right retained by a Governmental Authority equivalent to the rights retained by the U.S. Government pursuant to 35 U.S.C. Section 203. No Purchased IP

Asset, Technology in the Licensed IP Asset, or Current Business Product is subject to (i) requirements under 35 U.S.C. §§200-212 that products be manufactured substantially in the United States, (ii) requirements imposed by Canadian federal or provincial government that products be manufactured substantially in Canada or in a Canadian province, or (iii) to Seller's knowledge, requirements imposed by any other Government or Regulatory Authority that products be manufactured substantially in any jurisdiction. No Purchased IP Asset, Exclusively Licensed IP Asset or Current Business Product was created or developed by or for any Governmental or Regulatory Authority, university or academic institution, and neither Seller nor any of its Subsidiaries has received any funding from any such entity or otherwise has any obligation to any such entity with respect to any Purchased IP Asset, Exclusively Licensed IP Asset or Current Business Product. There are no restrictions, either pursuant to any Contract or under any Law, on the transferability or ownership of any Purchased IP Assets, and the transferability of the Purchased IP Assets is not, other than in regard to compliance with applicable export control and embargo regulations, restricted under any Law. Schedule 1.1(b) sets forth each Purchased Registered Intellectual Property Rights by jurisdiction.

(i) No Changes Caused by the Transaction. Neither the execution or the consummation of this Agreement nor the Ancillary Agreements, nor any transaction contemplated by this Agreement or any of the Ancillary Agreements, will result in the grant of any right or license with respect to the Purchased IP Assets or the Exclusively Licensed IP Assets to any Person (other than Purchaser).

(j) Software List. Section 2.11(j) of the Seller Disclosure Schedule sets forth a list of all Software which Seller or any of its Subsidiaries has licensed from any third party which is used in the Business (other than Non-Critical Software).

(k) Failure Analysis Reports. Seller has provided to Purchaser its failure analysis reports, return material authorizations and errata with respect to the Business (including its percentage error rates for each Business Product) from January 1, 2007 until the date hereof and such records are accurate and materially complete.

(l) Open Source. Except as specifically set forth in Section 2.11(l) of the Seller Disclosure Schedule, (i) no Open Source Software is incorporated (either directly or indirectly, by incorporation of third-party Software that itself incorporates Open Source Software) into any Current Business Products; (ii) no Current Business Product (A) is intermingled or bundled by Seller or its Subsidiaries with or (B) is otherwise derived from or contains part of, or uses or links to, any Open Source Software or any libraries or routines that constitute Open Source Software or contains elements that previously used or were linked to Open Source Software or any libraries or routines that constitute Open Source Software; and (iii) the Purchased IP Assets are not Open Source Software.

(m) Source Code Protection. Neither Seller nor any of its Subsidiaries has licensed, distributed or disclosed, and neither Seller nor any of its Subsidiaries has any knowledge of any distribution or disclosure by any other Person (including employees and contractors) of, any Source Code for any Software within the Purchased IP Assets or included in any Current Business Product or other confidential information constituting, embodied in or

pertaining to such Software ("Business Source Code") to any Person, except pursuant to the agreements listed in Section 2.11(m) of the Seller Disclosure Schedule, and Seller and its Subsidiaries have taken reasonable physical and electronic security measures to prevent unauthorized disclosure of such Business Source Code. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not, result in the disclosure or release of any such Business Source Code by (i) Seller or any of its Subsidiaries to any escrow agent or any other third party; or (ii) any escrow agent or other Person to any third party either (A) pursuant to any Contract entered into by Seller or its Subsidiaries or (B) to Seller's knowledge, for any other reason.

2.12 Contracts.

(a) Section 2.12(a) of the Seller Disclosure Schedule contains, as of the date of this Agreement, a true and complete list of:

(i) each Assigned Contract involving payments in excess of one hundred fifty thousand dollars ($150,000) over the life of the Assigned Contract that is not terminable by Seller or its Subsidiaries upon thirty (30) calendar days (or less) notice by Seller or its Subsidiaries without penalty or obligation to make any payment based on such termination;

(ii) each Contract or License primarily or exclusively related to the Business, Purchased Assets or Assumed Liabilities that contains, constitutes or provides for:

(A) material continuing design or other services (including engineering and research and development services) by Seller or any of its Subsidiaries, other than in the ordinary course of business;

(B) any covenant or other provision which limits Seller's or any of its Subsidiaries' ability to compete with any Person or in any area or territory;

(C) any strategic alliance, joint development or joint marketing Contract regarding the Business, the Purchased Assets or the Assumed Liabilities;

(D) material manufacturing, marketing, distribution, license or similar Contract of any type or scope granted to a third party with respect to any Purchased Asset or Current Business Product;

(E) any Contract for employment or compensation with Business Employees or independent contractors (including agreements with respect to bonus, stay-put, severance, termination payments or other payments to any Business Employee or independent contractors and any agreement with any Canadian Business Consultant) other than normal employee compensation, performance bonuses and other fringe benefits, in each case on the terms and in amounts established in the ordinary course of business; and/or

(iii) each other material Contract relating to the Business or any of the Purchased Assets or Assumed Liabilities, including each of the Lease Documents underlying the Assigned Leasehold and Subleasehold Interests.

(b) True and complete copies of all such Contracts or, if not reduced to writing, reasonably complete and accurate written descriptions of which, together with all amendments and supplements thereto and all waivers of any terms thereof, have been provided or made available to Purchaser prior to the execution of this Agreement. Each Assigned Contract and Contract listed or required to be listed in Section 2.12(a) of the Seller Disclosure Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable against Seller, and to Seller's knowledge, each other party thereto, in accordance with its terms. To Seller's knowledge, no other party to any such Contract is, or has received any claim or notice that it is, in violation or breach of or default under any such Contract (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contract). Neither Seller nor any of its Subsidiaries is a party to or bound by any Assigned Contract set forth in Section 2.12(a)(ii)(E) of the Seller Disclosure Schedule that automatically terminates or allows termination by the other party thereto upon consummation of any of the transactions contemplated by this Agreement or any of the Ancillary Agreements.

2.13 Insurance.

(a) Each insurance policy to which Seller or any of its Subsidiaries is a party covering the Business or any of the Purchased Assets is valid and binding and in full force and effect, all premiums due thereunder have been paid when due, and neither Seller nor the Person to whom such policy has been issued has received any notice of cancellation or termination in respect of any such policy or is in default thereunder.

(b) Section 2.13(b) of the Seller Disclosure Schedule contains a list of all claims in excess of fifty thousand dollars ($50,000) made under any insurance policies covering the Business or any of the Purchased Assets in the two years immediately preceding the date of this Agreement. Seller has not received notice that any insurer under any policy is denying, disputing or questioning liability with respect to a claim thereunder or defending under a reservation of rights clause.

2.14 Affiliate Transactions. No Assumed Liability arises out of any Contract or Liability between Seller or any of its Subsidiaries, on the one hand, and any current or former officer or director of Seller, or (to Seller's knowledge) any company in which such officer or director holds a material interest, or any stockholder or Affiliate of Seller, on the other hand. No current or former officer, director or stockholder of Seller or any of its Subsidiaries or any Affiliate of Seller (other than Subsidiaries of Seller) provides or causes to be provided any assets (including any of the Purchased Assets), services (other than services performed by employees, officers or directors of Seller or its Subsidiaries in their capacity as such) or facilities to the Business.

2.15 Employees; Labor Relations.

(a) Seller has heretofore delivered to Purchaser a complete and accurate list of all (i) employees of Seller or any of its Subsidiaries engaged in or otherwise supporting the conduct of the Business by Seller and its Subsidiaries who are employed by Seller or any of its Subsidiaries as of the date hereof (and, with respect to the employees with the titles of manager or above, at any time during the six (6) month period ending on the date hereof), including layout, test, product engineering and general and administrative employees, with a description of each individual's respective position and responsibilities (to the extent requested by Purchaser) and cash and non-cash compensation (with a breakdown by type and amount), and, in the case of current employees, each individual's (A) employee number, (B) status (i.e., full time, part time, temporary, casual, seasonal, co-op student), (C) employment authorization or work visa status, to the extent required for employment authorization and/or verification purposes in the applicable jurisdiction, (D) date of hire and service dates, (E) current wages, salaries or hourly rate of pay, benefits, vacation entitlement, commissions and bonus (whether monetary or otherwise), (F) other material compensation paid or payable since the beginning of the most recently completed fiscal year, (G) for any benefit that takes into account length of service to the employer, the date upon which each such term of employment with Seller or any of its Subsidiaries became effective, (H) jurisdiction of current employment, and (I) unless prohibited by applicable Law, age (such current employees of Seller or any of its Subsidiaries hereinafter referred to as the "Business Employees"). Section 2.15(a) of the Seller Disclosure Schedule sets forth a complete and accurate list of the names of all Canadian Business Consultants of Seller and any of its Subsidiaries, whether the Canadian Business Consultant is providing services pursuant to a written consulting Contract, the term of any Contract, the notice, if any, required for Seller or any of its Subsidiaries to terminate the consulting relationship without cause, the date the Canadian Business Consultant first commenced providing services to Seller or any of its Subsidiaries, the hourly fee of the Canadian Business Consultant and the annual fees paid to the consultant for the preceding calendar year.

(b) Neither Seller nor any of its Subsidiaries in any of the jurisdictions affected by the transactions contemplated by this Agreement is a party (or is otherwise subject) to any collective bargaining agreement, trade union agreement, or works council, employee representative or information or consulting agreement or requirement covering any Business Employee, and there are no unfair labor practice or arbitration proceeds pending or ongoing, or to Seller's knowledge, threatened with respect to the Business. To Seller's knowledge, there is presently (and during the three (3) years immediately preceding the date of this Agreement there has been) no organizational effort underway or threatened involving any of the Business Employees, and there has never been any work stoppage, strike or other concerted action by employees engaged in the conduct of the Business. As of the Closing Date, Seller and its Subsidiaries shall have complied in all material respects with their respective obligations to inform, consult with and/or seek consent from any Business Employee (or such Business Employee's representatives) concerning the transactions contemplated by this Agreement.

(c) Each Business Employee resident in the United States is employed at will and each Business Employee resident outside of the United States is employed pursuant to applicable Laws, and no Business Employee is represented by a union. The UK Employees and the French EU Business Employee are the only Business Employees who are employed in any

Member State of the European Union. No Canadian Business Employee is on short-term or long-term disability leave, parental leave, extended absence or receiving benefits pursuant to the Workplace Safety and Insurance Act, 1997 (Ontario) or similar workers' compensation legislation in other jurisdictions.

(d) The completion of the transactions contemplated by this Agreement will not result in any payment or increased payment becoming due to any Business Employee, and, to Seller's knowledge, as of the date of this Agreement, no Business Employee has made any threat, or otherwise revealed an intent, to terminate his or her relationship with Seller or any of its Subsidiaries, for any reason, including because of the consummation of the transactions contemplated by this Agreement. No Business Employee is employed by any outside agency.

(e) During the three (3) years immediately preceding the date of this Agreement there has been no governmental or private individual complaint or claim based on sex, sexual or other harassment, age, disability, race or other form of discrimination prohibited by Law, and no complaint or claim, including any claim of wrongful termination, by any Business Employee or by any individual performing work for the Business but provided by an outside employment agency, and to Seller's knowledge, no such complaints or claims are threatened or pending. Seller and its Subsidiaries have complied in all material respects with all Laws related to the employment of the Business Employees and the payment of all required wages and benefits to them or on their behalf, and neither Seller nor any of its Subsidiaries has received any notice during the three (3) years immediately preceding the date of this Agreement of any claim that it has not complied in any material respect with any Law relating to the employment of any of the Business Employees, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and similar Taxes, payment to pension plans or other required benefits under applicable Law, equal employment opportunity, employment discrimination, WARN, employee safety, or that it is liable for any arrearage of wages or any Tax or penalty for failure to comply with any of the foregoing.

(f) To Seller's knowledge, no Business Employee is bound by, subject to or obligated under any Contract or subject to any Law that would prevent him or her from working for Purchaser or any of its Subsidiaries or interfere with the conduct of the Business as presently conducted or as presently proposed to be conducted. To Seller's knowledge, neither the execution nor delivery of this Agreement, nor the carrying on of the Business as presently conducted or as presently proposed to be conducted, nor any activity of such Business Employees in connection with the carrying on of the Business as presently conducted or as presently proposed to be conducted, will conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, or trigger a condition precedent to any right under any Contract or other agreement under which any such Business Employee is now bound. To Seller's knowledge, no Business Employee has, either directly or indirectly, been solicited, induced, recruited or encouraged by Seller or any of its Subsidiaries or any of its or their respective Representatives to leave his or her former employer and accept employment with Seller or any of its Subsidiaries in violation of an obligation to a former employer.

(g) All amounts that Seller or any of its Subsidiaries is legally or contractually required either (i) to deduct from the salaries of the Business Employees or to transfer to such employees' pension, life insurance, disability, or other similar fund or (ii) to withhold from Business Employees' salaries and pay to any Governmental or Regulatory Authority, have, in each case, been duly deducted, transferred, withheld and paid, and Seller and its Subsidiaries do not have any outstanding obligation to make such deduction, transfer, withholding or payment.

(h) Seller has furnished Purchaser with true, correct and complete copies of all material written employee policies, employee handbooks and employee manuals applicable to the Business Employees.

2.16 Employee Benefit Plans.

(a) Neither Seller nor any of its ERISA Affiliates maintains or sponsors (or ever maintained or sponsored), or makes or is required to make contributions to, any Seller Benefit Plan. None of the Seller Benefit Plans is or was a "multiemployer plan," as defined in Section 3(37) of ERISA and none of the Seller Benefit Plans is or was a "defined benefit pension plan" within the meaning of Section 3(35) of ERISA. None of the Seller Benefit Plans is or was adopted or maintained by Seller or any ERISA Affiliate for the benefit of individuals who perform services outside the United States. Seller has delivered to Purchaser true and complete copies of: (i) each of the Seller Benefit Plans and any related funding agreements thereto (including insurance contracts) including all amendments and (ii) the currently effective Summary Plan Description pertaining to each of the Seller Benefit Plans.

(b) With respect to each Seller Benefit Plan that is maintained outside the jurisdiction of the United States or Canada or primarily covers Business Employees residing or working outside the United States or Canada, (i) such Seller Benefit Plan has been established, maintained and administered in all material respects in compliance with its terms and all applicable Laws; (ii) all contributions and expenses that are required to be made have been made or will be made in a timely manner prior to or immediately following the Closing; and (iii) with respect to any such Seller Benefit Plan that is intended to be eligible to receive favorable Tax treatment under the Laws applying to such Plan, all requirements necessary to obtain such favorable Tax treatment have been satisfied.

(c) Section 2.16(c) of the Seller Disclosure Schedule contains a complete and accurate list of all Canadian Seller Benefit Plans. Except as set forth in Section 2.16(c) of the Seller Disclosure Schedule, (i) Seller has heretofore made available to Purchaser a current copy of each Canadian Seller Benefit Plan and the funding agreements and summary descriptions of each such plan; (ii) all Canadian Seller Benefit Plans are registered and have been administered in all material respects in accordance with the terms of such plans, including the terms of the material documents that support such plans, and in accordance in all material respects with all applicable Laws; (iii) none of the Canadian Seller Benefit Plans provide for benefit increases that are contingent upon, or will be triggered by the completion of the transactions contemplated herein; and (iv) none of the Canadian Seller Benefit Plans provides benefits beyond retirement or other termination of service to employees or former employees or to the beneficiaries or dependants of such employees.

2.17 Tangible Assets. All of the tangible assets included in the Purchased Assets are in good working order and condition in all material respects, ordinary wear and tear excepted.

2.18 Real Property and Facilities.

(a) Section 2.18(a) of the Seller Disclosure Schedule contains a correct list of each facility and the correct address for each location where the Business is regularly conducted (or where any of the Purchased Assets are located or any of the Business Employees is regularly employed) (the "Business Real Properties"). Seller and its Subsidiaries have the right to lease, assign or sublease to Purchaser the Assigned Leasehold and Subleasehold Interests, and to allow Purchaser to occupy the applicable facilities to be occupied by Purchaser and its Subsidiaries pursuant to the Transition Services Agreement. At the Effective Time, the premises to be conveyed or leased to Purchaser pursuant to the Assigned Leasehold and Subleasehold Interests shall be free and clear of all occupants other than Business Employees. Seller has not granted to any Person any options or encumbrances on the Business Real Properties, which would allow such Person to interfere with or limit Seller's rights in the Assigned Leasehold and Subleasehold Interests during the term thereof. No real property where the Business is regularly conducted or any of the Purchased Assets is located or any of the Business Employees are regularly employed is owned by Seller or any of its Subsidiaries.

(b) Subject to the terms of applicable Lease Documents, Seller and its Subsidiaries have a valid and subsisting leasehold estate in and the right to quiet enjoyment of each of the leased Business Real Properties related to each Assigned Leasehold and Subleasehold Interest for the full term of the applicable leases (including renewal periods) relating thereto. Each Lease Document related to each Assigned Leasehold and Subleasehold Interest is a legal, valid and binding agreement, enforceable in accordance with its terms, of Seller (or a Subsidiary of Seller, as the case may be) and, to Seller's knowledge, of each other Person that is a party thereto, and there is no, and neither Seller nor any of its Subsidiaries have received notice of any, default (or any condition or event which, after notice or lapse of time or both, would constitute a default) thereunder; *provided* that, to Seller's knowledge, neither Seller nor any of its Subsidiaries is in breach or default under any such Lease Document, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under any such Lease Document.

(c) All improvements on each Business Real Property related to each Assigned Leasehold and Subleasehold Interest (i) comply with, and the operation of the Business therein is operated in accordance with, the applicable Lease Documents and all with applicable Laws in all material respects and all applicable Liens, Approvals, Contracts, covenants and restrictions, and (ii) are in all material respects in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, and to Seller's knowledge, there is no condemnation, expropriation or appropriation proceeding pending or threatened against any of such real property or any of the improvements thereon.

(d) True and correct copies of the documents under which the applicable Business Real Property is leased or subleased to or utilized and/or operated by Seller and its Subsidiaries (the "Lease Documents") have heretofore been delivered or made available to Purchaser. The Lease Documents are unmodified and in full force and effect.

2.19 Environmental Matters.

(a) Seller and its Subsidiaries possess all Environmental Permits necessary to operate the Business.

(b) Seller and its Subsidiaries are in compliance in all material respects with (i) all terms, conditions and provisions of all Environmental Permits related to the Business or any of the Purchased Assets and (ii) all Environmental Laws applicable to the Business or any of the Purchased Assets.

(c) Neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has received any notice of alleged, actual or potential responsibility for, any Order, or any inquiry regarding, (i) any material Release or presence or threatened or suspected Release or presence of any Hazardous Material involving the Business or any of the Purchased Assets, or (ii) any material violation of Environmental Law involving the Business or any of the Purchased Assets.

(d) Regarding the Business and the Purchased Assets, neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has any obligation or Liability with respect to any Hazardous Material, including any Release or threatened or suspected Release of any Hazardous Material, that could give rise to a Liability of (or claim against) Purchaser, and there has been no event, fact or circumstance which, either alone or in combination, would reasonably be expected to form the basis of any such obligation or Liability.

(e) To Seller's knowledge, no Release of Hazardous Material(s) has occurred at, from, in, to, on, or under any Site related to the Business or any of the Purchased Assets and no Hazardous Material is present in, on, about or migrating to or from any such Site, in each case in a manner or in quantities reasonably likely to materially interfere with the operation of the Business or the Purchased Assets, or otherwise subject the Business or the Purchased Assets to Liability for violation of Environmental Law.

(f) Neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has transported or arranged for the treatment, storage, handling, disposal or transportation of any Hazardous Material at or to any location relating to the Business or any of the Purchased Assets, except in each case in compliance with applicable Environmental Laws.

(g) No Site related to the Business or any of the Purchased Assets is a current or proposed Environmental Clean-up Site.

(h) There is no Lien under or pursuant to any Environmental Law on any Site related to the Business or any of the Purchased Assets.

(i) To Seller's knowledge, there is no (i) underground storage tank, active or abandoned, (ii) polychlorinated biphenyl containing equipment, (iii) asbestos-containing material, (iv) radon, (v) lead-based paint or (vi) urea formaldehyde at any Site related to the Business or any of the Purchased Assets.

(j) There has been no environmental investigation, sampling data, study, audit, test, review or other analysis conducted or commissioned by Seller or in the control, possession or custody of Seller or any of its Subsidiaries with respect to any Site which has not been delivered to Purchaser prior to execution of this Agreement.

(k) Neither Seller nor any of its Subsidiaries is a party, whether as a direct signatory or as successor, assign, third-party beneficiary, guarantor or otherwise, to, and neither Seller nor any of its Subsidiaries is otherwise bound by, any lease, sublease or other Contract related to the Business or any of the Purchased Assets under which it is obligated or may be obligated by any representation, warranty, covenant, restriction, indemnification or other undertaking respecting Hazardous Materials or under which any other Person is or has been released respecting Hazardous Materials.

(l) Seller and its Subsidiaries, and, to Seller's knowledge, its and their respective predecessors and each entity previously owned by any of the foregoing, have provided all notifications and warnings, made all registrations and pre-registrations, made all reports, and kept and maintained all records required pursuant to all Environmental Laws applicable to the Business or any of the Purchased Assets.

2.20 No Brokers. Other than Lehman Brothers, Inc., whose fees shall be paid by Seller, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby based on arrangements made by or on behalf of Seller or any of its Subsidiaries.

2.21 No Breach of Exclusivity Agreement. Since May 8, 2008, neither Seller nor any of its Subsidiaries has taken or permitted any of its or their respective Representatives to take, either directly or indirectly, any action that is a breach of the Exclusivity Agreement.

2.22 Financial Projections. Seller has provided to Purchaser a true, correct and complete copy of Seller's (i) working written budget dated as of August 6, 2008 for the Business for the balance of 2008 (the "Operating Plan") and (ii) Project Butterfly DTV Division Revenue Forecast dated August 6, 2008. Such plan and forecast were adopted by Seller in the ordinary course of business consistent with past practice and there have been no amendments or updates to such plan or forecast so adopted between the applicable dates thereof and the date of this Agreement. From August 6, 2008 to the date of this Agreement, Seller and its Subsidiaries have operated the Business in accordance with the Operating Plan.

2.23 Customers and Suppliers. Section 2.23 of the Seller Disclosure Schedule sets forth a list of (a) (i) the top ten (10) customers, by consolidated revenue, of the Business, and (ii) each customer that accounted for more than five percent (5%) of the revenues of the Business, in each case during Seller's last full fiscal year and the five-month period ended May 31, 2008 and the amount of revenues accounted for by such customer during each such period, and (b) each supplier that is the sole supplier of any significant Current Business Product. To Seller's knowledge, no such customer has indicated to Seller that it intends to terminate or materially adversely change its relationship with Seller or any of its Subsidiaries (except, in the case of indications first made after the date hereof, where such termination or change would not reasonably be expected to have a Business Material Adverse Effect).

2.24 Inventory. The Purchased Inventory consists of a quality usable and salable in the ordinary course of business as currently conducted. All Purchased Inventory is and immediately prior to the Effective Time shall be the property of Seller and its Subsidiaries free and clear of any Lien other than Permitted Exceptions, and is not and shall not be pledged as collateral and is not and shall not at any time prior to the Effective Time be held by Seller and its Subsidiaries on consignment from others.

2.25 Warranties. Section 2.25 of the Seller Disclosure Schedule sets forth a description of the standard warranties currently offered or still in effect with respect to the Business as of the date of this Agreement (other than warranties under applicable Law), and the aggregate expenses incurred by the Business in fulfilling warranty obligations since January 1, 2007. Except for return material authorizations, errata and failure analysis reports, to the knowledge of Seller, Seller has not received any written notice that the Current Business Products in current production have any material defects in construction and design and do not satisfy any and all Contract or other specifications related thereto to the extent stated in writing in such Contracts or specifications.

2.26 Disclosure. Seller has heretofore provided or made available to Purchaser all of the Contracts, Licenses, Permits, Approvals, and Books and Records heretofore requested on behalf of Purchaser in writing, and all other material information concerning the Business, the Purchased Assets and the Assumed Liabilities in the possession, custody or control of Seller or any of its Subsidiaries.

ARTICLE 3.
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the following representations and warranties to Seller, except as otherwise set forth in the disclosure schedule and schedule of exceptions delivered by Purchaser herewith and dated as of the date hereof (the "Purchaser Disclosure Schedule"). The parties hereto agree that any reference in a particular section or subsection of the Purchaser Disclosure Schedule shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) the representations and warranties contained in the corresponding section and subsection of this Agreement and shall not be deemed to be an exception to (or, as applicable, a disclosure for purposes of) any other representation and warranty contained in this Agreement, unless the relevance of that reference as an exception to (or a disclosure for purposes of) such other

representation and warranty is readily apparent from the face of such disclosure to a Person who has read only that reference and such other representation and warranty and Purchaser has used commercially reasonable efforts to provide express cross-references where applicable.

3.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of California. Purchaser has full corporate power and corporate authority to conduct its business as presently conducted and as presently proposed to be conducted and to own, use and lease its Assets and Properties. Purchaser is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use, licensing or leasing of its Assets and Properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for such failures to be so duly qualified, licensed or admitted and in good standing that would not have a Purchaser Material Adverse Effect. The transactions contemplated by this Agreement do not involve the acquisition of intangible Assets and Properties by a Person resident in Canada or registered pursuant to subdivision (d) of Division V under Part IX of the Excise Tax Act (Canada).

3.2 Authority Relative to this Agreement. Purchaser has full corporate power and corporate authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements to which it is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action by the board of directors of Purchaser, and no other action on the part of the board of directors of Purchaser is required to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements to which it is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to which Purchaser is a party have been or will be, as applicable, duly and validly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery hereof by Seller and/or the other parties thereto, constitutes or will constitute, as applicable, a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.

3.3 No Conflicts. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements to which it is a party do not, and the performance by Purchaser of its obligations under this Agreement and the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the articles of incorporation or bylaws of Purchaser;

(b) subject to (i) such filings as may be required under applicable state or federal securities Laws, and (ii) the making of such filings (if any) as may be required under the Competition Act (Canada), the Investment Canada Act, or antitrust, notification, merger control, and similar Laws of other jurisdictions, and the receipt of approvals and/or the expiration or early termination of any applicable waiting period thereunder or therefrom, conflict with or result in a violation or breach of any Law applicable to Purchaser or its Assets or Properties; or

(c) except as would not have a Purchaser Material Adverse Effect, (i) conflict with or result in a material violation or breach of, (ii) constitute a material default (or an event that, with or without notice or lapse of time or both, would constitute a material default) under, or (iii) require Purchaser to obtain any material consent, approval or action of, make any material filing with or give any material notice to any Person as a result of the terms of, any material Contract or material License to which Purchaser is a party or by which any of its Assets and Properties are bound.

3.4 Litigation. There is no Order, Action or Proceeding pending or, to Purchaser's knowledge, threatened against or affecting, Purchaser as of the date hereof before any Governmental or Regulatory Authority which in any manner challenge or seeks to prevent enjoin, alter or materially delay the transactions contemplated by this Agreement.

3.5 No Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby based on arrangements made by or on behalf of Purchaser.

3.6 Funds. Purchaser has sufficient funds on hand to pay the Purchase Price at the Closing.

ARTICLE 4.
CONDUCT PRIOR TO THE CLOSING

4.1 Conduct of the Business. During the period from the execution and delivery of this Agreement by Seller and continuing until the earlier of the termination of this Agreement or the Closing, without the advance written consent of Purchaser (which will not be unreasonably withheld, conditioned or delayed) Seller shall (and shall cause its Subsidiaries to), in each case as applicable to the Business, (i) carry on the Business in the usual, regular and ordinary course consistent with past practice, (ii) pay Liabilities and Taxes (other than Taxes and Liabilities, if any, that are not Assumed Liabilities and that are being contested in good faith through appropriate proceedings) consistent with Seller's past practices (and in any event when due), (iii) pay or perform other obligations when due consistent with Seller's past practices (other than other obligations, if any, that are not Assumed Liabilities and that are being contested in good faith through appropriate proceedings), (iv) comply with all applicable Laws in all material respects, and (v) use commercially reasonable efforts (which shall not include the making of extraordinary payments) to preserve intact the Purchased Assets and the Business, keep available the services of the Business Employees, and preserve relationships with customers, suppliers, distributors, licensors, licensees, lessors, employees, independent contractors and other Persons having dealings with the Business, all with the purpose and intent of preserving unimpaired the Purchased Assets and the goodwill and ongoing business of the Business at the Closing. Except

as expressly required by this Agreement, Seller shall not (and shall cause its Subsidiaries not to), without the prior written consent of Purchaser (which will not be unreasonably withheld or delayed), knowingly take any action that would cause, or agree in writing or otherwise to take any action that Seller knows would cause, any condition to Purchaser's closing obligations in Section 6.1 or Section 6.3 (other than Section 6.3(a)) (or Seller's closing obligations in Section 6.1 or Section 6.2) not to be satisfied. Without limiting the generality of the foregoing, during the period from the execution and delivery of this Agreement by Seller and continuing until the earlier of the valid termination of this Agreement or the Closing, except as expressly required by this Agreement or the Ancillary Agreements, and except as set forth in Schedule 4.1, Seller shall not take, cause or permit any of the following actions, without the prior written consent of Purchaser (which will not be unreasonably withheld or delayed):

(a) Contracts: enter into any Contract (other than standard non-disclosure agreements or sales of Business Products under Seller's or its Subsidiaries' standard purchase order and sales acknowledgment terms entered into in the ordinary course of business consistent with past practice) affecting any of the Purchased Assets, Assumed Liabilities or the Business or that would be an Assigned Contract, or violate, amend or otherwise modify, in any material respect, or waive any of the material terms or terminate or accept a surrender of any such Contract;

(b) Intellectual Property: (i) sell, dispose of, License or transfer to any Person any right to, or permit the imposition of any Lien on, any Intellectual Property Rights or Technology that constitute (or would, but for such action, constitute) any Purchased IP Assets (other than non-exclusive licenses granted in the ordinary course of business in connection with sales of Business Products in the ordinary course of business consistent with past practice); (ii) sell, dispose of, License in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, or transfer to any Person, or permit the imposition of any Lien on, any Exclusively Licensed IP Assets (other than non-exclusive licenses granted in the ordinary course of business in connection with sales of products in the ordinary course of business consistent with past practice); or (iii) sell, dispose of or transfer to any Person, license, or permit the imposition of any Lien on, any other Licensed IP Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries under any Licensed IP Asset pursuant to the Intellectual Property License Agreements;

(c) Exclusive Rights: enter into or amend in any material respect any Contract pursuant to which any other party is granted any exclusive marketing or other exclusive right of any type or scope with respect to any Business Product or enter into a Contract involving any material restriction on the future conduct of the Business, including any Contract that (i) contains noncompetition restrictions, including any covenants limiting or purporting to limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business or with any Person or in any area or which would limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business after the Effective Time, (ii) grants any exclusive supply or distribution right for a material product or territory, (iii) grants from Seller or any of its Subsidiaries any "most favored nation" or similar preferred pricing right to any of the customers of Seller and any of its Subsidiaries or (iv) grants any right of first refusal, right of first

negotiation or similar right with respect to any Business Product or Intellectual Property Right, any Purchased IP Asset, any exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements or any Listed Licensed IP Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements;

(d) Dispositions: sell, transfer, lease, license, or otherwise dispose of, waive any right to, encumber, mortgage, pledge or incur or suffer to exist any Lien (other than Permitted Exceptions), terminate, accept for surrender or fail to renew any lease or sublease of, any of the Purchased Assets (other than dispositions of inventory in the ordinary course of business consistent in nature and amount with the past practice of Seller and its Subsidiaries);

(e) Acquisitions: acquire or agree to acquire, by purchase of all or substantially all of the assets, purchase of stock, merger, consolidation or otherwise, any business that would constitute Purchased Assets;

(f) Revaluation: write-off, write-down, revalue or change any reserves or liabilities associated with any of the Purchased Assets or make any determination to do any of the foregoing, except in each case to the extent required by GAAP;

(g) Obligations: incur or fail to pay or otherwise satisfy any Liability that would be an Assumed Liability (other than immaterial Liabilities in the ordinary course of business consistent with past practice);

(h) Employee Benefit Plans; New Hires; Pay Increases: (i) terminate any Business Employee (other than in the ordinary course of business consistent with past practice for misconduct or unsatisfactory performance and other than employees who have been conclusively determined to be Non-transferring Employees), (ii) hire any Person to perform the functions of a Business Employee (other than in the ordinary course of business consistent with past practice and other than replacement positions for any employee (A) who has been conclusively determined to be a Non-transferring Employee and (B) whose employment with Seller has been terminated), (iii) adopt, modify or amend any Seller Benefit Plan, Canadian Seller Benefit Plan or stock purchase or option plan or any employment Contract applicable to any Business Employee (other than Non-transferring Employees), (iv) agree to any acceleration of the vesting of any options or other benefits held by any Business Employee (other than Non-transferring Employees), (v) pay any special bonus or special remuneration to any Business Employee (other than Non-transferring Employees) or (vi) increase the salary, wage rate, rate of commissions or other compensation of any Business Employee (other than Non-transferring Employees and other than as required by Contracts in effect as of the date hereof and listed in Schedule 4.1(h)).

(i) Severance Arrangements: grant, pay or agree or commit to pay any severance, termination, retention or stay-put payment, bonus or other payment out of the ordinary course of business to any Business Employee (other than Non-transferring Employees);

(j) Lawsuits: commence or settle any lawsuit relating primarily or exclusively to the Business or any of the Purchased Assets or Assumed Liabilities other than (i) for the routine collection of bills, or (ii) in such cases where it in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business, *provided* that Seller shall consult with Purchaser prior to the filing of such a suit;

(k) Accounts Receivable: accelerate the timing, or increase the volume, of sales or shipments of Business Products, or offer or agree to any inducement, or otherwise take any action or enter any arrangement with the purpose or effect of increasing the level of accounts receivable from the Business (other than in response to bona fide unsolicited orders by customers) above the historical range for forecasted revenue for the third calendar quarter of 2008 set forth in Schedule 4.1(k) (to be measured consistent with Seller's ordinary course of business consistent with past practice);

(l) Inventory: defer, or reduce the volume of, purchase of inventory, or otherwise take any action with the purpose or effect of reducing the level of Purchased Inventory below the level set forth in Schedule 4.1(l) (to be measured consistent with Seller's ordinary course of business consistent with past practice);

(m) Taxes: (i) make, change or rescind any material election in respect of any Tax relating to the Business or any of the Purchased Assets, (ii) adopt or change any accounting or reporting method, policy or principle in respect of any material Tax relating to the Business or any of the Purchased Assets, (iii) enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets, or (iv) consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets with any Taxing Authority or otherwise;

(n) Accounting: make any change in accounting policies, principles, methods, practices or procedures relating to any of the Purchased Assets or Assumed Liabilities (including for bad debts, contingent liabilities or otherwise, respecting capitalization or expense of research and development expenditures, depreciation or amortization rates or timing of recognition of income and expense), except for any such change required by reason of a concurrent change in GAAP;

(o) Insurance, Leases, Permits and Approvals: fail to renew, materially amend or cancel any (i) material insurance policy covering the Business or any of the Purchased Assets, (ii) Assigned Permits and Approvals or (iii) any of the leases or subleases underlying the Assigned Leasehold and Subleasehold Interests;

(p) Material Changes: commence or terminate, or make any material change in, any line of business included in the Business; or

(q) Other: take or agree in writing or otherwise to take, any of the actions described in Section 4.1(a) through Section 4.1(p) above, or any other action that would prevent Seller or any of its Subsidiaries from performing, or cause Seller or any of its Subsidiaries not to perform, any of its covenants and agreements hereunder.

4.2 No Solicitation.

(a) Until (and including) the earlier of the Closing or the date of termination of this Agreement in accordance with the provisions of Section 8.1, Seller shall not, and shall not authorize or permit any of its Representatives to, either directly or indirectly: (i) solicit, initiate, encourage or facilitate any proposal or offer from, or participate or engage in or conduct any discussions or negotiations with, any Person relating to any inquiry, contact, proposal or offer, whether oral, written or by any other means, formal or informal, involving the possibility of a sale, transfer or change in direct or indirect ownership or control of the Business or any of the Purchased Assets (each such inquiry, contact, offer or proposal, a "Competing Proposal or Inquiry"), (ii) provide any information concerning the Business or any of the Purchased Assets to any Person in response to a Competing Proposal or Inquiry (or which could reasonably be expected to be used to formulate a Competing Proposal or Inquiry), (iii) otherwise assist, cooperate with, or facilitate or encourage any Competing Proposal or Inquiry, (iv) approve, agree to or enter into a Contract with any Person with respect to a Competing Proposal or Inquiry, or (v) make or authorize any statement, recommendation, solicitation or endorsement in support of any Competing Proposal or Inquiry.

(b) Seller shall immediately cease and cause to be terminated any contacts, discussions, negotiations and other activities with any Person relating to any Competing Proposal or Inquiry. In addition to the foregoing, if (after this Agreement is signed and delivered by Seller and prior to the Closing or the earlier termination of this Agreement in accordance with Section 8.1) Seller or any of its Representatives receive any Competing Proposal or Inquiry, Seller shall immediately notify Purchaser thereof and provide Purchaser with the details thereof, including the identity of the Person or Persons making such Competing Proposal or Inquiry, and shall keep Purchaser fully informed on a current basis of the status and details of such Competing Proposal or Inquiry and of any modifications to the terms thereof, in each case to the extent not prohibited by a confidentiality, nondisclosure or other agreement then in effect and entered into prior to the date hereof; *provided, however*, that this provision shall not in any way be deemed to limit the obligations of Seller and its Representatives set forth in the previous sentence.

(c) Each of Seller and Purchaser acknowledge that this Section 4.2 was a significant inducement for Purchaser to enter into this Agreement, and that the absence of such provision would have resulted in either (i) a material reduction in the consideration to be paid by Purchaser pursuant to this Agreement or (ii) a failure to induce Purchaser to enter into this Agreement.

ARTICLE 5.
ADDITIONAL AGREEMENTS

5.1 Access to Information. Between the date of this Agreement and the earlier of the Closing or the termination of this Agreement in accordance with Section 8.1, upon reasonable written notice and subject to such limitations as are imposed by applicable antitrust Laws (if any), Seller shall (a) give Purchaser and its officers, employees, accountants, counsel, financing sources and other agents and representatives reasonable access to all buildings, offices, and other facilities and to all Books and Records related primarily (or in any material respect) to the Business, the Purchased Assets or the Assumed Liabilities, wherever located; (b) permit Purchaser to make such inspections as Purchaser may reasonably require; (c) furnish Purchaser such financial, operating, technical and product data and other information with respect to the Business, the Purchased Assets or the Assumed Liabilities as Purchaser from time to time may reasonably request, including financial statements and schedules; (d) allow Purchaser reasonable opportunity to interview Business Employees; and (e) assist and cooperate with Purchaser in the development of integration plans for implementation by Purchaser following the Closing; *provided, however*, that no investigation pursuant to this Section 5.1 shall affect or be deemed to modify any representation or warranty made by Seller herein. Notwithstanding anything in this Section 5.1 to the contrary, Seller shall not be required to provide access to any Tax Returns or information or materials required by Law or by agreements with third parties to be kept confidential. In the case of material protected by the attorney-client privilege or work product immunity, Seller may, prior to and as a condition of furnishing such material, require the recipient to enter into a reasonably appropriate agreement intended to preserve such privileges and immunities.

5.2 Confidentiality.

(a) Except as required (in the disclosing Party's reasonable good faith determination following consultation with legal counsel) by Law and applicable stock exchange rules or required for the consummation of the transactions contemplated by this Agreement, (i) Seller shall not (and shall cause its Subsidiaries not to) make any public statement or disclose to any Person (other than its Representatives) any nonpublic information concerning the Business or any of the Purchased Assets, the Assumed Liabilities or the Business Products, and (ii) Purchaser shall not (and shall cause its Subsidiaries not to) make any public statement or disclose to any Person (other than its Representatives) any nonpublic information concerning any of the Retained Liabilities or the Excluded Assets.

(b) Notwithstanding anything to the contrary contained herein, the confidentiality of the Purchased IP Assets and of information exchanged between the Parties after the Effective Time pursuant to the Intellectual Property License Agreements shall be governed by the confidentiality terms set forth in the Intellectual Property License Agreements.

(c) (i) The Exclusivity and Confidentiality Agreement between the Parties dated as of May 8, 2008 (the "Exclusivity Agreement") and (ii) the terms of the Project Addendum dated March 24, 2008 ("Project Addendum") to the Mutual Nondisclosure Agreement between the Parties dated June 7, 2007 (the "NDA") to the extent related or pertaining to the information or disclosures regarding the Business, Business Products, Purchased Assets, Assumed Liabilities or the transactions contemplated by this Agreement, are hereby suspended, effective immediately, and shall automatically terminate as of the Effective Time and thereafter be of no further force or effect (it being acknowledged and agreed that all

other provisions of, and subject disclosures pursuant to, the Project Addendum to the extent not so related or pertaining shall remain in full force and effect). In the event that the Effective Time does not occur and this Agreement is terminated in accordance with the provisions of Section 8.1, the full Project Addendum and Sections 2, 4, 5, 6 and 7 of the Exclusivity Agreement shall revive and continue and shall remain in effect in accordance with their respective terms. Notwithstanding anything to the contrary contained herein, the NDA shall remain full force and effect in accordance with its terms.

(d) Purchaser and Seller shall be fully liable and responsible pursuant to this Agreement for any breach of this Section 5.2 by their respective Subsidiaries, officers, employees, accountants, counsel and other Representatives; *provided* the terms of the Project Addendum, the NDA and Exclusivity Agreement shall govern, control and prevail to the extent such agreements or their terms survive pursuant to this Section 5.2.

5.3 Public Disclosure. Except as (i) required for the pursuit of the third-party consents required by Section 6.3(d), (ii) required for the performance of the parties' obligations pursuant to this Agreement and the Ancillary Agreements, and (iii) otherwise required by Law (including federal and state securities Laws) or by stock exchange rules, neither Seller nor Purchaser shall issue or cause the publication of any press release or other public announcement or disclosure to any third party of the existence or any subject matter, terms or conditions of this Agreement or the Ancillary Agreements unless approved by Purchaser prior to release, announcement or disclosure.

5.4 Conditions, Approvals, Cooperation. Subject to the limitations set forth below, each Party shall use commercially reasonable efforts to cause each of the conditions set forth in Article 6 to be satisfied, where the satisfaction of such conditions depends on action or forbearance from action by such Party, and to obtain, as soon as reasonably practicable after the date hereof, all Approvals from Governmental or Regulatory Authorities and under the Contracts to which it is a party as are required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including the Required Purchaser Approvals, the Required Seller Approvals, and the Approvals identified in Section 2.4 of the Seller Disclosure Schedule and Schedule 6.3(d)). Without limiting the generality of the foregoing, each Party shall provide the other Party with such assistance and information, execute and deliver such instruments, and do and perform such other acts and things as may be reasonably necessary for effecting the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, including all action reasonably necessary (i) to comply with all required or desirable filings, applications and notifications under the Competition Act (Canada), the Investment Canada Act, and any other applicable Law of any jurisdiction and to cause all waiting periods (if any) thereunder to expire or early termination thereof to be granted, and (ii) to pursue and obtain the Required Purchaser Approvals and Required Seller Approvals. Notwithstanding the foregoing, and notwithstanding any other provision of this Agreement, neither Purchaser nor (unless approved and so directed by Purchaser in advance) Seller shall be obligated to make or consent to any divestiture or operational limitation or activity, any waiver or modification of any right, or any payment of money or grant of any other commercial concession, or to suffer, submit or agree to any other materially burdensome condition or undertaking in connection with, or as a condition to obtaining, any Approval.

5.5 Compliance with Certain Laws and Regulations.

(a) On or prior to the Closing Date, Seller shall deliver to Purchaser a properly executed statement in a form reasonably acceptable to Purchaser for purposes of satisfying Purchaser's obligations under Treasury Regulation Section 1.1445-2(c)(3).

(b) Seller shall be exclusively responsible for complying with WARN, COBRA (including similar state and local laws), all similar Laws of Canada, the People's Republic of China, India and other applicable jurisdictions outside the United States with respect to the Business Employees until the Effective Time (and the Business Employees who are Non-transferring Employees from and after the Effective Time) and their qualified beneficiaries by reason of any such employee's termination of employment with Seller, and Purchaser shall not have any obligation or liability to provide rights under WARN or COBRA on account of any such termination of employment. Subject to the provisions of Section 1.3(b), Section 1.4(f) and Section 5.7, Seller shall indemnify and hold Purchaser and its Affiliates harmless with respect to any Business Employee from (i) any employment-related liability with respect to employment of Business Employees prior to the Effective Time and employment of Non-transferring Employees at any time; (ii) any Liability relating to, arising under or in connection with any Seller Benefit Plan at any time; and (iii) any liability under WARN or any similar applicable state, local or foreign laws which arises out of or results from any termination of any Business Employee as a result of this transaction or any other employee by Seller at any time.

(c) Pursuant to the "Standard Procedure" provided in Section 5 of Revenue Procedure 96 60, 1996 2 C.B. 399, (i) Purchaser and Seller shall report on a predecessor/successor basis as set forth therein, (ii) Seller will not be relieved from filing a Form W2 with respect to any applicable Business Employees, and (iii) Purchaser will undertake to file (or cause to be filed) a Form W2 for each Continuing Employee only with respect to the portion of the year during which such Continuing Employee is employed by Purchaser, excluding the portion of such year that such Continuing Employee was employed by Seller or any of its Subsidiaries.

5.6 Tax Matters.

(a) Following the Closing, Purchaser and Seller shall (i) reasonably cooperate with each other in furnishing information, evidence, testimony and other assistance in connection with any Tax Return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to Tax imposed with respect to the Purchased Assets and the Business; and (ii) furnish or cause to be furnished to each other (each at its own expense), as promptly as reasonably practicable, such information (including access to Books and Records) and assistance, including making employees available on a mutually convenient basis to provide additional information and explanations of material provided, relating to the Purchased Assets as is reasonably necessary for the filing of any Tax Returns, for the preparation of any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any adjustment or

proposed adjustment with respect to Taxes. Without limiting the generality of the foregoing, Purchaser and Seller and their respective Affiliates shall reasonably cooperate in the preparation of all Tax Returns for any Tax periods for which one Party could reasonably require the assistance of the other Party in obtaining any necessary information. Such cooperation shall include, but not be limited to, furnishing prior years' Tax Returns or return preparation packages to the extent related to the Business illustrating previous reporting practices or containing historical information relevant to the preparation of such Tax Returns, and furnishing such other information within such Party's possession requested by the Party filing such Tax Returns as is reasonably relevant to their preparation. Such cooperation and information also shall include promptly forwarding copies of appropriate notices and forms or other communications received from or sent to any Taxing Authority which relate to the Business, providing copies of all relevant Tax Returns to the extent related to the Business, together with accompanying schedules and related workpapers, documents relating to rulings or other determinations by any Taxing Authority and records concerning the ownership and Tax basis of property, which the requested Party may possess. Purchaser and Seller and their respective Affiliates shall make their respective employees and facilities reasonably available on a mutually convenient basis to explain any documents or information provided hereunder.

(b) All Income Taxes resulting from the sale of the Business and the Purchased Assets shall be paid by Seller and its Subsidiaries. In addition, Seller shall be responsible for and shall pay or cause to be paid all Taxes of Seller and its Subsidiaries that relate to the Business or any of the Purchased Assets that were incurred in or are attributable to any taxable period or portion thereof ending prior to the Effective Time. Purchaser shall be responsible for and shall pay all Taxes that relate to any of the Business or any of the Purchased Assets that were incurred in or are attributable to any taxable period or portion thereof beginning at or after the Effective Time, other than Income Taxes, sales, transfer, value-added and other similar Taxes resulting from the purchase and sale of the Purchased Assets contemplated by this Agreement and other fees and charges described in Section 5.6(c), responsibility for which shall be governed by the provisions of Section 5.6(c). In no event shall Purchaser be responsible for any Income Taxes incurred by Seller or any of its Subsidiaries regardless of when such Taxes are due or payable. In the case of any Taxes that are imposed on a periodic basis and are payable for a Tax period that includes (but does not end at) the Effective Time, the portion of such Tax that relates to the portion of such Tax period ending at the Effective Time shall (i) in the case of any Taxes other than Taxes based upon or related to income or receipts (other than Income Taxes resulting from the sale of the Business and the Purchased Assets), be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on (and including) the Closing Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to income or receipts, be deemed equal to the amount which would by payable if the relevant Tax period ended on (and included) the Closing Date. Seller shall be entitled to any refunds (including any interest paid thereon) or credits of Taxes with respect to the Business attributable to taxable periods (or portions thereof) ending prior to the Effective Time. Purchaser shall be entitled to any refunds (including any interest paid thereon) or credits of Taxes with respect to the Business attributable to taxable periods (or portions thereof) beginning at or after the Effective Time. Purchaser shall forward to or reimburse Seller for any such refunds (including any interest paid thereon) or credits due to Seller after receipt thereof, and Seller shall promptly forward to Purchaser or reimburse Purchaser for any such refunds (including any interest paid thereon) or credits due to Purchaser after receipt thereof.

(c) Purchaser shall use commercially reasonable efforts to obtain and deliver certificates establishing that the sale and transfer of the Purchased Assets as contemplated by this Agreement are exempt from any transfer Taxes, deed excise stamps and similar charges related to the sale of the Purchased Assets contemplated by this Agreement.

(i) To the extent that any of the transactions contemplated by this Agreement are not exempt from, but are subject to, such Taxes or charges, or to any other applicable sales, use, stamp, documentary, filing, recording, transfer or similar fees or Taxes or governmental charges (including real property transfer gains Taxes, UCC 3 filing fees, FAA, ICC, DOT, real estate and motor vehicle registration, title recording or filing fees and other amounts payable in respect of transfer filings), Purchaser and its Subsidiaries shall be responsible for (and shall jointly and severally indemnify and hold harmless Seller and its Subsidiaries against) the first three hundred thousand dollars ($300,000) of such aggregate Taxes, fees and charges, and Seller and its Subsidiaries shall be solely responsible for (and shall jointly and severally indemnify and hold harmless Purchaser and its Subsidiaries against) for all amounts in excess of three hundred thousand dollars ($300,000).

(ii) Notwithstanding the provisions of clause (i) of this Section 5.6(c), Purchaser shall be responsible for any "goods and services taxes" (but not Ontario retail sales taxes, which shall be governed by clause (i) of this Section 5.6(c)) applicable to the tangible Purchased Assets transferred from any Canadian Subsidiary of Seller to any Canadian Subsidiary of Purchaser and shall pay the same to Seller on the Closing Date for remittance (which Seller shall promptly thereafter remit) to the applicable Taxing Authority, and the allocation set forth in clause (i) of this Section 5.6(c) shall not apply to such Taxes; *provided, however*, that to the extent the aggregate amount of "goods and services taxes" paid by Purchaser and its Subsidiaries pursuant to this clause (ii) exceeds the aggregate amount of refund or credit against any future Tax Liability actually received by Purchaser and its Subsidiaries in respect of such "goods and services taxes", such unrefunded or uncredited excess shall count toward the satisfaction of Purchaser's responsibility for the first three hundred thousand dollars ($300,000) of aggregate Taxes, fees and charges under clause (i) of this Section 5.6(c) and toward the determination of the obligation of Seller and its Subsidiaries with respect to amounts in excess of such three hundred thousand dollar ($300,000) amount under such clause (i).

(iii) The Party that is responsible (or whose Subsidiary is responsible) for such Taxes under applicable Law shall file (or cause its applicable Subsidiary to file) all necessary documents (including all Tax Returns) with respect to all such Taxes in a timely manner. To the extent that any Tax described in Section 5.6(c)(i) is paid or required by Law to be paid by Purchaser or any of its Subsidiaries, Seller shall pay or reimburse Purchaser for such Tax upon notice from Purchaser of the amount of such Tax, to the extent that the amount of such Tax, when added to the other Taxes, fees and charges paid by Purchaser pursuant to Section 5.6(c)(i) plus any such unrefunded or uncredited "goods and services taxes" paid by Purchaser pursuant to Section 5.6(c)(ii), exceeds three hundred thousand dollars ($300,000).

(d) Each Party shall timely and duly prepare and cause to be filed, at its own expense, all Tax Returns and other documentation with respect to all Taxes subject to Section 5.6 that are required by Law to be filed by such Party, and shall timely pay to the relevant Taxing Authority all such Taxes that are required to be paid by such Party (subject to such reimbursement from the other Party as provided for herein).

(e) Seller shall be responsible for and shall pay or cause to be paid any Liability of Seller or any of its Subsidiaries for the Taxes of any other Person arising under Reg. §1.1502-6 (or any similar provision of state, local, or foreign law) or as a result of an express or implied obligation to indemnify such Person, including pursuant to a Tax sharing or allocation agreement.

(f) Seller and Purchaser shall in a timely fashion jointly make an election to have subsection 20(24) of the ITA apply in respect of amounts paid for the undertaking of future obligations by Purchaser hereunder and shall file such election with the Canada Revenue Agency with their respective Tax Returns for their respective taxation years that include the date hereof.

(g) On the Closing Date, or as soon thereafter as possible, Seller shall deliver to Purchaser, in form and substance reasonably satisfactory to Purchaser, evidence that all Taxes required to be paid by Seller under the Retail Sales Tax Act (Ontario) have been paid; *provided,* that, in the case of the Retail Sales Tax Act (Ontario), the delivery of a certificate issued under Section 6 of that Act which covers all periods up to and including the Effective Time shall constitute satisfactory evidence for the purposes of the Taxes required to be paid under that Act.

5.7 Employment.

(a) Continuing Employees. Except in the case of EU Transferring Employees, Purchaser shall have the right to recruit, make offers of post-Closing employment with Purchaser and its Subsidiaries to, and to employ (or cause a Subsidiary of Purchaser to employ) (following the Closing) such Business Employees as Purchaser shall designate in their sole discretion, and Seller shall (and shall cause its Subsidiaries to) cooperate with and facilitate Purchaser's review of and contacts with Business Employees for possible post-Closing employment; *provided*, that Purchaser shall make offers of post-Closing employment to substantially all (which in no event shall be less than ninety-five percent (95%) of the employees identified or described in Schedule 5.7(a)). Without limiting the generality of the foregoing, Seller shall (and shall cause its Subsidiaries to) (i) provide Purchaser and its Representatives with access to Business Employees who wish to meet with Purchaser during normal business hours for the purpose of conducting meetings and interviews and (ii) provide prompt written notice to Purchaser of any Business Employees who notify Seller or any of its Subsidiaries that such Business Employee (A) intends to terminate, or terminates, his or her employment with Seller or its Subsidiaries (as applicable) except in connection with such employee's acceptance of employment with Purchaser or its Subsidiaries (as applicable) or (B) intends to not accept

Purchaser's offer of employment or intends to accept Purchaser's offer of employment and subsequently terminate such employment after the Effective Time. Prior to the Closing, any personal information (as defined by applicable privacy Laws) about Business Employees which is disclosed to Purchaser by Seller for the purposes contemplated in this Section 5.7(a) or for any other purposes contemplated by this Agreement, shall be held by Purchaser in strict confidence and shall not be used, disclosed or retained by Purchaser for any other purposes, and shall otherwise be handled by Purchaser in compliance with applicable privacy Laws. Promptly following the execution and delivery of this Agreement, and in any event no later than seven (7) calendar days (or such longer period as may be required by applicable Law) prior to the Closing, Purchaser shall deliver, in writing, an offer of employment to the Business Employees identified or described in Schedule 5.7(a), such employment to commence on the day immediately following the Closing, subject to Purchaser's standard conditions for employees in each applicable jurisdiction (the employees accepting such offers of employment, together with the EU Continuing Employees, being referred to herein as the "Continuing Employees"). The terms offered to each such Business Employee will be on terms that are not less favorable, in the aggregate, for each such Business Employee, than the terms applicable to such employee summarized in a confidential letter delivered by Purchaser to Seller concurrently with the execution and delivery of this Agreement, it being understood that the content of such letter shall be subject to applicable privacy Laws and shall be kept strictly confidential by Seller. Purchaser shall deliver to Seller a preliminary schedule of the names of the Continuing Employees, to the extent then known by Purchaser, no later than two (2) calendar days prior to the Closing, and a revised final schedule of the names of the Continuing Employees promptly following the Closing. Such offers will, where permitted by Law, be on an "at will" basis and otherwise will offer compensation packages commensurate with each Continuing Employee's experience and proposed title and position with Purchaser. Purchaser and Seller shall abide by any local or country-specific notification or consultation requirements with respect to Continuing Employees and shall use their commercially reasonable efforts to cause the applicable Business Employees to accept such offers and to consent to any changes in terms of employment. Seller shall provide Purchaser with reasonable advance notice of any proposed written communication to or with Continuing Employees regarding the effects of the transactions contemplated by this Agreement on the Continuing Employees and reasonable opportunity to review and comment on such communications. Seller hereby consents to the hiring by Purchaser or a Subsidiary of Purchaser of the Continuing Employees and waives, with respect to the employment by Purchaser or a Subsidiary of Purchaser of the Continuing Employees, any claims or rights that Seller or any Subsidiary may have against Purchaser or any of its Subsidiaries, against any of its or their Representatives or against any Continuing Employee hired by Purchaser under any non-competition, confidentiality or employment agreement, or otherwise under any applicable Law, as a result of Purchaser's employment of such Continuing Employee; *provided, however,* that the foregoing shall not constitute a waiver of any claim or right that Seller or any of its Subsidiaries may have against any such Continuing Employee under any such confidentiality agreement, or against Purchaser or any of its Subsidiaries or their Representatives pursuant to the confidentiality provisions of this Agreement or the Ancillary Agreements, as a result of the unauthorized disclosure (in violation of such agreement) of confidential information not related to the Business, the Purchased Assets or the Assumed Liabilities.

(b) Excluded Employees. Any Business Employee who is not offered employment by Purchaser prior to Closing or who does not accept an offer of employment by Purchaser, in each case pursuant to Section 5.7(a), and who is not an EU Transferring Employee, is hereinafter referred to as a "Non-transferring Employee." Seller shall indemnify and hold Purchaser and its Affiliates harmless with respect to all Liabilities relating to any Non-transferring Employee, including, (i) any employment-related liability, (ii) any liability relating to, arising under or in connection with any Seller Benefit Plan, including any liability under COBRA, whether arising prior to, on or after the Closing Date, and (iii) any liability under WARN or similar applicable state, local or foreign Laws. Purchaser shall have no liability or responsibility with respect to any Non-transferring Employee. Without limiting the generality of the foregoing, Purchaser and its Affiliates shall have no liability for any severance payment that any Non-transferring Employee may be entitled to receive in the event of termination of such individual's employment with Seller or any Seller's Subsidiaries.

(c) Termination of Certain Employees. Prior to the Effective Time, and except in the case of EU Transferring Employees, Seller and Purchaser shall use commercially reasonable efforts (i) to obtain the voluntary consent of a Continuing Employee to resign his or her employment from Seller (or the applicable Subsidiary of Seller) and to become employed by Purchaser (or the applicable Subsidiary of Purchaser) or (ii) to obtain the voluntary consent of a Continuing Employee to transfer his or her employment to Purchaser (or the applicable Subsidiary of Purchaser) or (iii) to enter into an agreement with a Continuing Employee by which Purchaser assumes the material provisions of such Continuing Employee's employment agreement, the determination of which shall be established by Seller and Purchaser based on applicable local Laws and standard local practice to minimize severance payments upon the transfer of or resignation and immediate rehiring of Continuing Employees, as applicable, on the Closing Date. With respect to Business Employees located in jurisdictions where local employment Laws may be argued to provide for an automatic transfer of such Business Employees' employment to Purchaser upon consummation of the transactions contemplated by this Agreement, or to provide such Business Employees with a right to continuation of employment or to continuation of current compensation and benefits, excluding EU Transferring Employees, Seller shall use commercially reasonable efforts to procure such resignations, waivers, releases and agreements as may be required to permit the employment by Purchaser and its Subsidiaries of the Business Employees listed in Schedule 5.7(a) (and no other employees of Seller and its Subsidiaries) and their employment by Purchaser and its Subsidiaries on the terms offered by Purchaser and its Subsidiaries. Subject to applicable Laws, on and after the Closing Date, Purchaser shall have the right to dismiss any or all Continuing Employees at any time, with or without cause, and to change the terms and conditions of their employment (including compensation and employee benefits provided to them).

(d) Employee Benefits.

(i) Accrued Vacation. Purchaser shall give each Continuing Employee credit for years of service with Seller for purposes of calculating such Continuing Employee's vacation accrual rate with Purchaser. For Continuing Employees located in all jurisdictions other than India, the United States, and the United Kingdom, Purchaser shall permit

each Continuing Employee to carry over to Purchaser any vacation time accrued but unused with Seller, up to a maximum of fifty percent (50%) of such Continuing Employee's annual vacation accrual rate with Purchaser, and Seller shall pay to such Continuing Employee the remainder of any accrued but unused vacation time. For Continuing Employees located in India, on the Closing Date Seller shall pay each Continuing Employee for all accrued but unused vacation time through the Closing Date. For Continuing Employees located in the United States, on the Closing Date Seller shall pay each Continuing Employee for all accrued but unused vacation time through the Closing Date, unless the Continuing Employee consents to the partial payout and carryover described in the first sentence of this Section 5.7(d)(i). For Continuing Employees located in the United Kingdom, all Continuing Employees shall carry over to Purchaser all accrued and unused vacation time in accordance with applicable Law. The Purchase Price shall be reduced by an amount equal to the value of all vacation time carried over by Continuing Employees to Purchaser, calculated on the basis of each Continuing Employee's base compensation rate as in effect immediately prior to the Effective Time (or on such other basis, if higher, as Seller actually uses in calculating the payments it makes or is required to make to Continuing Employees pursuant to the foregoing provisions of this Section 5.7(d)(i)). At least two (2) Business Days before the Closing Date, Seller shall deliver to Purchaser a certificate of Seller's chief financial officer setting forth the amount of vacation time that will have accrued through (and including) the Closing Date for each Business Employee, the dollar amount of each such employee's salary (or hourly wage rate), and the resulting value of each such employee's accrued vacation time.

(ii) Vesting of Seller Employee Benefit Plan Benefits. Effective as of the Closing Date, Seller shall cause the tax-qualified pension and 401(k) plans in which Continuing Employees were eligible to participate immediately prior to the Closing Date to fully vest such employees' accrued benefit through the Closing Date thereunder.

(iii) Bonuses. For Continuing Employees located in China and Taiwan who are eligible (pursuant to their existing employment terms) to receive a bonus equal to one (1) month or two (2) months (as applicable) of such Continuing Employee's salary (the "Month Bonus"), in lieu of Seller paying the accrued and unpaid amount of such Month Bonus as of the Closing Date (the "Accrued Bonus Amount") on the Closing Date, Purchaser shall carry over the Accrued Bonus Amount and pay the applicable Accrued Bonus Amount to the Continuing Employee in accordance with such Continuing Employee's existing employment terms. The Purchase Price shall be reduced by an amount equal to the aggregate Accrued Bonus Amount for all applicable Continuing Employees. At least two (2) Business Days before the Closing Date, Seller shall deliver to Purchaser a certificate of Seller's chief financial officer setting forth the aggregate amount of the Accrued Bonus Amount for each Continuing Employee.

(e) EU Business Employees.

(i) The provisions of Sections 5.7(a), (b) and (c), with the exception of the definition of "Continuing Employees" insofar as it is used in any other sections of this Agreement, shall not apply to EU Transferring Employees.

(ii) Seller and Purchaser acknowledge and agree that the contracts of employment between Seller, or any of its Subsidiaries, and each of the EU Transferring Employees shall have effect from the Effective Time as if originally made between Purchaser, or one of its designated Affiliates, and the applicable EU Business Employee pursuant to the operation of the EU Transfer Regulations in the applicable Member State in relation to the transactions contemplated by this Agreement.

(iii) In the event that the contract of employment between Seller, or any of its Subsidiaries, and any UK Employee does not have effect from the Effective Time as if originally made between Purchaser or one of its designated Affiliates, and the applicable UK Employee pursuant to the operation of the EU Transfer Regulations in the United Kingdom in relation to the transactions contemplated by this Agreement, the provisions of Sections 5.7(a), (b), (c) and (d) shall apply in relation to those UK Employees whose contracts of employment do not transfer, *provided* that the various time limits stated in Sections 5.7(a), (b), (c), and (d) shall not apply and each Party shall be obliged to use its commercially reasonable efforts to comply with its respective obligations without any unreasonable delay following that Party becoming aware that the contract of employment of the relevant UK Employee did not transfer pursuant to the operation of the EU Transfer Regulations in the UK at the Effective Time.

(iv) Notwithstanding paragraphs (i) and (ii) of this Section 5.7(e), with regard to the French EU Business Employee, Purchaser (or its appropriate Subsidiary) shall offer to such French EU Business Employee equivalent contractual terms and conditions of employment as those enjoyed by such French EU Business Employee immediately before such offer is made. Such offer shall be valid for at least six (6) weeks. Purchaser (or its appropriate Subsidiary) shall present the offer simultaneously to the French EU Business Employee and Seller.

(v) If the contract of employment of any person who is employed by Seller or any of its Affiliates or by any contractor, sub-contractor or agent of Seller or any of its Affiliates in the United Kingdom, but who is not a UK Employee, has effect as if originally made between Purchaser or any of its Affiliates and the applicable person pursuant to the operation of the EU Transfer Regulations in the United Kingdom in relation to the transactions contemplated by this Agreement, Purchaser (or the applicable Affiliate of Purchaser) may, within fourteen (14) calendar days of becoming aware of such effect, terminate the contract of employment of each such relevant person. If: (A) Purchaser (or an Affiliate of Purchaser) has notified Seller in advance of the dismissal, (B) Purchaser (or the applicable Affiliate of Purchaser) has used reasonable endeavors to comply with the three-step dismissal procedure set out in Part 1 of Schedule 1 of the Employment Act 2002, (C) the dismissal is not by reason of, or connected to, a form of discrimination prohibited by law in the United Kingdom, and (D) the dismissal occurs within the stated fourteen (14) calendar day period, even if the dismissal procedure referred to above has not been completed by that stage, then Seller agrees to indemnify Purchaser and its Affiliates against any and all Liabilities and Losses arising from, or connected with, any and all such terminations and against any and all reasonable sums payable to, or in respect of, the applicable person in respect of his employment up to, and including, the date upon which his employment is so terminated.

(vi) Prior to the Closing Date, Seller and Purchaser shall jointly deliver to each EU Transferring Employee a notice (in a form agreed by Seller and Purchaser) to communicate to each such EU Transferring Employee that his or her contract of employment shall have continuing effect after the Closing Date in the manner specified in Section 5.7(e)(ii). Notwithstanding the foregoing in this paragraph, with regard to the French EU Business Employee, Purchaser (or its appropriate Subsidiary) shall make an offer of employment as specified in Section 5.7(e)(iv), at least six (6) weeks prior to Closing Date.

(vii) All payments, costs, expenses and charges relating to each EU Continuing Employee ("Charges") shall be apportioned on a time-basis so that the Charges accruing in, and/or payable in relation to, the period prior to the Effective Time shall be borne and discharged by Seller and the Charges accruing in, and/or payable in relation to, the period commencing from the Effective Time shall be borne and discharged by Purchaser.

(viii) Seller shall, at least twenty (20) Business Days prior to the Closing Date, provide to Purchaser the information required to be given with respect to EU Transferring Employees pursuant to the EU Transfer Regulations and copies of all contracts of employment and other agreements relating to EU Transferring Employees. Purchaser will provide Seller as soon as reasonably practicable on request with all information it is required to provide by the EU Transfer Regulations in each applicable jurisdiction so that Seller may comply with its obligations to inform and consult with the EU Business Employees under the EU Transfer Regulations. Notwithstanding the foregoing in this paragraph, with regard to the French EU Business Employee, Seller shall provide to Purchaser a copy of the French EU Business Employee's contract of employment and other agreements relating to such employee at least seven (7) weeks prior to Closing Date.

(ix) Seller shall, and shall cause its Subsidiaries to, provide Purchaser and its Representatives with reasonable access to each of the UK Employees and their appropriate representatives (which term shall have the same meaning as it has in the EU Transfer Regulations, as implemented in the United Kingdom), except to the extent that they refuse to meet with Purchaser, during normal business hours for the purpose of conducting meetings (*provided* always that Seller is present).

(f) Intellectual Property Rights. Seller and Purchaser shall jointly provide complete and adequate notice to all Business Employees excluding EU Transferring Employees, that their current agreements with Seller or its Affiliates concerning information and inventions and confidentiality while continuing in full force and effect in accordance with their terms shall not apply to their employment relationship with Purchaser, and that those who become employed by Purchaser, excluding EU Transferring Employees, will be required, upon becoming Continuing Employees and as a condition of employment with Purchaser and its Subsidiaries, to sign a new employment agreement containing provisions concerning Intellectual Property Rights and Technology.

(g) Credit. Subject to the provisions of Section 1.3(b), Section 1.4(f) and Section 1.4(g), and subject further to the terms of individual offer letters, to the extent permitted by applicable Purchaser benefit plans, Purchaser shall give each Continuing Employee credit for prior service with Seller or its Subsidiaries for purposes of eligibility for participation in any employee benefit plan maintained by Purchaser (but not for purposes of benefits vesting or accrual under any defined benefit pension plan and not for purposes of equity incentive grants).

(i) On each of the first, second and third year anniversaries of the Closing Date, Purchaser shall deliver to Seller a complete and accurate list of (A) each Continuing Employee who is entitled to severance due to a termination of employment with Purchaser or any Affiliate of Purchaser that occurs during the twelve (12), twenty-four (24) and thirty-six (36) months, respectively, following the Closing Date ("Terminated Continuing Employee"), (B) the total severance amount paid or due to each Terminated Continuing Employee, (C) the portion of the total severance amount paid or due to each Terminated Continuing Employee for which Seller is responsible in accordance with Section 1.4(b) and this Section 5.7(g) (*provided*, *however*, that with regard to severance due to a termination of employment with Purchaser prior to the last day of the eighteenth (18th) month following the Closing Date, such portion of the total severance amount shall not be more than the severance that such Terminated Continuing Employee would have received if such Terminated Continuing Employee's employment was terminated immediately prior to the Closing Date; and *provided*, *further*, that with regard to severance due to a termination of employment with Purchaser after the eighteenth (18th) month following the Closing Date but on or prior to the last day of the thirty-sixth (36th) month following the Closing Date, such portion of the total severance amount shall not total more than eight million dollars ($8,000,000)), (D) the underlying calculations of the amounts under clauses (B) and (C), and (E) a summary description of the reason that severance is payable ("Severance Liability List"). For purposes of this Section 5.7(g), Seller shall be responsible to Purchaser for an amount equal to the product of (i) the total severance amount paid or due to each Terminated Continuing Employee, multiplied by (ii) a fraction, the numerator of which is the number of months that such Terminated Continuing Employee was employed by Seller, and the denominator of which is the total number of months that such Terminated Continuing Employee was employed by Seller (and/or a Subsidiary of Seller) and Purchaser (and/or a Subsidiary of Purchaser). Notwithstanding anything in the foregoing, Seller shall be responsible for severance of Terminated Continuing Employees solely under the terms of (and shall not exceed the amounts payable under) Seller's severance plans and programs in existence as of the Closing Date and under statutory severance obligations in existence as of the Closing Date. Notwithstanding anything in the foregoing to the contrary, in determining the amount of severance for which Seller shall be responsible, the amount of severance payable to Terminated Continuing Employees shall be calculated as if such severance were payable pursuant to the severance plans of Seller and its Subsidiaries in effect on the date hereof (or, if greater, on the Closing Date) and under severance statutes as in effect as of the Closing Date.

(ii) As soon as practicable, Seller shall review and confirm the accuracy of the Severance Liability List. If Seller disputes the accuracy of the Severance Liability List, Seller shall deliver a written notice ("Severance Liability List Dispute Notice") to Purchaser before 5 p.m. Pacific Time on the thirtieth (30th) day after the delivery of the Severance Liability List ("Severance Liability List Review Period").

(iii) If Seller delivers a Severance Liability List Dispute Notice to Purchaser prior to the expiration of the Severance Liability List Review Period, then Seller and Purchaser shall attempt in good faith to agree upon the accuracy of the Severance Liability List. If Seller and Purchaser are unable to reach agreement on the accuracy of the Severance Liability List within twenty (20) days after the expiration of the Severance Liability List Review Period, either Seller or Purchaser may demand arbitration of the dispute. The dispute shall be resolved by three (3) arbitrators, one selected by Seller, one selected by Purchaser, and the third selected jointly by the two arbitrators previously selected by Seller and Purchaser. The decision of a majority of the three (3) arbitrators as to the accuracy of the Severance Liability List shall be binding and conclusive upon Seller and Purchaser. Such decision shall be written and shall be supported by written findings of fact and conclusions of law regarding the dispute which shall set forth the judgment of the arbitrators.

(iv) Judgment to enforce the decision rendered by the arbitrators may be entered in any court having competent jurisdiction. Any such arbitration shall be held in a location within the Northern District of California under the commercial rules of arbitration then in effect of the American Arbitration Association. Each Party shall pay its own expenses, including attorneys' fees. The expenses and fees of each arbitrator and the administrative costs of the arbitration and the expenses shall be borne equally by Seller and Purchaser.

(h) No Third-Party Beneficiary Rights. No provision of this Section 5.7 shall create any third-party beneficiary rights in any Business Employee, or any beneficiary or dependents thereof, including the compensation, terms and conditions of employment and benefits that may be provided to any Continuing Employee or under any employee benefit plan which Purchaser may maintain.

5.8 Personal Information. Any personal information (as defined by applicable privacy Laws) about Business Employees which is disclosed to Purchaser by Seller for the purposes contemplated by this Agreement (including the employment of such individuals by the Purchaser and its Subsidiaries after the Effective Time), shall be held by Purchaser in confidence and shall not be used, disclosed or retained by Purchaser for any other purposes, and shall otherwise be handled by Purchaser in compliance in all material respects with applicable privacy Laws.

5.9 Preservation of Records. Seller and Purchaser agree that each of them shall preserve and keep the records held by it or their Affiliates relating to the Business for a period of seven (7) years from the Closing Date and shall make such records and personnel available to the other as may be reasonably required by such Party in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Seller or Purchaser or any of their Affiliates or in order to enable Seller or Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby or thereby. Notwithstanding anything in this Section 5.9 to the contrary, neither Seller nor Purchaser shall be required to provide access to any information or materials required by Law or by agreements with third parties to be kept confidential. In the case of material protected by the attorney-client privilege or work product immunity, Seller or Purchaser (as the case may be) may, prior to and as a condition of furnishing such material, require the recipient to enter into a reasonably appropriate agreement intended to preserve such privileges and immunities.

5.10 Non-Competition; Non-Solicitation.

(a) For a period from the date hereof until the second (2nd) anniversary of the Closing Date, Seller shall not, and Seller shall cause its Affiliates not to, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in the Purchaser Field (a "Restricted Business") anywhere in the world. Notwithstanding the foregoing, Seller and its Subsidiaries shall be permitted to acquire a majority equity or other majority ownership interest of a Person whose principal line of business is not a Restricted Business, but which has a division or other operations constituting a Restricted Business (any such division or operations, an "Acquired Competing Interest"), *provided* that (i) the annual gross sales or revenues from such Restricted Business do not exceed twenty five million dollars ($25,000,000) and in any event such gross sales or revenues from such Restricted Business do not exceed twenty five percent (25%) of the total annual gross sales or revenues of such Person for the last completed fiscal year of such Person, and (ii) Seller shall or shall cause its applicable Subsidiary to take all commercially reasonable steps to sell or otherwise divest the Acquired Competing Interest as soon as reasonably practicable to an unaffiliated Person; and *provided further* that if Seller and its Subsidiaries have not completed the sale or other divestiture of the Acquired Competing Interest within six (6) months after the acquisition by Seller and its Subsidiaries of the Acquired Competing Interest, then Seller shall immediately cause the operations of the Acquired Competing Interest to be ceased. The parties hereto specifically acknowledge and agree that the remedy at law for any breach of the foregoing will be inadequate and that Purchaser, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damage or posting any bond whatsoever.

(b) For a period from the date hereof to the second (2nd) anniversary of the Closing Date, Seller shall not and shall cause its Affiliates not to (i) cause, solicit, induce or encourage any employee of Seller or any of its Subsidiaries who are or become employees of Purchaser or its Affiliates as a result of the transactions contemplated by this Agreement to leave such employment with Purchaser or its Subsidiaries or (ii) hire, employ or otherwise engage any such individual.

(c) In addition to and without in any way limiting the obligations and restrictions set forth in Section 5.10(b), Seller agrees that for a period of one (1) year from and after the Effective Time, neither Seller nor any Subsidiary of Seller will, directly or indirectly, solicit to employ any employee of Purchaser or any of its Subsidiaries who was first introduced to Seller or any of its Subsidiaries in connection with (i) the negotiation of this Agreement or (ii) the performance by Purchaser or any of its Subsidiaries of the Transition Services Agreement. The foregoing shall not prohibit or prevent Seller or any of its Subsidiaries from soliciting any employee of Purchaser or any of its Subsidiaries: (A) through general solicitations in newspaper,

trade, internet or other advertisements, job fairs or similar methods, (B) through a third-party recruiter, *provided* that neither Seller nor any of its Subsidiaries provides such third-party recruiter with the name, title or position of any such employee of Purchaser or any of its Subsidiaries obtained in connection with the transactions contemplated by this Agreement or the Transition Services Agreement, (C) who first contacts Seller or any of its Subsidiaries on his or her own initiative, (D) who (x) is no longer employed by Purchaser or any of its Subsidiaries, (y) has provided notice of his or her resignation without solicitation by Seller or any of its Subsidiaries or (z) has received written notice from Purchaser or the Subsidiary of Purchaser where he or she is employed of his or her impending termination, or (E) after the date which is three (3) months after the date on which Purchaser enters into an agreement for a sale by Purchaser (whether by sale of stock or assets, or otherwise) of the division, business unit, department or other operational area in which such employee is employed. In the event of any conflict between the provisions of this Section 5.10(c) and Section 5.10(b), Section 5.10(b) shall control.

(d) Purchaser agrees that for a period of one (1) year from and after the Effective Time, neither Purchaser nor any Subsidiary of Purchaser will, directly or indirectly, solicit to employ any current employee of Seller or any of its Subsidiaries who was first introduced to Purchaser or any of its Subsidiaries in connection with (i) the negotiation of this Agreement or (ii) the performance by Seller or any of its Subsidiaries of the Transition Services Agreement. The foregoing shall not prohibit or prevent Purchaser or any of its Subsidiaries from soliciting any employee of Seller or any of its Subsidiaries: (A) through general solicitations in newspaper, trade, internet or other advertisements, job fairs or similar methods, (B) through a third-party recruiter, *provided* that neither Purchaser nor any of its Subsidiaries provides such third-party recruiter with the name, title or position of any such employee of Seller or its Subsidiaries obtained in connection with the transactions contemplated by this Agreement or the Transition Services Agreement, (C) who first contacts Purchaser or any of its Subsidiaries on his or her own initiative, (D) who (x) is no longer employed by Seller or any of its Subsidiaries, (y) has provided notice of his or her resignation without solicitation by Purchaser or any of its Subsidiaries or (z) has received written notice from Seller or the Subsidiary where he or she is employed of his or her impending termination, or (E) after the date which is three (3) months after the date on which Seller enters into an agreement for a sale by Seller (whether by sale of stock or assets or otherwise) of the division, business unit, department or other operational area in which such employee is employed. The rights and interests of Seller and its Subsidiaries pursuant to this Section 5.10(d) may not be assigned by Seller or its Subsidiaries (by operation of Law or otherwise) without the prior written consent of Purchaser (which consent may be withheld in Purchaser's sole discretion) and any attempt to assign such rights and interests without consent shall be void.

(e) The covenants and undertakings contained in this Section 5.10 relate to matters which are of a special, unique and extraordinary character and a violation of any of the terms of this Section 5.10 will cause irreparable injury to the parties, the amount of which will be impossible to estimate or determine and which cannot be adequately compensated. Therefore, each Party agrees that the other Party shall be entitled to an injunction, restraining order or other equitable relief from any court of competent jurisdiction in the event of any breach of this

Section 5.10. The rights and remedies provided by this Section 5.10 are cumulative and in addition to any other rights and remedies which Purchaser may have hereunder or at law or in equity. In the event that Purchaser were to seek damages for any breach of this Section 5.10, the portion of the consideration delivered by Purchaser to Seller (or to others at the direction of Seller) hereunder which is attributed by the parties to the foregoing covenant shall not be considered a measure of or limit on such damages.

(f) Purchaser and Seller intend and agree that (i) the covenants set forth in this Section 5.10 shall be construed as a series of separate covenants, one for each country in the world where the Business (or any portion thereof) is located or conducted, including the United States of America, Canada, India, the People's Republic of China, Taiwan, Japan, the Republic of Korea, the United Kingdom, and France, and one for each state and province within such countries (including the State of California and the Commonwealths of Massachusetts and Pennsylvania and the Province of Ontario); (ii) if any court of competent jurisdiction in a final nonappealable judgment determines that a specified time period, a specified geographical area, a specified business limitation or any other relevant feature of this Section 5.10 is unreasonable, arbitrary or against public policy, then a lesser time period, geographical area, business limitation or other relevant feature which is determined to be reasonable, not arbitrary and not against public policy may be enforced against the applicable Party; and (iii) if, in any Action or Proceeding, a court shall refuse to enforce any of the separate covenants deemed included in this Section 5.10, even after giving effect to clause (ii), then such unenforceable covenant shall be deemed eliminated from these provisions for the purpose of such Action or Proceeding to the extent necessary to permit the remaining separate covenants to be enforced.

(g) The parties agree to allocate the aggregate sum of one dollar ($1.00) of the consideration of the Purchased Assets to the agreements, covenants and undertakings contained in Section 5.10 for the purposes of the ITA and the parties shall timely prepare and file a joint election under proposed paragraph 56.4(3)(c) of the ITA (and analogous provincial or territorial tax legislation) in the form of "Election for Restrictive Covenants" attached hereto as Exhibit N, or in such successor form as may be prescribed by the Canada Revenue Agency, which shall be filed in accordance with proposed subsection 56.4(14) of the ITA.

5.11 Notification of Certain Matters. Seller shall give prompt written notice to Purchaser of (a) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which is likely to cause any representation or warranty of Seller in this Agreement to be untrue or inaccurate at or prior to the Closing in any material respect and (b) any failure of Seller in any material respect to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, and Purchaser shall give prompt written notice to Seller of (x) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which is likely to cause any representation or warranty of Purchaser in this Agreement to be untrue or inaccurate at or prior to the Closing in any material respect and (y) any failure of Purchaser in any material respect to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; *provided*, *however*, that the delivery of any notice pursuant to this Section 5.11 shall not limit or otherwise affect any remedies available to the Party receiving such notice.

5.12 Intellectual Property Rights.

(a) Seller shall give Purchaser prompt written notice of the receipt by Seller or any of its Subsidiaries after the date hereof of any summons, complaint, demand letter, offer of or invitation to seek a license, or other written communication (each an "IP Communication") claiming, in substance, (a) that any Current Business Product infringes the Intellectual Property Rights or Technology of any other Person, (b) that Seller or any of its Subsidiaries do not own or have the right to exploit any Technology or Intellectual Property Rights required for the Business or any Current Business Product, or (c) that any of the Intellectual Property Rights or Technology, including the Seller IP Assets, presently embodied or proposed to be embodied in any Current Business Product is available for licensing from a potential licensor providing the notice.

(b) Seller shall give Purchaser prompt written notice of the receipt by Seller or any of any of its Subsidiaries after the date hereof of any IP Communication if Seller determines (or should determine in the exercise of reasonable good faith judgment) that any such IP Communication claims, in substance, (a) that any element or functionality of any Roadmap Product as delivered to Purchaser pursuant to this Agreement would infringe the Intellectual Property Rights or Technology of the Person responsible for the IP Communication or the holder of the Intellectual Property Rights or Technology asserted in the IP Communication (the "Claimant") (b) that Seller or any of its Subsidiaries do not own or have the right to exploit any Technology or Intellectual Property Rights that Seller planned or required for any Roadmap Product, or (c) that any of the Intellectual Property Rights or Technology of the Claimant presently embodied or proposed to be embodied in any Roadmap Product is available for licensing from the Claimant.

(c) From and after the execution of this Agreement to the Closing (or the earlier termination of this Agreement pursuant to Section 8.1), Seller shall take commercially reasonable actions (x) to maintain, perfect, preserve or renew the Purchased Registered Intellectual Property Rights, including the payment of any registration, maintenance, renewal fees, annuity fees and Taxes or the filing of any documents, applications or certificates related thereto, and (y) to promptly respond and prepare to respond to all requests, related to the Purchased Registered Intellectual Property Rights, received from any Governmental or Regulatory Authority. At the Closing, Seller shall notify Purchaser of all material actions which must be taken within the one hundred eighty (180) days following the Closing Date and which are necessary to maintain, perfect, preserve or renew the Purchased Registered Intellectual Property Rights, including the payment of any registration, maintenance, renewal fees, annuity fees and Taxes or the filing of any documents, applications or certificates related thereto.

5.13 Expenses. Whether or not the Closing occurs, except as otherwise expressly provided by this Agreement, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties incurred by a Party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective Party incurring such

fees and expenses, it being understood and agreed, for the avoidance of doubt, that unless otherwise specifically provided in this Agreement or any Ancillary Agreement, the Transition Services Agreement shall govern the responsibility for all costs and expenses in connection with the transitional services to be provided pursuant to the Transition Services Agreement and related statements of work attached thereto (in each case on the terms and conditions expressly set forth in such agreement and such statements of work). Except as specifically set forth in the Transition Services Agreement, Purchaser shall be responsible for any costs and expenses incurred in connection with Purchaser's occupation, integration or acceptance of the Purchased Assets and the Licensed IP Assets, and Seller shall be responsible for any costs and expenses incurred by Seller in connection with its delivery obligations set forth in Section 1.7. Purchaser shall be responsible for the cost of any filing fees under the Canadian Competition Act.

5.14 Shared Premises. For those Business Real Properties that Seller will continue to occupy during Purchaser's lease or sublease of a portion thereof, each Party shall use commercially reasonable efforts to ensure that the business operations of such Party and its Subsidiaries therein will not interfere or limit in any material respect the operation of the other Party and its Subsidiaries in and from such location in compliance with the terms of the Transition Services Agreement and the applicable related statement of work.

5.15 Certain Agreements Required for Closing. Without limiting the generality of the Parties obligations set forth elsewhere in this Article 5, during the period from the date hereof to the Closing Date, each Party shall (and shall cause their respective Subsidiaries to) finalize, execute and deliver in good faith each of the Foreign Asset Purchase Agreements and Real Property Transfer Agreements and such other documents and instruments, provide such materials and information and take such other actions as the other Party may reasonably request to consummate the transactions contemplated by the Foreign Asset Purchase Agreements and the Real Property Transfer Agreements.

5.16 Audited 2008 Business Financials. Seller shall use its best efforts to prepare and complete the Audited 2008 Business Financials, and to cause the audit of such financial statements to be completed on or prior to the forty-fifth (45th) calendar day after the Closing Date. If the Audited 2008 Business Financials have not been completed and delivered to Purchaser, but all other closing conditions are satisfied or waived, as applicable, and the Parties effect the Closing pursuant to Section 1.6 of this Agreement, Purchaser shall deposit fifteen million dollars ($15,000,000) of the Purchase Price (the "Withheld Amount") with the Escrow Agent to be held in escrow (on the terms set forth below and such further terms as Purchaser and Seller may mutually agree). If the Audited 2008 Business Financials are completed and delivered to Purchaser on or prior to the forty-fifth (45th) calendar day after the Closing Date, Purchaser shall cause the Escrow Agent to promptly pay the entire Withheld Amount (including interest with respect thereto) to Seller. If the Audited 2008 Business Financials are completed and delivered more than forty five (45) calendar days after the Closing, the Purchase Price, and the portion of the Withheld Amount required to be paid (or caused to be paid) by Purchaser to Seller, shall be reduced by one million dollars ($1,000,000) (plus any applicable interest with respect thereto) for each additional day or fraction of a day beyond the end of such forty five (45) day period until the completion and delivery to Purchaser of the Audited 2008 Business Financials and Purchaser shall retain such Withheld Amount.

ARTICLE 6.
CONDITIONS TO THE CLOSING

6.1 Conditions to Obligations of Each Party to Effect the Closing. The respective obligations of Purchaser, BIL and Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the conditions set forth in this Section 6.1:

(a) Legal Proceedings. No Governmental or Regulatory Authority shall have commenced, or notified in writing either Purchaser, BIL or Seller or any of their respective Representatives of any intention to commence, proceedings to restrain, prohibit, rescind, materially condition or take any substantially similar action with respect to any of the material transactions contemplated by this Agreement or any of the Ancillary Agreements (including the Intellectual Property License Agreements), in a manner that would be materially adverse to the Party asserting this condition, unless such Governmental or Regulatory Authority shall have definitively withdrawn such notice and abandoned all such proceedings, as the case may be.

(b) No Injunctions or Regulatory Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other Order issued by any court or other Governmental or Regulatory Authority of competent jurisdiction or other legal or regulatory restraint or prohibition preventing or rendering unlawful the consummation of the transactions contemplated by this Agreement shall be in effect; nor shall there be any action taken, or any Law enacted, entered, enforced or deemed applicable to the transactions contemplated by this Agreement that would prohibit or render unlawful the consummation of the transactions contemplated by this Agreement or which would permit consummation of the transactions contemplated by this Agreement only if certain divestitures were made or if Purchaser, BIL or Seller were to agree to limitations on its business activities or operations.

6.2 Additional Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the conditions set forth in this Section 6.2, any of which may be waived, in writing, exclusively by Seller:

(a) Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall each be true and correct in all material respects as of the date of this Agreement and shall each be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date (other than representations and warranties which by their express terms are made solely as of a specified earlier date, which shall be true and correct in all material respects as of such specified earlier date).

(b) Performance. Purchaser and BIL shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by Purchaser at or before the Closing.

(c) Governmental and Regulatory Approvals. The Required Seller Approvals shall have been obtained and shall be in full force and effect with no condition that would be materially adverse to Seller.

(d) Certain Agreements. Each Ancillary Agreement (other than the IP License Agreements executed and delivered concurrently herewith) to which Purchaser or any of its Subsidiaries is a party shall have been executed by Purchaser and/or each applicable Subsidiary of Purchaser and delivered to Seller by Purchaser substantially in the form attached hereto, and (assuming the execution and delivery thereof by Seller or its Subsidiaries) each such agreement (including the IP License Agreements) shall be in full force and effect.

(e) Legal Opinions. Seller shall have received legal opinions from Wilmer Cutler Pickering Hale and Dorr LLP, U.S. legal counsel to Purchaser, and Torys LLP, Canadian legal counsel to Purchaser, as to the matters set forth in Exhibit J.2.

(f) Closing Certificates. Purchaser shall have delivered to Seller a certificate, dated as of the Closing Date and executed by an executive officer of Purchaser, certifying that the conditions set forth in this Section 6.2 are satisfied, and a secretary's certificate executed by the Secretary or an Assistant Secretary of Purchaser in form reasonably acceptable to Seller.

6.3 Additional Conditions to the Obligations of Purchaser. The obligations of Purchaser and BIL to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the conditions set forth in this Section 6.3, any of which may be waived, in writing, exclusively by Purchaser:

(a) Representations and Warranties. The representations and warranties of Seller contained in this Agreement shall each be true and correct in all material respects as of the date of this Agreement and shall each be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date (other than representations and warranties which by their express terms are made solely as of a specified earlier date, which shall be true and correct in all material respects as of such specified earlier date).

(b) Performance. Seller shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by Seller on or before the Closing Date.

(c) Closing Certificates. Seller shall have delivered to Purchaser a certificate, dated as of the Closing Date and executed by an executive officer of Seller, certifying that the conditions set forth in this Section 6.3 are satisfied, and a secretary's certificate executed by the Secretary or an Assistant Secretary of Seller in form reasonably acceptable to Purchaser.

(d) Third-Party Consents. Seller shall have received, and shall have delivered to Purchaser, each of the Approvals listed in Schedule 6.3(d).

(e) Governmental and Regulatory Approvals. The Required Purchaser Approvals shall have been obtained and shall be in full force and effect on terms reasonably satisfactory to Purchaser.

(f) Legal Opinions. Purchaser shall have received legal opinions from Latham & Watkins, U.S. legal counsel to Seller, and McCarthy Tetrault, Canadian legal counsel to Seller, as to the matters set forth in Exhibit J.1.

(g) Certain Agreements. Each Ancillary Agreement (other than the IP License Agreements executed and delivered concurrently herewith) to which Seller or any of its Subsidiaries is a party shall have been executed by Seller and/or the applicable Subsidiary of Seller and delivered to Purchaser by Seller or the applicable Subsidiary of Seller substantially in the form attached hereto, and (assuming the execution and delivery thereof by Purchaser) each such agreement (including the IP License Agreements) shall be in full force and effect.

(h) Employees. Each of the Business Employees named in Schedule 6.3(h)(1), at least ninety percent (90%) of the Business Employees named in Schedule 6.3(h)(2) and at least ninety percent (90%) of the other Business Employees who shall have received offers of post-Closing employment by Purchaser or a Subsidiary of Purchaser pursuant to Section 5.7 shall have accepted offers of employment with Purchaser or a Subsidiary of Purchaser to commence following the Closing and shall continue to be employed by Seller or a Subsidiary of Seller as of the Closing, and none of the Business Employees named in Schedule 6.3(h)(1), not more than ten percent (10%) of the Business Employees named in Schedule 6.3(h)(2) and not more than ten percent (10%) of the other Business Employees who have received offers of post-Closing employment by Purchaser or a Subsidiary of Purchaser shall have refused offers of employment by Purchaser or a Subsidiary of Purchaser to commence following the Closing or given any notice or other indication that they are not willing or do not intend to be employed by Purchaser or a Subsidiary of Purchaser following the Closing or are not willing or do not intend to execute and deliver to Purchaser Purchaser's standard forms of Confidentiality and Invention Assignment Agreement and associated schedules and statements without amendment or modification thereto in any substantive respect.

(i) Audited 2007 Business Financials. The audit of the Audited 2007 Business Financials by Seller's independent public accounting firm shall have been completed and the opinion of such independent public accountants on the Audited Business Financials shall contain no material qualifications and shall otherwise be in customary form reasonably satisfactory to Purchaser.

(j) India Facilities. The facilities to be established, and the equipment and infrastructure to be installed, by Seller and its Subsidiaries for the Continuing Employees in India shall be complete, operational, and ready for occupancy and use by such Continuing Employees, so as to permit the uninterrupted conduct of the Business by such employees in the ordinary course following the Effective Time in the same manner as conducted prior to the Effective Time.

(k) No Business Material Adverse Effect. No Business Material Adverse Effect shall have occurred, and no event shall have occurred or arisen, and no circumstance shall exist, that would reasonably be expected to result in a Business Material Adverse Effect.

ARTICLE 7.
SURVIVAL OF REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS; ESCROW PROVISIONS

7.1 Survival of Representations, Warranties, Covenants and Agreements. Notwithstanding any right of Purchaser (whether or not exercised) to investigate the Business, the Purchased Assets or the Assumed Liabilities (whether pursuant to Section 5.1 or otherwise) and notwithstanding any waiver or non-assertion by a Party of any applicable condition to Closing set forth in Article 6 or any termination right set forth in Article 8, each Party shall have the right to rely fully upon the representations, warranties, covenants and agreements of the other Party contained in this Agreement, the Ancillary Agreements and the certificates and instruments delivered in connection herewith or therewith. All of the representations and warranties of Seller and Purchaser contained in this Agreement and contained or incorporated or referred to in the certificates and instruments delivered in connection herewith or therewith shall survive the Closing and continue until 11:59 p.m. California time on the day which is eighteen (18) months after the Closing Date (the "Expiration Date"). Nothing in this Section 7.1 or any other provision of this Agreement (i) shall be construed to limit or otherwise alter the survival of any representation or warranty of any Person in any of the Ancillary Agreements, which shall survive the Closing and continue for the time periods set forth therein (or, if no time period is set forth therein, indefinitely), or (ii) shall be construed to limit or alter the survival of any covenant or agreement of Seller or Purchaser contained in this Agreement or any of the Ancillary Agreements, which shall survive the Closing and continue for the time periods set forth therein (or, if no time period is set forth therein, indefinitely), other than covenants and agreements of Seller and Purchaser which by their terms are to be wholly performed prior to the Closing, which covenants and agreements shall survive until 11:59 p.m. Pacific Time on the Expiration Date.

7.2 Indemnification; Escrow Provisions.

(a) Establishment of the Escrow Fund. At the Closing, without any act of Seller or any other Person, the Escrow Amount will be deposited with the Escrow Agent by Purchaser, such deposits to constitute the "Escrow Fund" to be governed by the terms set forth herein and the Escrow Agreement.

(b) Indemnification; Recourse to the Escrow Fund. Subject to the limitations set forth elsewhere in this Article 7, Seller shall indemnify and hold harmless Purchaser and each of its officers, directors, employees, agents and Affiliates, including each Subsidiary of Purchaser that purchases Purchased Assets pursuant to this Agreement (collectively, the "Purchaser Indemnitees"), and the Escrow Fund shall be available to compensate Purchaser and each of the other Purchaser Indemnitees, for any and all Losses (whether or not involving a Third-Party Claim) paid, incurred, sustained or accrued by Purchaser or any other Purchaser Indemnitee as a result of (i) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other

than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which indemnification shall only be available for breaches, violations or inaccuracies as of such specified earlier date), or any breach or violation of any covenant or agreement, made by (or on behalf of) Seller or any of its Subsidiaries in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection herewith or therewith or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, (ii) any of the Excluded Assets or Retained Liabilities, (iii) any matter for which Purchaser or any other Purchaser Indemnitee is entitled to indemnification pursuant to Sections 1.8, 5.5, 5.6, or 5.7, or (iv) any matter referred to in Schedule 7.2(b)(iv); and Purchaser shall indemnify and hold harmless Seller and each of its officers, directors, employees, agents and Affiliates (collectively, the "Seller Indemnitees") for any and all Losses (whether or not involving a Third-Party Claim) paid, incurred, sustained or accrued by Seller or any other Seller Indemnitee as a result of (x) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which indemnification shall only be available for breaches, violations or inaccuracies as of such specified earlier date), or any breach or violation of any covenant or agreement, made by (or on behalf of) Purchaser in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection herewith or therewith or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, or (y) any of the Assumed Liabilities. Purchaser and Seller each acknowledge that such Losses, if any, would relate to unresolved contingencies existing at the Closing, which if resolved at the Closing would have led to a reduction in the Purchase Price.

(c) Certain Limitations.

(i) Except as otherwise provided herein, an Indemnified Party may not make any claim for indemnification for Losses in excess of the Cap resulting from the breach or violation of, or inaccuracy in, any representation or warranty contained in this Agreement (or contained, incorporated or referred to in any certificate delivered in connection therewith), and, further, an Indemnified Party may not make any claim for indemnification for any breach or violation of, or inaccuracy in, any representation or warranty unless and until the aggregate Losses paid, incurred, sustained and/or accrued (or anticipated or be paid, incurred, sustained and/or accrued) exceed two hundred fifty thousand dollars ($250,000) (the "Threshold Amount") (at which time claims may be made and indemnifiable Losses shall be determined without regard to, and without deducting or subtracting, the Threshold Amount). For purposes of this Article 7, all materiality and Business Material Adverse Effect qualifications in the representations and warranties contained in Article 2 or contained, incorporated or referred to in the certificate related thereto delivered pursuant to Section 6.3(c) shall be disregarded for purposes of calculating the amount of such Losses, but shall not be disregarded for purposes of determining whether a breach of any representation or warranty contained in Article 2 (or contained, incorporated or referred to in the certificate delivered pursuant to Section 6.3(c)) has occurred. Neither the Cap nor the Threshold Amount shall apply to claims for indemnification (A) by an Indemnified Party for Losses resulting from fraud or willful breach by the Indemnifying Party or any Person who is or was a director, officer, Affiliate or stockholder of the Indemnifying Party in

connection with this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection herewith or therewith, (B) by Purchaser for Losses resulting from any of the Excluded Assets or Retained Liabilities (in the case of indemnification claims by Purchaser related thereto), (C) by Seller for Losses resulting from any of the Assumed Liabilities (in the case of indemnification claims by Seller related thereto), (D) by Purchaser for any Losses for which Purchaser or any other Purchaser Indemnitee is entitled to indemnification pursuant to Sections 1.8, 5.5, 5.6 or 5.7, (D) by Purchaser for Losses resulting from any Excepted Matter or (F) by Purchaser for Losses resulting from any of the matters referred to in Schedule 7.2(b)(iv), any and all of which shall be recoverable by the applicable Indemnified Party without respect to the Cap or the Threshold Amount (other than Item 5 under Part II of Schedule 7.2(b)(iv), which shall be subject to the Cap but not the Threshold).

(ii) In the event of any conflict between the indemnification provisions of this Agreement, on the one hand, and the provisions of the Transition Services Agreement or the related statements of work attached thereto, on the other hand, the provisions of the Transition Services Agreement and the applicable statement of work shall control, but solely with respect to the indemnification for obligations expressly and exclusively established by the Transition Services Agreement and related statements of work attached thereto and not with respect to any other matter or obligation (as to each of which this Agreement shall govern, control and prevail).

(iii) For Losses that are not subject to the Cap and are not for Excepted Matters as defined in Section 7.2(c)(v), the maximum respective liability of each of Seller and Purchaser under this Article 7 shall be equal to the Purchase Price.

(iv) To the extent that any Loss that is the subject of a claim for indemnification under this Article 7 is compensated by insurance proceeds paid to an Indemnified Party, such Indemnified Party shall be entitled to indemnification pursuant to this Article 7 only with respect to the amount of Losses that are in excess of the cash proceeds received by such Indemnified Party pursuant to such insurance, after deducting therefrom the expenses incurred by such Indemnified Party in obtaining such proceeds and the amount of any increase in premiums payable by such Indemnified Party as a result of the claims made against such insurance in relation to such matter ("Net Insurance Proceeds"). If such Indemnified Party receives such cash insurance proceeds prior to the time such claim is paid, then the amount payable by the Indemnifying Party pursuant to such claim shall be reduced by the amount of such Net Insurance Proceeds. If such Indemnified Party receives such cash insurance proceeds after such claim is paid, then upon receipt by such Indemnified Party of any cash proceeds pursuant to such insurance with respect to such claim, such Indemnified Party shall repay any portion of such Net Insurance Proceeds which was previously paid by the Indemnifying Party to such the Indemnified Party in satisfaction of such claim.

(v) Absent fraud or intentional misrepresentation, and other than for Excepted Matters (as defined below), the indemnification provisions contained in this Article 7 are intended to provide the sole and exclusive remedy following the Closing as to all Losses any Indemnified Party may incur arising from or relating to breaches and violations of, and

inaccuracies in, the representations and warranties of the Indemnifying Party in this Agreement; *provided*, that nothing in this Section 7.2(c) or elsewhere in this Agreement shall affect the parties' rights to specific performance or other equitable remedies with respect to the covenants and agreements in this Agreement, the Intellectual Property License Agreements or any of the other Ancillary Agreements or that are to be performed at or after the Closing, and nothing in this Section 7.2(c) or elsewhere in this Agreement shall be construed to limit Seller's responsibilities, obligations or liabilities in respect of the Retained Liabilities or Excluded Assets, or Purchaser's responsibilities, obligations and liabilities in respect of Assumed Liabilities, or either Party's responsibilities, obligations and liabilities in respect of its respective covenants, agreements and obligations (whether in this Agreement, in the Intellectual Property License Agreements or in the Transition Services Agreement (except, in the case of the Transition Services Agreement, as set forth in Section 7.2(c)(ii))) to be performed at or after the Closing (each an "Excepted Matter" and collectively, the "Excepted Matters").

(d) Escrow Period; Distribution of Escrow Fund upon Termination of Escrow Period. Subject to the following requirements, the Escrow Fund shall be in existence immediately following the Effective Time and shall terminate at 11:59 p.m. Pacific Time on the Expiration Date (the period of time from the Effective Time through and including 11:59 p.m. Pacific Time on the Expiration Date is referred to herein as the "Escrow Period"), and all property thereafter remaining in the Escrow Fund shall be distributed as set forth in the last sentence of this Section 7.2(d); *provided*, *however*, that the Escrow Period shall not terminate with respect to such amount as may be necessary in the good faith judgment of Purchaser, subject to the objection of Seller and the subsequent arbitration of the matter in the manner as provided in Section 7.2(h), to satisfy any unsatisfied claims under this Section 7.2 concerning facts and circumstances existing prior to the termination of the Escrow Period which claims are specified in any Officer's Certificate delivered to the Escrow Agent prior to termination of the Escrow Period. Promptly after all such claims, if any, have been resolved, Purchaser and Seller shall cause the Escrow Agent to deliver to Seller the remaining portion of the Escrow Fund not required to satisfy such claims.

(e) Protection of Escrow Fund; Interest Income.

(i) Purchaser and Seller shall require the Escrow Agent to hold and safeguard the Escrow Fund during the Escrow Period, to treat such fund as a trust fund in accordance with the terms of this Agreement and to hold and dispose of the Escrow Fund only in accordance with the terms hereof. The Escrow Fund shall be invested only in obligations of (or guaranteed by) the U.S. Government as to principal and interest, or such other investments as Purchaser and Seller shall direct in joint written instructions to the Escrow Agent. Purchaser and Seller agree that in no event shall the Escrow Agent have any liability under the Escrow Agreement for investment losses incurred on any investment or reinvestment made in accordance with the terms of the Escrow Agreement. Without limiting the generality of the foregoing, Purchaser and Seller agree that the Escrow Agent shall have no liability for any market loss on any investment liquidated prior to maturity in order to make a payment required hereunder.

(ii) All income derived from the investment of the Escrow Fund (the "Investment Income") shall be deemed for Tax purposes to constitute (and shall be reported as) income of Seller. Such Investment Income shall be deemed part of the Escrow Fund, subject to claims for indemnification and distributions to Seller or Purchaser, as the case may be, in each case in accordance with this Article 7; *provided*, *however*, that Purchaser and Seller agree that twenty percent (20%) of the amount of such Investment Income in each calendar quarter shall automatically be deducted from such income and paid as a distribution by the Escrow Agent to Seller out of the Escrow Fund on the last day of each calendar quarter, without regard to the procedures of Section 7.2(f), (g), or (h). Except for the Investment Income, unless and until distributed to Seller (and then only to the extent distributed to Seller), the Parties agree to treat the Escrow Fund as owned by Purchaser and not received by Seller and to file all Tax Returns on a basis consistent with such treatment.

(f) Claims for Indemnification; Claims Upon Escrow Fund. Claims for indemnification shall be made by delivery of a certificate signed by any officer of the Indemnified Party to the Indemnifying Party (an "Officer's Certificate"). Each Officer's Certificate: (i) shall state, in substance, that the Indemnified Party has paid, incurred, sustained and/or accrued (or, in the case of indemnification claims involving anticipated Losses, that the Indemnified Party anticipates in good faith that it will pay, incur, sustain and/or accrue) Losses, directly or indirectly, as a result of (A) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which the Officer's Certificate shall state that the Losses are a result of a breach, violation or inaccuracy as of such specified earlier date), or any breach or violation of any covenant or agreement, made by or on behalf of the Indemnifying Party in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered by or on behalf of the Indemnifying Party in connection herewith or therewith, or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, (B) any of the Excluded Assets or Retained Liabilities (in the case of indemnification claims by Purchaser related thereto) or any of the Assumed Liabilities (in the case of indemnification claims by Seller related thereto), (C) any other matter for which an Indemnified Party is entitled to indemnification pursuant to this Agreement (including, in the case of Purchaser, Sections 1.8, 5.5, 5.6 or 5.7), or (D) any matter referred to in Schedule 7.2(b)(iv); and (ii) shall specify in reasonable detail the individual items of Loss included in the amount so stated, the date (if known) when each such item of Loss was paid, incurred, sustained and/or accrued (or, in the case of anticipated Losses, the basis for such anticipated Loss), and the general nature of the representation, warranty, agreement, covenant, Excluded Asset, Retained Liability, Assumed Liability, or other matter to which such item of Loss or anticipated Loss is related.

(g) Objections to Claims. A copy of the Officer's Certificate shall be delivered to the Indemnifying Party and, in the case of indemnification claims involving a claim against the Escrow Fund, to the Escrow Agent. The Indemnifying Party shall have twenty (20) Business Days after delivery of an Officer's Certificate in which to object, in whole or in part, to the indemnification claim(s) set forth in the Officer's Certificate. Objection shall be made by a

certificate in writing, signed by an officer of the Indemnifying Party, setting forth in reasonable detail the basis for objection, which shall be delivered to the Indemnified Party (and, the case of indemnification claims involving a claim against the Escrow Fund, to the Escrow Agent) prior to 5:00 p.m. Pacific Time on the last day of such twenty (20) Business Day period. In the case of indemnification claims involving a claim against the Escrow Fund, if compliant objection in writing is made and timely delivered in accordance with the requirements of this Section 7.2(g), Purchaser and Seller agree that the Escrow Agent shall make no delivery to the Indemnified Party of any portion of the Escrow Fund pursuant to Section 7.2(d) unless the Escrow Agent shall have received written authorization from the Indemnifying Party to make such delivery. If compliant objection in writing is not made or is not timely delivered in accordance with the requirements of this Section 7.2(g), Purchaser and Seller shall require the Escrow Agent, as promptly as practicable following the expiration of such twenty (20) Business Day period, to pay to the Indemnified Party, from the Escrow Fund, an amount in cash equal to the amount of Losses claimed against the Escrow Fund in the Officer's Certificate, in accordance with Section 7.2(f); *provided*, that where the basis for a claim is that the Indemnified Party anticipates that it will pay, incur, sustain and/or accrue a Loss, no payment will be made from the Escrow Fund for such Loss unless and until such Loss is actually paid, incurred, sustained and/or accrued.

(h) Resolution of Conflicts; Arbitration.

(i) If the Indemnifying Party has objected in writing to any claim or claims made in any Officer's Certificate in accordance with the procedures of Section 7.2(g), the Indemnifying Party and the Indemnified Party shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If the Indemnifying Party and the Indemnified Party so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and, in the case of indemnification claims involving a claim against the Escrow Fund, a copy thereof shall be furnished to the Escrow Agent. Purchaser and Seller agree that the Escrow Agent shall be entitled to rely on any such memorandum and to distribute funds from the Escrow Fund in accordance with the terms thereof.

(ii) If no such agreement is reached after good-faith negotiations, the Indemnified Party (or, in the case of indemnification claims involving a claim against the Escrow Fund, either the Indemnifying Party or the Indemnified Party) may demand arbitration of the dispute. If the amount of the Loss is at issue in a pending Action or Proceeding involving a Third-Party Claim (as defined in Section 7.2(i)), arbitration shall not be commenced until such amount is determined in such Action or Proceeding (whether by verdict, judgment, finding of fact, settlement or other order, stipulation or agreement) or otherwise ascertained, or both parties agree to arbitration. Any dispute regarding a claim for indemnification pursuant to this Article 7 that is reasonably expected to require, for its determination, the application or determination of a substantive issue of patent law, shall, at the request of either Party, be resolved by special confidential arbitration pursuant to the rules set forth in Schedule 7.2(h)(ii). Otherwise, the dispute shall be resolved by three arbitrators, one selected by the Indemnified Party, one selected by the Indemnifying Party, and the third selected jointly by the two arbitrators previously selected by the Indemnifying Party and the Indemnified Party, in accordance with the following provisions and procedures:

(A) The arbitrators shall set a limited time period and establish procedures designed to reduce the cost and time for discovery of information relating to any dispute while allowing the parties an opportunity, adequate as determined in the sole judgment of the arbitrators, to discover relevant information from the opposing parties about the subject matter of the dispute.

(B) The arbitrators shall rule upon motions to compel, limit or allow discovery as they shall deem appropriate given the nature and extent of the disputed claim. The arbitrators shall also have the authority to impose sanctions, including attorneys' fees and other costs incurred by the parties, to the same extent as a court of law or equity, if the arbitrators determine that discovery was sought without substantial justification or that discovery was refused or objected to by a Party without substantial justification.

(C) The decision of a majority of the three arbitrators as to the validity and amount of any claim in such Officer's Certificate shall be binding and conclusive upon the parties to this Agreement, and (in the case of indemnification claims involving a claim against the Escrow Fund), notwithstanding anything in Section 7.2(g), Purchaser and Seller agree that the Escrow Agent shall be entitled to act in accordance with such decision and make or withhold payments out of the Escrow Fund in accordance therewith. Such decision shall be written and shall be supported by written findings of fact and conclusions of law regarding the dispute which shall set forth the award, judgment, decree or order of the arbitrators.

(D) Judgment upon any award, judgment, decree or order rendered by the arbitrators may be entered in any court having competent jurisdiction. Any such arbitration shall be held in a location within the Northern District of California under the commercial rules of arbitration then in effect of the American Arbitration Association. For purposes of this Section 7.2(h), in any arbitration hereunder in which any claim or the amount thereof stated in the Officer's Certificate is at issue, the Indemnified Party shall be deemed to be the non-prevailing party if the arbitrators award the Indemnified Party less than one-half of the disputed amount of claimed Losses (exclusive of any amounts not in dispute); otherwise, the Indemnifying Party shall be deemed to be the non-prevailing party. The non-prevailing party to an arbitration shall pay its own expenses, the fees of each arbitrator, the administrative costs of the arbitration and the expenses, including reasonable attorneys' fees and costs, incurred by the other Party to the arbitration.

(iii) Confidentiality. In connection with indemnification and arbitration matters pursuant to this Article 7 (including pursuant to Schedule 7.2(h)(ii)), each Party and its Representatives shall hold in strict confidence, shall not use for any purpose other than as permitted under this Agreement or any Ancillary Agreement, and shall not disclose to any Person, any nonpublic information from or concerning the other Party, concerning any of the Purchased Assets or Assumed Liabilities (in the case of Seller) or Excluded Assets or Retained Liabilities (in the case of Purchaser) (including information obtained in the course of any arbitration, in discovery pursuant to this Section 7.2(h) or concerning the Escrow Fund or claims for indemnification (including information concerning the assertion, existence, nature, amount, status or outcome of any claim, objection, communication or proceeding under this Article 7).

Notwithstanding the foregoing, either Party shall be entitled (i) to make such disclosures as are reasonably required in good faith for the conduct of proceedings for the resolution of disputes relating to indemnification claims, for the enforcement of arbitration awards and judgments related thereto, (ii) to disclose such information to their Representatives and other Persons who reasonably need to know such information for the purpose of enabling an Indemnified Party to assert and pursue an indemnification claim or enabling an Indemnified Party to respond or pursue an objection to an indemnification claim and who have agreed in writing to the same confidentiality obligations and disclosure restrictions applicable to the Parties hereto) and (iii) to make such disclosures as required by Law (including federal and state securities Laws) or by stock exchange rules.

(i) Third-Party Claims. In the event that an Indemnified Party is served with a complaint, counterclaim or cross-claim in litigation (a "Third-Party Claim") which the Indemnified Party expects may result in a claim for indemnification under this Article 7 or a demand against the Escrow Fund, the Indemnified Party shall notify the Indemnifying Party of such Third-Party Claim, and the Indemnifying Party shall be entitled, at its own and sole expense, to participate in any defense of such Third-Party Claim. Purchaser shall have the right in its sole and absolute discretion to control the defense of any Third-Party Claim against Purchaser and Purchaser shall thereafter from time to time promptly provide to Seller copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim, and shall consult in good faith with Seller at reasonable periodic intervals on matters regarding the defense of such Third-Party Claim. Purchaser shall have the right to settle, adjust or compromise any such Third-Party Claim; *provided*, *however*, that (i) the amount of any settlement shall only be indemnifiable if made with the consent of the Indemnifying Party or, if made without the consent of the Indemnifying Party, the amount of the settlement was not unreasonably high, does not result in the Indemnifying Party incurring any obligations other than its indemnification obligations hereunder or the settlement was not agreed to in bad faith and without any reasonable basis, (ii) the amount of any settlement shall not be determinative of the amount of Losses (if any) that are subject to indemnification pursuant to this Article 7 and (iii) in no event shall Purchaser settle any claim related to the matter set forth in Item 5 of Part II of Schedule 7.2(b)(iv) without the consent of Seller. If a Third-Party Claim in a pending Action or Proceeding against an Indemnified Party would reasonably be expected to result in a claim for indemnification under this Article 7, then, at the Indemnifying Party's written request within thirty (30) days after receipt of notice of the institution or pendency of such Action or Proceeding, (A) the Indemnifying Party shall thereafter from time to time promptly provide to the Indemnified Party copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim and shall thereafter consult in good faith with the Indemnifying Party at reasonable periodic intervals on matters relating to the defense of such Third-Party Claim, and (B) the Indemnifying Party may, with legal counsel reasonably satisfactory to the Indemnified Party, assume control of the defense of such Third-Party Claim if, and only if, (w) the Third-Party Claim is asserted by a Person other than a Governmental or Regulatory Authority, is solely for actual monetary damages (and not for punitive, exemplary or similar damages, treble damages or other damages in excess of actual damages), does not seek a declaratory judgment, injunctive or other equitable relief, or specific performance, and the total monetary damages that may be awarded with respect to such Third-Party Claim do not exceed

the lesser of five million dollars ($5,000,000) or the amount then remaining in the Escrow Fund after deducting therefrom the amount of all outstanding unpaid and/or unresolved claims for indemnification, (x) the Person asserting the Third-Party Claim is not a customer, supplier or strategic partner of Purchaser or any of its Subsidiaries and is not party to a material business relationship with the Indemnifying Party that may create a material risk of a conflict between the interests of the Indemnified Party and the Indemnifying Party with respect to the defense of the Third-Party Claim, (y) the Third-Party Claim does not involve a criminal, quasi-criminal or regulatory matter, and (z) no later than twenty (20) days after notice by the Indemnified Party to the Indemnifying Party of the assertion of such Third-Party Claim, the Indemnifying Party shall have notified the Indemnified Party in writing of its election to assume such defense and shall have acknowledged unconditionally that such Third-Party Claim is subject to indemnification by the Indemnifying Party pursuant to this Article 7. If the Indemnifying Party elects to assume control of the defense of such a Third-Party Claim, (AA) the Indemnifying Party shall thereafter from time to time promptly provide to the Indemnified Party copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim, and shall consult in good faith with the Indemnified Party at reasonable periodic intervals on matters regarding the defense of such Third-Party Claim; (BB) the Indemnified Party shall have the right to participate in such Action or Proceeding at its own expense; (CC) the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, default or confess or consent to the entry of judgment or any similar action with respect to any such Third-Party Claim or enter into or agree to any settlement of any such Third-Party Claim (other than a settlement solely for payment of money within the amounts set forth in clause (B)(w) above that contains a full release in favor of the Indemnified Party and its Subsidiaries). If thereafter the Third-Party Claim shall be amended or supplemented such that it no longer meets the criteria set forth in clauses (A) through (B) above, or if at any time after the assumption of control of defense the Indemnifying Party is failing, in the reasonable judgment of the Indemnified Party after written notice to the Indemnifying Party and reasonable opportunity for cure, to pursue the defense of such Third-Party Claim with reasonable diligence and vigor, the Indemnified Party may, upon written notice to the Indemnifying Party, re-assume the control and conduct of the defense of such Third-Party Claim. Where an Action or Proceeding also involves claims that are not subject to indemnification under this Article 7, the Indemnifying Party's rights with respect to control of defense shall not extend to claims that are not subject to indemnification. Notwithstanding anything to the contrary herein, Purchaser shall have the right (and, at Seller's request, the obligation) to conduct and control the defense of any Third-Party Claim to the extent that it is for (and is acknowledged by Purchaser to be) an Assumed Liability and Seller shall have the right (and, at Purchaser's request, the obligation) to conduct and control the defense of any Third-Party Claim to the extent that it is for (and is acknowledged by Seller to be) a Retained Liability.

ARTICLE 8.
TERMINATION, AMENDMENT AND WAIVER

8.1 Termination. Except as provided in Section 8.2, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) by mutual agreement of Seller and Purchaser;

(b) by Purchaser or Seller, by written notice to the other Party, if: (i) the Closing has not occurred before 5 p.m. Pacific Time on February 27, 2009 (the "Final Date") (*provided*, *however*, that the right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to any Party whose willful failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Closing to occur on or before such date, and *provided further*, that the Final Date shall be extended for up to three months (but in no event beyond May 27, 2009) at the request of either Party if, as of February 27, 2009, either of the conditions set forth in Section 6.2(c) or Section 6.3(e) are not satisfied but are reasonably capable of being satisfied within such extended period); (ii) there shall be a final nonappealable Order of a federal or state court in effect preventing consummation of the transactions contemplated by this Agreement; or (iii) there shall be any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental or Regulatory Authority that would make consummation of the transactions contemplated by this Agreement illegal;

(c) by Purchaser, by written notice to Seller, if there shall be any action taken, or any Law enacted, promulgated or issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental or Regulatory Authority, which would: (i) prohibit Purchaser's ownership or operation of all or any portion of the Business or Purchased Assets, or (ii) compel Purchaser to dispose of or hold separate all or any portion of the Purchased Assets, or limit its operation of the Business;

(d) by Purchaser, by written notice to Seller, if there has been a Business Material Adverse Effect or a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Seller and (i) Seller is not using commercially reasonable efforts to cure such breach, or such breach has not been cured within thirty (30) calendar days after notice of such breach to Seller (*provided*, *however*, that, no cure period shall be required for a breach which by its nature cannot be cured) and (ii) as a result of such breach any of the conditions set forth in Section 6.1 or Section 6.3, as the case may be, would not be satisfied prior to the Closing Date;

(e) by Seller, by written notice to Purchaser, if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Purchaser and (i) Purchaser is not using commercially reasonable efforts to cure such breach, or such breach has not been cured within thirty (30) calendar days after notice of such breach to Purchaser (*provided*, *however*, that no cure period shall be required for a breach which by its nature cannot be cured), and (ii) as a result of such breach any of the conditions set forth in Section 6.1 or Section 6.2, as the case may be, would not be satisfied as of the Closing Date; or

(f) by Purchaser, by written notice to Seller, if any of the individuals listed in Schedule 6.3(h)(1) or more than ten percent (10%) of the individuals listed in Schedule 6.3(h)(2) or more than ten percent (10%) of the other Business Employees to whom Purchaser has offered employment following the Closing ceases to be employed by Seller and its Subsidiaries or declines to be employed by Purchaser or a Subsidiary of Purchaser following the Closing.

8.2 Effect of Termination. In the event of a valid termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Purchaser, BIL or Seller, or their respective officers, directors or stockholders or Affiliates; *provided*, *however*, that Purchaser, BIL and Seller shall each remain liable for any breaches of their respective obligations under this Agreement prior to its termination; and *provided further* that, the provisions of Sections 5.2, 5.3, 5.13 and 8.2, Article 9 (exclusive of Section 9.3) and the applicable definitions set forth in Article 10 shall remain in full force and effect and survive any termination of this Agreement.

8.3 Amendment; Waiver. This Agreement may be amended, and any term of this Agreement may be waived, by the parties hereto at any time but only by an instrument in writing duly and validly signed on behalf of and delivered to each of the parties hereto.

ARTICLE 9.
MISCELLANEOUS PROVISIONS

9.1 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or by nationally recognized overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to Purchaser or BIL, to:

Broadcom Corporation
5300 California Avenue
Irvine, California 92617
Facsimile No.: (949) 926-9244
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
1117 California Avenue
Palo Alto, CA 94304
Facsimile No.: 650-858-6100
Attn.: Rod J. Howard, Esq.

If to Seller, to:

Advanced Micro Devices, Inc.
One AMD Place
P.O. Box 3453
Sunnyvale, CA 94088
Facsimile No.: (408) 749-4000
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Latham & Watkins
140 Scott Drive
Menlo Park, CA 94025
Facsimile No.: (650) 463-2600
Attn: Tad J. Freese, Esq.

All such notices, requests and other communications will (a) if delivered personally to the address as provided in this Section 9.1, be deemed given upon delivery, (b) if delivered by facsimile transmission to the facsimile number as provided for in this Section 9.1, be deemed given upon facsimile or telephonic confirmation of successful completion of transmission, and (c) if delivered by overnight courier to the address as provided in this Section 9.1, be deemed given on the earlier of the first Business Day following the date deposited with such overnight courier with the requisite payment and instructions to effect delivery on the next Business Day or upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this Section 9.1). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving written notice specifying such change to the other Parties and, during the Escrow Period, to the Escrow Agent.

9.2 Entire Agreement. This Agreement and the Exhibits and Schedules hereto, including the Seller Disclosure Schedule and the Purchaser Disclosure Schedule and the Ancillary Agreements, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except, subject to Section 5.2(c), for the confidentiality provisions of the Project Addendum and the Exclusivity Agreement, which shall continue in force and effect and shall survive any termination of this Agreement in accordance with its terms and the terms of Section 5.2(c).

9.3 Further Assurances; Post-Closing Cooperation. At any time or from time to time after the Closing, at the request of any Party, the other Parties shall execute and deliver to the requesting Party such other documents and instruments, provide such materials and information and take such other actions as the requesting Party may reasonably request to consummate the transactions contemplated by this Agreement and otherwise to cause the other Party or Parties to fulfill its or their respective obligations under this Agreement and the transactions contemplated hereby.

9.4 Waiver; Remedies. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, shall be cumulative and not alternative.

9.5 Third-Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of Purchaser, BIL, Seller, and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other Person other than any Person entitled to indemnification under Article 7.

9.6 No Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned (by operation of Law or otherwise) by any Party without the prior written consent of the other Parties and any attempt to do so shall be void. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties and their respective successors and assigns.

9.7 Headings. The headings and table of contents used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

9.8 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9.9 Governing Law. This Agreement and, except as otherwise expressly provided therein, the Ancillary Agreements and closing documents hereunder shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York; *provided*, that as to transactions contemplated by this Agreement, the Ancillary Agreements and closing documents that are required by Law to be governed by the Laws of another jurisdiction, such matters shall be governed by the Laws of such other jurisdiction.

9.10 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN ANY ACTION OR PROCEEDING ARISING HEREFROM, THE PARTIES HERETO CONSENT TO TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY HERETO OR ITS SUCCESSORS AGAINST ANY OTHER PARTY HERETO OR ITS SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION OR PROCEEDING.

9.11 Construction.

(a) The Parties hereto agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any Party but rather shall be given a fair and reasonable construction without regard to the rule of *contra proferentem*.

(b) The China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement are intended to supplement this Agreement with respect to the purchase and sale of Assets and Properties in People's Republic of China, India, Japan and Republic of Korea, respectively. Accordingly, any matters that are not specifically addressed in the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement or the Korea Asset Purchase Agreement shall be governed by this Agreement, and any matters that are not addressed in this Agreement but are specifically addressed in the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement or the Korea Asset Purchase Agreement shall be governed by the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement, respectively. In the event of any conflict, inconsistency or discrepancy between this Agreement, on the one hand, and the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement, the Korea Asset Purchase Agreement or the Escrow Agreement, the provisions of this Agreement shall govern, control and prevail.

9.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.13 Specific Performance. The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. It is agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

ARTICLE 10.
DEFINITIONS

10.1 Definitions. As used in this Agreement, the following defined terms shall have the meanings indicated below (with correlative meanings for the singular or plural forms thereof):

"Accountant" means a firm of independent certified public accountants of national standing located in the City of Los Angeles which shall be jointly appointed by Purchaser and Seller. If Purchaser and Seller cannot timely agree on the selection of the Accountant, Purchaser and Seller shall each propose one firm of independent certified public accountants of national standing located in the City of Los Angeles, and the firm to serve as Accountant shall be selected by lot.

"Accrued Bonus Amount" has the meaning ascribed to it in Section 5.7(d)(iii).

"Acquired Competing Interest" has the meaning ascribed to it in Section 5.10.

"Action or Proceeding" means any action, suit, complaint, petition, investigation, proceeding, arbitration, litigation or Governmental or Regulatory Authority investigation, audit or other proceeding, whether civil, regulatory, quasi-criminal or criminal, in law or in equity, or before any arbitrator or Governmental or Regulatory Authority.

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, that Person, whether through ownership of voting securities or by Contract or otherwise.

"Agreement" has the meaning ascribed to it in the forepart of this Agreement.

"AMD Processor" means either of the following: (i) the x86, x86-64, and IA (Intel Architecture)-64 families of microprocessors, or (ii) any existing or new microprocessors based on the x86, x86-64, and IA-64 family architecture, or any new instruction set for a processor described in clause (i) first introduced by Seller.

"Ancillary Agreements" means the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement, the Japan Asset Purchase Agreement, the Intellectual Property License Agreements, the Transition Services Agreement, the Bills of Sale, the Assignment and Assumption Agreement, the Patent Assignments, the Trademark Assignments, the Copyright Assignments, the other instruments of transfer contemplated by Section 1.1, the Real Property Transfer Agreements and the Escrow Agreement.

"Approval" means any approval, authorization, consent, permit, qualification or registration, or any waiver of any of the foregoing, required to be obtained from or made with, or any notice, statement or other communication required to be filed with or delivered to, any Governmental or Regulatory Authority or any other Person.

"Asset Acquisition Statement" has the meaning ascribed to it in Section 1.9.

"Asset Schedules" means Schedules 1.1(a), (b), (c), (d), (e), (f), (g), (h), (i), (j) and (m).

"Assets and Properties" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by such Person, including cash, cash equivalents, Investment Assets, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods and Intellectual Property Rights and Technology.

"Assigned Contracts" has the meaning ascribed to it in Section 1.1.

"Assigned Insurance Proceeds" has the meaning ascribed to it in Section 1.1.

"Assigned Leasehold and Subleasehold Interests" has the meaning ascribed to it in Section 1.1.

"Assigned Permits and Approvals" has the meaning ascribed to it in Section 1.1.

"Assigned Prepayments" has the meaning ascribed to it in Section 1.1.

"Assigned Warranty Rights" has the meaning ascribed to it in Section 1.1.

"Assumed Liabilities" has the meaning ascribed to it in Section 1.3.

"Audited 2007 Business Financials" means the audited financial statements of the Business for the year ended December 29, 2007, in the form required by the Securities and Exchange Commission in connection with the reporting obligations for the transactions contemplated hereby.

"Audited 2008 Business Financials" means the audited financial statements of the Business related to the applicable periods for 2008, in the form required by the Securities and Exchange Commission in connection with the reporting obligations for the transactions contemplated hereby.

"Audited Business Financials" means the Audited 2007 Business Financials and the Audited 2008 Business Financials.

"Books and Records" means all files, documents, instruments, papers, books and records, accounts, personnel records for Continuing Employees, and other printed or written materials, including financial statements, internal reports, Tax Returns and related work papers and letters from accountants, studies, correspondence, budgets, pricing guidelines, ledgers, journals, deeds, title policies, minute books, stock certificates and books, stock transfer ledgers, Contracts, Licenses, patent files, prosecution and enforcement files with respect to Intellectual Property Rights other than Patents, customer lists, computer files and programs (including data processing files and records), retrieval programs, operating data and plans and environmental studies and plans.

"Business" means the design, development, distribution, marketing, manufacture, use, import, license, offer for sale, sale, maintenance, support or other disposal of the Business Products.

"Business Books and Records" means the Books and Records evidencing or primarily related to the Purchased Assets or Assumed Liabilities or otherwise required for the operation of the Business.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of California are authorized or obligated to close.

"Business Employees" has the meaning ascribed to it in Section 2.15.

"Business Material Adverse Effect" means a change, effect, event, occurrence or circumstance that is materially adverse to the Business, the Purchased Assets, the Exclusively Licensed IP Assets or the Assumed Liabilities, or Seller's ability to perform its obligations hereunder or under the Ancillary Agreements; *provided*, that none of the following shall constitute a Business Material Adverse Effect: changes, effects, events, occurrences and circumstances that are caused primarily and directly by (i) the announcement or pendency of this Agreement and the transactions contemplated hereby; (ii) temporary cyclical changes in the U.S. or Canadian economies or capital markets generally or the semiconductor industry as a whole (to the extent that such changes do not have a disproportionately adverse effect on the Business, the Purchased Assets, or the Assumed Liabilities); (iii) changes in GAAP; or (iv) changes in applicable Law. In any dispute between Purchaser and Seller concerning the existence or occurrence of a Business Material Adverse Effect, the burden of proof with respect to the relevant elements and matters in dispute shall be determined by the adjudicator of such dispute.

"Business Products" means (a) the Past Business Products, (b) the Current Business Products, (c) the Roadmap Products, and (d) all other integrated circuit chips that Seller and its Subsidiaries have sold within the five (5) years prior to the date hereof as commercialized products designed specifically for use in digital televisions. "Business Products" do not include any IP core, processor, integrated circuit or chipset that, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as a graphics processing unit for use in PCs, servers, workstations or Game Consoles, or (ii) a processor core or product that (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, (C) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor, or (D) is a chipset (Northbridge/Southbridge) for use with any AMD Processor.

"Business Real Properties" has the meaning ascribed to it in Section 2.18(a).

"Business Source Code" has the meaning ascribed to it in Section 2.11(m).

"Canadian Business Consultant" means one whose relationship to Seller or any of its Subsidiaries (other than as a shareholder and director) is that of independent contractor. The individual is not an employee, agent, partner or joint venturer of Seller or any of its Subsidiaries.

"Canadian Seller Benefit Plans" means any Seller Benefit Plan which any of Seller or any its Subsidiaries sponsor, administer or contribute to on behalf of any Canadian Business Employee.

"Cap" means the Escrow Amount plus any additions thereto pursuant to Section 7.2(e); *provided*, *however*, that for breaches or violations of or inaccuracies in the representations and warranties set forth in Section 2.3, "Cap" means the Escrow Amount plus (i) any additions

thereto pursuant to Section 7.2(e) and (ii) ten million dollars ($10,000,000) (such ten million dollars ($10,000,000) to be recoverable directly from Seller by Purchaser or the applicable Purchaser Indemnitee to the extent such amount is otherwise recoverable pursuant to Article 7).

"Charges" has the meaning ascribed to it in Section 5.7(e).

"China Asset Purchase Agreement" means the Asset Purchase Agreement of China Assets, of even date herewith, in substantially the form set forth in Exhibit A.

"Claimant" has the meaning ascribed to it in Section 5.12(b).

"Closing" means the closing of the transactions contemplated by Section 1.6.

"Closing Date" has the meaning ascribed to it in Section 1.6.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Competing Proposal or Inquiry" has the meaning ascribed to it in Section 4.2.

"Continuing Employees" has the meaning ascribed to it in Section 5.7(a).

"Contract" means any contract (including leases, subleases, licenses, sublicenses), commitment, agreement or other business arrangement (whether oral or written).

"Current Business Products" means the products listed in Schedule 10.1(CBP).

"Disclosure Schedules" means the Seller Disclosure Schedule and the Purchaser Disclosure Schedule.

"Effective Time" has the meaning ascribed to it in Section 1.1.

"Environment" means air, surface water, ground water, or land, including land surface or subsurface, and any receptors such as persons, wildlife, fish, biota or other natural resources.

"Environmental Clean-up Site" means any location which is listed or proposed for listing on the National Priorities List promulgated by the U.S. Environmental Protection Agency, the Comprehensive Environmental Response, Compensation and Liability Information System, or on any similar state list of sites relating to investigation or cleanup, or which is the subject of any pending or threatened Action or Proceeding related to or arising from any location at which there has been a Release or is the presence or has been a threatened or suspected Release or presence of a Hazardous Material.

"Environmental Law" means any federal, state, provincial, municipal, local or foreign environmental, health and safety or other Law relating to of Hazardous Materials, the distribution in commerce of products or articles containing Hazardous Materials or restricted substances (or the requirement to register or provide notice of the substances contained in those

products or articles prior to distribution in commerce), including the Comprehensive, Environmental Response Compensation and Liability Act, the Clean Air Act, the Federal Water Pollution Control Act, the Solid Waste Disposal Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Canadian Environmental Protection Act, 1999, the Fisheries Act (Canada), the European Union Restriction on Hazardous Substances Directive, the European Waste Electronic and Electrical Equipment Directive, the European Union REACH Directive, the California Safe Drinking Water, Toxic Enforcement Act, the Environmental Protection Act (Ontario), the Safe Drinking Water Act (Ontario) and the Ontario Water Resources Act.

"Environmental Permit" means any permit, license, approval, consent, registration or authorization required under or in connection with any Environmental Law and includes any and all orders, consent orders or binding agreements issued by or entered into with a Governmental or Regulatory Authority.

"ERISA" means the Employee Retirement Income security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Escrow Agent" means J.P. Morgan Chase (or other institution acceptable to Purchaser and Seller).

"Escrow Agreement" means the Escrow Agreement, dated as of the Closing Date, by and among Purchaser, Seller and the Escrow Agent.

"Escrow Amount" means nineteen million two hundred eighty thousand dollars ($19,280,000).

"Escrow Fund" has the meaning ascribed to it in Section 7.2(a).

"Escrow Period" has the meaning ascribed to it in Section 7.2(d).

"EU Business Employees" means the French EU Business Employee and the UK Employees, collectively.

"EU Continuing Employee" shall means any EU Business Employee: (a) whose contract of employment has effect from the Effective Time as if originally made between Purchaser, or one of its designated Affiliates, and the applicable EU Business Employee pursuant to the operation of the EU Transfer Regulations in the applicable Member State; or (b) who accepts an offer of employment made pursuant to Sections 5.7(a), (b), (c) or (d) or Section 5.7(e)(iv).

"EU Transferring Employee" means any UK Employee whose contract of employment has effect from the Effective Time as if originally made between Purchaser or one of its designated Affiliates and the applicable UK Employee pursuant to the operation of the EU Transfer Regulations in the UK.

"EU Transfer Regulations" means any relevant Laws of an applicable Member State of the European Union that implements into that Member State's national Laws the Acquired Rights Directive (2001/23/EC).

"Excepted Matters" has the meaning ascribed to it in Section 7.2(c)(v).

"Excluded Assets" has the meaning ascribed to it in Section 1.2.

"Excluded Contracts" has the meaning ascribed to it in Section 1.2.

"Exclusively Licensed IP Assets" means those Licensed IP Assets which are, or will be, as applicable, exclusively licensed to Purchaser and its Affiliates in the relevant field pursuant to the Intellectual Property License Agreements.

"Exclusivity Agreement" has the meaning ascribed to it in Section 5.2.

"Expiration Date" has the meaning ascribed to it in Section 7.1.

"Final Date" has the meaning ascribed to it in Section 8.1(b).

"Foreign Asset Purchase Agreements" means the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement, collectively.

"French EU Business Employee" means the one (1) employee of Seller or its Subsidiaries located in France as of the date hereof.

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time.

"Game Consoles" means consumer electronic devices that attach to a television and are primarily marketed for the playing of electronic games, such as, or similar to, Microsoft's Xbox 360, Sony's PlayStation 3 or Nintendo's Wii, and including portable devices that are primarily marketed for the playing of electronic games, such as Nintendo DS. "Game Console" excludes [****].

"Governmental or Regulatory Authority" means any country (including the United States of America, the People's Republic of China, Canada, India, Japan, Korea, and the Republic of China); any supranational authority or agency; any state, province, county, borough, city, parish, municipal or other political subdivision or unit of government; any national, federal, provincial, state, county, borough, city, parish, local, municipal, regional, territorial, aboriginal or other government, governmental or public department, branch or ministry; any court, tribunal, arbitrator, authority, agency, bureau, board, commission, district, office or other instrumentality of any of the foregoing; and any quasi-governmental body or self-regulatory organization that exercises governmental, quasi-governmental or regulatory functions, including the New York Stock Exchange, the National Association of Securities Dealers and other stock exchanges and

securities industry self-regulatory organizations; any official, officer or other Person exercising the authority of any of the foregoing; and any other Person exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or Taxing authority or power of any nature.

"Hazardous Material" means (a) any chemical, material, substance or waste including, containing or constituting petroleum or petroleum products, solvents (including chlorinated solvents), nuclear or radioactive materials, asbestos, radon, lead-based paint, urea formaldehyde foam insulation or polychlorinated biphenyls, (b) any chemicals, materials, substances or wastes which are now defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminant" or words of similar import under any Environmental Law; or (c) any other chemical, material, substance or waste which is regulated by any Governmental or Regulatory Authority or which could constitute a nuisance.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Income Tax" means any income, alternative or add-on minimum tax, gross income, gross receipts, franchise, profits, including estimated taxes relating to any of the foregoing, or other similar tax or other like assessment or charge of similar kind whatsoever, excluding any Other Tax, together with any interest and any penalty, addition to tax or additional amount imposed by any Taxing Authority responsible for the imposition of any such tax (domestic or foreign).

"Indebtedness" of any Person means all obligations of such Person (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments, (c) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (d) under capital leases, and (e) in the nature of a guarantee of any of the obligations described in clauses (a) through (d) above of any other Person.

"Indemnified Party" means the Party seeking, or entitled to, indemnification under Article 7. Either Purchaser or Seller may be an Indemnified Party, as the context shall indicate.

"Indemnifying Party" means the Party obligated to provide indemnification or against which indemnification under Article 7 is sought. Either Purchaser or Seller may be an Indemnifying Party, as the context shall indicate.

"India Asset Purchase Agreement" means the India Asset Purchase Agreement of even date herewith, in substantially the form set forth in Exhibit B.

"Intellectual Property Cross-License Agreement" means the Intellectual Property Cross-License Agreement of even date herewith, in the form set forth in Exhibit K.1.

"Intellectual Property License Agreements" mean the Intellectual Property Cross-License Agreement, the IP Core License Agreement, and the Trademark License Agreement, all of even date herewith.

"Intellectual Property Rights" means all (a) trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, (b) design and utility patents and patent rights (and equivalent rights filed or granted in any jurisdiction, including certificates of invention, as applicable), utility models and utility model rights, patent applications, and all related continuations, continuations-in-part, divisionals, reissues and reexaminations (collectively, "Patents"), (c) copyrights, industrial designs and moral rights, (d) mask work rights and rights in integrated circuit topographies, (e) brand names, trade dress, product designs, product packaging, business and product names, logos, slogans, rights of publicity, (f) trade secrets, inventions (whether patentable or not), and know-how (including all technical information, instructions, improvements, processes, formulae, industrial models, algorithms, designs, specifications, technology and methodologies except that tangible embodiments thereof are included in Technology), (g) all Web addresses, sites and domain names, (h) all data, data bases and data collections and all rights therein, (i) any confidential or proprietary right or information, whether or not subject to statutory registration and whether or not reduced to practice, (j) all applications for and registrations of (and all rights to apply for and register) any right described in subsections (a) through (e) above, and (k) other proprietary rights relating to any of the foregoing or the Technology (including remedies against infringements or misappropriations thereof and rights of protection of interest therein under the laws of all jurisdictions).

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

"Investment Assets" means all debentures, notes and other evidences of Indebtedness, stocks, securities (including rights to purchase and securities convertible into or exchangeable for other securities), interests in joint ventures and general and limited partnerships, mortgage loans and other investment or portfolio assets.

"IP Communication" has the meaning ascribed to it in Section 5.12(a).

"IP Core License Agreement" means the IP Core License Agreement of even date herewith, in the form set forth in Exhibit K.2.

"IT Separation Plan" means the information technology separation plan attached to the Transition Services Agreement.

"ITA" means the Income Tax Act (Canada).

"Japan Asset Purchase Agreement" means the Japan Asset Purchase Agreement of even date herewith, in substantially the form set forth in Exhibit C.

"knowledge" means, with respect to any Person, actual knowledge after due inquiry of any applicable employee of such Person specified on Schedule 10.1(K) attached hereto.

"Korea Asset Purchase Agreement" means the Korea Asset Purchase Agreement of even date herewith, in substantially the form set forth in Exhibit D.

"Law" or "Laws" means any law, statute, Order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in the United States, any foreign country, or any domestic or foreign state, province, county, city, municipality or other political subdivision or of any Governmental or Regulatory Authority.

"Lease Documents" has the meaning ascribed to it in Section 2.18(d).

"Liability" means all Indebtedness, obligations and other liabilities of a Person, whether absolute or contingent (or based upon any contingency), known or unknown, fixed or otherwise, due or to become due, whether or not accrued or paid, and whether required or not required to be reflected in financial statements under GAAP.

"License" means any Contract that grants a Person the right (whether expressly or by implication), or allows a Person to retain the right, to use or otherwise enjoy the benefits of any Intellectual Property Rights or Technology (including any covenants not to sue with respect to any Intellectual Property Rights).

"Licensed IP Assets" means (a) the Listed Licensed IP Assets; and (b) the Intellectual Property Rights and Technology owned by or licensed to Seller or any of its Affiliates as of the date hereof or as of the Closing Date and which would be licensed or sublicensed by Seller and its Affiliates to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements.

"Lien" means any mortgage, pledge, assessment, security interest, lease, lien, easement, license, covenant, condition, levy, charge, option, equity, adverse claim or restriction or other encumbrance of any kind, or any conditional sale Contract, title retention Contract or other Contract to give any of the foregoing, except for any restrictions on transfer generally arising under any applicable federal or state securities Law.

"Listed Licensed IP Assets" means the Intellectual Property Rights and Technology which are listed in the Schedules to the Intellectual Property License Agreements.

"Listed Purchased Technology" has the meaning ascribed to it in Section 1.1(c).

"Loss" means any and all damages, fines, fees, Taxes, penalties, charges, assessments, deficiencies, judgments, defaults, settlements and other losses (including lost profits to the extent that such lost profits are the subject of a Third-Party Claim, lost profits in connection with the claims by Purchaser related to inventory, write-offs, write-downs and other diminution in fair market value), and all expenses (including expenses of investigation, defense, prosecution and settlement of claims, court costs, reasonable fees and expenses of attorneys, accountants and

other experts) in connection with any Action or Proceeding, Third-Party Claim, or other claim or dispute (including any claim or dispute relating to any right or asserted right under this Agreement or any of the Ancillary Agreements against any party hereto or thereto or otherwise), plus any interest that may accrue on any of the foregoing.

"Mobile Devices" means battery-operated, handheld electronic personal communication devices, such as, or similar to, cellular telephones, smart phones, PDAs, or pagers, including such devices that are primarily marketed for purposes other than playing electronic games, even if such devices incorporate game-playing functionality, such as, or similar to, Apple's iPhone or Research In Motion's Blackberry.

"Money Laundering Laws" means applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970 or the Laws administered or promulgated by, the United States Office of Foreign Asset Controls, or similar Laws of any jurisdiction.

"Month Bonus" has the meaning ascribed to it in Section 5.7(d)(iii).

"NDA" has the meaning ascribed to it in Section 5.2(c).

"Net Insurance Proceeds" has the meaning ascribed to it in Section 7.2(c).

"Nonassignable Assets" has the meaning ascribed to it in Section 1.7(c).

"Non-Critical Software" means standard generally available commercial software having an acquisition cost of less than seven hundred fifty dollars ($750) on an individual basis or per employee or seventy five thousand dollars ($75,000) in the aggregate, but excluding any software that comprises, is incorporated in, or is required for the development of, any Business Product.

"Non-transferring Employee" has the meaning ascribed to it in Section 5.7(b).

"Officer's Certificate" has the meaning ascribed to it in Section 7.2(e).

"Open Source Software" means any open source or free software (including any software licensed pursuant to a GNU public license, Mozilla Public License (MPL), BSD Licenses, Artistic License, Netscape Public License, Sun Community Source License (SCSL), Sun Industry Standards License (SISL), Common Public License or Apache License) or other Software that requires, as a condition of use, modification or distribution, that (a) such Software or other Software incorporated into, derived from or distributed with such Software (i) be disclosed or distributed in source code form, (ii) be licensed for the purpose of making derivative works, (iii) be redistributable at no charge, or (iv) be licensed without imposing restrictions on sale or aggregation with third-party Software or hardware, or (b) licenses or covenants not to sue be granted under any Patents.

"Operating Plan" has the meaning ascribed to it in Section 2.22.

"Order" means any writ, judgment, decree, injunction or similar requirement or binding obligation or order of any Governmental or Regulatory Authority (in each such case whether preliminary or final).

"Other Purchased Intellectual Property Rights" has the meaning ascribed to it in Section 1.1(b).

"Other Purchased Technology" has the meaning ascribed to it in Section 1.1(c).

"Other Tax" means any sales, use, ad valorem, business license, withholding, payroll, employment, excise, stamp, transfer, recording, occupation, premium, property, value added, custom duty, severance, windfall profit or license tax, governmental fee or other similar assessment or charge, together with any interest and any penalty, addition to tax or additional amount imposed by any Taxing Authority responsible for the imposition of any such tax (domestic or foreign).

"Past Business Products" means the prior commercialized versions of the Current Business Products and the products listed on Schedule 10.1(PBP).

"Patents" has the meaning ascribed to such term in the definition of Intellectual Property Rights in this Section 10.1.

"PC" means an x86 desktop, x86 notebook or x86 ultra-mobile personal computer.

"PCTV Devices" means (a) computer cards and products that both (i) tune, demodulate, process (including encoding, decoding and enhancing audio and video data), record and/or display digital and analog broadcast television signals, and provide related services such as electronic program guides, and (ii) are included in a PC, or require a PC for operation, and (b) Software operating on such computer cards and integrated circuits to the extent necessary to provide the functionality described in clause (a)(i) hereof.

"Permit" means any license, permit, franchise, authorization, approval or registration.

"Permitted Exceptions" means (i) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate reserve is established therefor; (ii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not material to the Business or the Purchased Assets or Assumed Liabilities and that are not resulting from a breach, default or violation by Seller or any of its Subsidiaries of any Contract or instrument for charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate reserve is established therefor; (iii) zoning, entitlement and other land use and environmental regulations or other requirements by any Governmental or Regulatory Authority provided that such regulations or other requirements have not been violated; and (iv) such other imperfections in title, charges, easements, restrictions and encumbrances which do not materially detract from the value of or materially interfere with the present use of any Assets and Properties of Seller subject thereto or affected thereby.

"Person" means any natural person, corporation, general partnership, limited partnership, limited liability company or partnership, proprietorship, other business organization, trust, union, association or Governmental or Regulatory Authority.

"Project Addendum" has the meaning ascribed to it in Section 5.2(c).

"PTO" means the United States Patent and Trademark Office.

"Purchase Price" has the meaning ascribed to it in Section 1.5.

"Purchased Assets" has the meaning ascribed to it in Section 1.1.

"Purchased Furniture and Equipment" has the meaning ascribed to it in Section 1.1.

"Purchased Intellectual Property Rights" means the Purchased Registered Intellectual Property Rights and the Other Purchased Intellectual Property Rights.

"Purchased Inventory" has the meaning ascribed to it in Section 1.1.

"Purchased IP Assets" means the Purchased Intellectual Property Rights and the Purchased Technology.

"Purchased Registered Intellectual Property Rights" has the meaning ascribed to it in Section 1.1(b).

"Purchased Software" has the meaning ascribed to it in Section 1.7(a).

"Purchased Technology" means the Listed Purchased Technology and the Other Purchased Technology.

"Purchaser" has the meaning ascribed to it in the forepart of this Agreement.

"Purchaser Closing Deliverables" means (i) the Assignment and Assumption Agreement, and the certificates and instruments required to be executed and delivered by Purchaser at the Closing pursuant to Section 1.1 or to satisfy the conditions to Purchaser's obligations set forth in Article 6, in each case duly and validly executed by or on behalf of Purchaser; (ii) the legal opinions required by Section 6.2(e); (iv) the Ancillary Agreements required to be delivered by Purchaser to Seller at the Closing (if any) pursuant to Section 6.2(d) and not theretofore executed and delivered by Purchaser; and (v) such other instruments of title and transfer and such other documents as Seller may reasonably request.

"Purchaser Disclosure Schedule" has the meaning ascribed to it in the forepart of Article 3.

"Purchaser Field" means the design, development, distribution, marketing, manufacture, use, import, license and sale of any of the following: Current Business Products, Past Business Products, Roadmap Products (or products reasonably contemplated by Seller's DTV Division roadmap as of the date hereof), products developed or commercialized specifically for the [****] by Seller or any of its Subsidiaries (other than [****] products that incorporate [****] functionality but that are primarily developed and commercialized by Seller and its Subsidiaries for use other than as single-function [****] products), or products that compete with any of the foregoing products; *provided*, *however*, that [****] are not included in the Purchaser Field.

"Purchaser Indemnitees" has the meaning ascribed to it in Section 7.2(b).

"Purchaser Material Adverse Effect" means a change, effect, event, occurrence or circumstance that is materially adverse to the ability of Purchaser to consummate the transactions contemplated by, and to perform its obligations under, this Agreement.

"Real Property Transfer Agreements" means the lease, sublease, real property license and similar occupancy agreements, and forms of assignment agreements, in substantially the form attached as Exhibit M (with such amendments, reasonably acceptable to Purchaser and Seller, as may be required to obtain applicable landlord consents thereto).

"Registered Intellectual Property Rights" means all United States, international, foreign and other non-U.S.: (a) Patents (including, for the avoidance of doubt, patent applications); (b) registered trademarks and service marks, applications to register trademarks and service marks, intent-to-use applications, other registrations or applications to trademarks or servicemarks, or trademarks or service marks in which common law rights are owned or otherwise controlled; (c) registered copyrights and industrial designs, applications for copyright and industrial design registration; (d) mask work and integrated circuit topography registrations and applications to register mask works and integrated circuit topographies; and (e) other Intellectual Property Rights that are the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any Governmental or Regulatory Authority.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Material into the Environment.

"Representatives" means officers, directors, employees, Affiliates, attorneys, investment bankers, financial advisers, agents and other representatives.

"Required Purchaser Approvals" means (i) an advance ruling certificate or no-action letter from the Commissioner of Competition under and in compliance with the Competition Act (Canada) with respect to the transactions contemplated by this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) the approval of the Ministry of Industry under the Investment Canada Act for transactions contemplated by this Agreement and (iii) all other Governmental or Regulatory Authority Approvals required to be obtained by Purchaser for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including all required Approvals, if any, under the anti-monopoly Laws of the People's Republic of China).

"Required Seller Approvals" means (i) an advance ruling certificate or no-action letter from the Commissioner of Competition under and in compliance with the Competition Act (Canada) with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) the approval of the Ministry of Industry under the Investment Canada Act for transactions contemplated by this Agreement and (iii) all other Governmental or Regulatory Authority Approvals required to be obtained by Seller for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including all required Approvals, if any, under the anti-monopoly Laws of the People's Republic of China).

"Restricted Business" has the meaning ascribed to it in Section 5.10.

"Retained Liabilities" has the meaning ascribed to it in Section 1.4.

"Revised Statements" has the meaning ascribed to it in Section 1.9.

"Roadmap Products" means the products listed in Schedule 10.1(RBP).

"Seller" has the meaning ascribed to it in the forepart of this Agreement; *provided*, *however*, that for purposes of Article 2, except where the context otherwise clearly and unambiguously requires, each reference to Seller in Article 2 (and in the definitions and rules of construction in this Article 10 applicable to the defined terms used in Article 2) is intended, and shall be deemed and construed to refer, both individually and collectively, conjunctively and disjunctively, (i) to Seller and each Subsidiary of Seller, separately and individually, that is engaged in the Business or holds any of the Purchased Assets, and (ii) to Seller and its Subsidiaries collectively.

"Seller Benefit Plan" means (a) each of the "employee benefit plans" (as such term is defined in Section 3(3) of ERISA), of which any of Seller or any of its Subsidiaries, or any member of the same controlled group of businesses as Seller or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA (an "ERISA Affiliate") is or ever was a sponsor or participating employer or as to which Seller or any of its Subsidiaries or any of their ERISA Affiliates makes contributions or is required to make contributions, and (b) any similar employment, severance or other arrangement or policy of any of Seller or any of its Subsidiaries or any of their ERISA Affiliates (whether written or oral) providing for health, life, vision or dental insurance coverage (including self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits or retirement benefits, fringe benefits, or for profit sharing, deferred compensation, bonuses, stock options, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits, in each case as applicable to any Business Employee.

"Seller Closing Deliverables" means (i) the Bill of Sale, the Assignment and Assumption Agreement, the Patent Assignment, the Trademark Assignment, the Copyright Assignment, and the certificates and instruments required to be executed and delivered by Seller at the Closing

pursuant to Section 1.1 or to satisfy the conditions to Purchaser's obligations set forth in Article 6, in each case duly and validly executed by or on behalf of Seller; (ii) the consents required by Section 6.3(d), (iii) the legal opinions required by Section 6.3(f); (iv) the Ancillary Agreements required to be delivered by Seller to Purchaser at the Closing (if any) pursuant to Section 6.3(g) and not theretofore executed and delivered by Seller; and (v) such other instruments of title and transfer and such other documents as Purchaser may reasonably request.

"Seller Disclosure Schedule" has the meaning ascribed to it in the forepart of Article 2.

"Seller Indemnitees" has the meaning ascribed to it in Section 7.2(b).

"Seller IP Assets" means any and all Intellectual Property Rights and Technology that (a) are owned by Seller or any of its Subsidiaries (including all Purchased IP Assets); (b) are licensed to Seller or any of its Subsidiaries; (c) were developed or created by or for Seller or any of Subsidiaries; or (d) are used, useful, held for use or intended to be used in, or is necessary for or otherwise related to the conduct of the Business as presently or heretofore conducted or as presently proposed to be conducted, including Intellectual Property Rights and Technology created by any of the founders, employees, independent contractors or consultants of Seller or any of its Subsidiaries for or on behalf or in contemplation of any such entity, whether before or after the incorporation of such entity.

"Seller Registered Intellectual Property Rights" means all Registered Intellectual Property Rights owned by, filed in the name of, assigned to or applied for by, Seller or any of its Subsidiaries.

"Severance Liability List" has the meaning ascribed to it in Section 5.7(g).

"Severance Liability List Dispute Notice" has the meaning ascribed to it in Section 5.7(g).

"Severance Liability List Review Period" has the meaning ascribed to it in Section 5.7(g).

"Site" means any of the real properties where the Business is or has been conducted that is currently or previously was owned, leased, occupied, used or operated by Seller or any of its Subsidiaries or any of its or their respective predecessors or any entities previously owned by any of them, including all soil, subsoil, surface waters and groundwater.

"Software" means any computer software, firmware or RTL in any language, including any compiled language, interpreted language or hardware description language.

"Source Code" means any human readable source code of Software or any portion or aspect of Software, or any material proprietary information or algorithm contained in or relating to any Software source code.

"Standard" means standard applicable to the Business that is promulgated by a standards development organization, consortium, trade association, special interest group or like entity, for the purpose of or as a result of widespread adoption. Standards shall include broadly-recognized and broadly-accepted technical specifications applicable to the Business promulgated by organizations like the ITU, ISO, IEC, 3GPP, MPEG, W3C and IETF (various standard development organizations); Infiniband Trade Association; UPnP Forum; USB Implementers Forum, Inc; SALT Forum; Open Mobile Alliance Ltd. (or OMA); and each of the following: (a) Dolby Digital AC-3 audio coding standards and technology; (b) Macrovision's Analog Protection System ("APS"); (c) MPEG-2, MPEG-3 and MPEG-4; (d) Advanced Television Systems Committee ("ATSC") standards and technology, DVB-T and DVB-H standards and technology; HDCP standard and related technologies; and (e) High Definition Multimedia Interface standard and related technologies.

"Subsidiary", with respect to any Person, means any other Person, whether or not existing on the date hereof, in which the specified Person directly or indirectly through subsidiaries or otherwise, beneficially owns at least fifty percent (50%) of either the equity interest or voting power of or in such other Person or otherwise controls such other Person.

"Tax" or "Taxes" means Income Taxes and/or Other Taxes, as the context requires.

"Tax Laws" means the Internal Revenue Code, ITA, federal, state, county, local or foreign Laws relating to Taxes and any regulations or official administrative pronouncements released thereunder.

"Tax Return" means any return, report, declaration, designation, election, information return, schedule, certificate, statement, undertaking, or other document filed or required to be filed with a Taxing Authority in connection with the determination, assessment, collection, audit or administration of Taxes, or, where none is required to be filed with a Taxing Authority, the statement or other document issued by, a Taxing Authority in connection with any Tax, in each case including any related or supporting schedules, itemizations, and other information with respect to any of the foregoing.

"Taxing Authority" means any governmental agency, board, bureau, body, department or authority of any United States federal, state or local jurisdiction or any foreign jurisdiction, having or purporting to exercise jurisdiction with respect to any Tax.

"Technology" means all tangible embodiments of the Intellectual Property Rights, whether in electronic, written or other media, including invention disclosures, data, directories, Software, Source Code, object code, firmware, technical documentation, specifications, requirements, designs, design, manufacturing, engineering and technical drawings, processes and quality control data, schemes, schematics, diagrams, bills of material, netlists, build instructions, test reports, mask works, integrated circuit topographies, design files, data sheets, reference designs, test vectors, data sheets, algorithms, application programming interfaces, user interfaces, routines, formulae, test vectors, net lists, photomasks, databases, lab notebooks, manuscripts, records, processes, prototypes, samples, studies, know-how, product trees, media, diskettes, logs and access control mechanisms relating thereto, content of web pages, graphical user interfaces, simulations, customer and vendor lists, manuals, marketing materials and literature and other works of authorship.

"Terminated Continuing Employee" has the meaning ascribed to it in Section 5.7(g).

"Third-Party Claim" has the meaning ascribed to it in Section 7.2(i).

"Threshold Amount" has the meaning ascribed to it in Section 7.2(c).

"Trademark License Agreement" means the Trademark License Agreement of even date herewith, in the form set forth in Exhibit K.3.

"Transition Services Agreement" means the agreement relating to transition services in substantially the form annexed as Exhibit L.

"UK Employees" means six (6) employees of Seller or its Subsidiaries located in the United Kingdom as of the date hereof and specifically noted in the confidential letter provided to Purchaser pursuant to Section 2.15(a).

"Unaudited Business Financials" means the unaudited statement of operations based on the DTV reporting unit of Seller's consumer electronics segment (incorporating certain additionally allocated costs as set forth therein) for the following periods: (i) the former ATI Technologies ULC fiscal years ended August 31, 2005 and 2006, (iii) Seller's fiscal year ended December 29, 2007, and (iv) Seller's fiscal quarter ended March 29, 2008.

"WARN" means Worker Adjustment and Retraining Notification Act, as amended.

10.2 Construction.

(a) Unless the context of this Agreement otherwise requires, (i) words of either gender or the neuter include the other gender and the neuter, (ii) words using the singular number also include the plural number and words using the plural number also include the singular number, (iii) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement as a whole and not to any particular Article, Section or other subdivision, (iv) the terms "Article" or "Section" or other subdivision refer to the specified Article, Section or other subdivision of the body of this Agreement, (v) the phrases "ordinary course of business" and "ordinary course of business consistent with past practice" refer to the business and practice of Seller consistent with past practice since October 25, 2006, (vi) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation,"; (vii) when a reference is made in this Agreement to Exhibits, such reference shall be to an Exhibit to this Agreement unless otherwise indicated, (viii) when a statement herein with respect to a particular matter is qualified by the phrase "in all material respects," materiality shall be determined solely by reference to, and solely within the context of, the specified matter and not with respect to the entirety of this Agreement or the entirety of the transactions contemplated hereby, (ix) for any document or other item to have been "made available" heretofore or prior to the execution or date of this Agreement such document or other

item must be deposited at least three (3) calendar days prior to the date hereof (or if deposited more recently, provided such notice of such deposit and a copy of thereof was give to Purchaser) into the data room heretofore established by Seller with written notice of such deposit and a copy of such deposit was made to Purchaser and (x) all references to "dollars" or "$" shall mean United States dollars. All accounting terms used herein and not expressly defined herein shall have the meanings given to them under U.S. GAAP, unless otherwise expressly stated. When used herein, the terms "Party" or "Parties" refer to Purchaser and BIL, on the one hand, and Seller, on the other hand, and the terms "third party," "third-party" or "third parties" refers to Persons other than Purchaser, BIL and Seller. Without limiting the respects in which a matter may otherwise be deemed to be material, a matter shall be deemed to be "material" if it has a fair market value or notional value, or involves total nominal obligations, Liabilities or Losses, or total nominal receipts or payments, in excess of two hundred fifty thousand dollars ($250,000).

(b) The drafting and negotiation of the representations, warranties, covenants and conditions to the obligations of Seller, Purchaser and BIL herein reflect compromises, and certain provisions may overlap with other provisions or may address the same or similar subject matters in different ways or for different purposes. It is the intention of the parties that, to the extent possible, unless provisions are mutually exclusive and effect cannot be given to both or all such provisions, (i) the representations, warranties, covenants and closing conditions in this Agreement shall be construed to be cumulative; (ii) each representation, warranty, covenant and closing condition in this Agreement shall be given full separate and independent effect; and (iii) no limitation in or exception to any representation, warranty, covenant or closing condition shall be construed to limit or apply to any other representation, warranty, covenant or closing condition unless such limitation or exception is expressly made applicable to such other representation, warranty, covenant or closing condition.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first written above.

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Name: Harry A. Wolin
Title: Sr. Vice President, General Counsel & Secretary

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

BROADCOM CORPORATION

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

BROADCOM INTERNATIONAL LIMITED

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 2.2

EXECUTION VERSION

AMENDMENT NO. 1
to
ASSET PURCHASE AGREEMENT

This Amendment No. 1 (this "Amendment") to the Asset Purchase Agreement (as hereinafter defined) is made and entered into as of October 27, 2008 by and among Broadcom Corporation, a California corporation ("Purchaser"), Broadcom International Limited, an exempted company organized and existing under the laws of the Cayman Islands ("BIL"), and Advanced Micro Devices, Inc., a Delaware corporation ("Seller"). Capitalized terms used and not otherwise defined herein have the meaning set forth in the Asset Purchase Agreement.

RECITALS

A. Seller, Purchaser and BIL have entered into that certain Asset Purchase Agreement dated as of August 25, 2008 (the "Asset Purchase Agreement").

B. Section 8.3 of the Asset Purchase Agreement provides, in relevant part, that the Asset Purchase Agreement may be amended by the parties thereto at any time, but only by an instrument in writing duly and validly signed on behalf of each of the parties thereto.

C. Seller, Purchaser and BIL desire to amend the Asset Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises, and the mutual agreements set forth herein, and for good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties), and intending to be legally bound, Seller, Purchaser and BIL hereby agree as follows:

AGREEMENT

1. Amendments.

(a) Section 1.5 of the Asset Purchase Agreement is hereby amended and restated so as to read in its entirety as follows:

"1.5 Consideration. The aggregate consideration for the Purchased Assets shall consist of (i) cash in the amount of one hundred forty one million five hundred thousand dollars ($141,500,000), minus the value of employee-related expenses calculated in accordance with Section 5.7(d)(i) and Section 5.7(d)(iii) and subject to the provisions of Section 5.16 (the "Purchase Price"), and (ii) the assumption of the Assumed Liabilities."

(b) Section 2.11(c) of the Asset Purchase Agreement is hereby amended to add and include at the end thereof, for all purposes of the Asset Purchase Agreement, as if originally set forth therein on the date thereof, the following (all other provisions of such Section 2.11(c) to remain in full force and effect without modification):

"Neither Seller nor any of its Subsidiaries has any ownership or other interest in, to or under any registered copyright or industrial design, or any application for a copyright or industrial design registration, that, individually or in the aggregate, is necessary to the operation of the Business or is exclusively or primarily related to the Business, and no registered copyright or industrial design is necessary to the operation of the Business and exclusively or primarily related to the Business. Seller has disclosed to Purchaser (a) all United States patent applications with a filing date during the period beginning March 1, 2008 and ending October 1, 2008 and (b) invention disclosures entered in the AMD patent docketing database by the AMD law department with a submission date during the period beginning March 1, 2008 and ending October 1, 2008, to the extent that each is categorized by the submitting inventor(s) as related to the DTV business unit and names only Business Employee(s) as an inventor(s). Following the Closing Date, Seller shall disclose to Purchaser all invention disclosures entered in the AMD patent docketing database by the AMD law department with a submission date during the period beginning March 1, 2008 and ending on the Closing Date, to the extent each is categorized by the submitting inventor(s) as related to the DTV business unit and names at least one Business Employee as an inventor."

(c) The defined term "Effective Time" and all uses thereof shall mean 12:01am local time on October 28, 2008, as applied in each jurisdiction participating in the transactions contemplated by the Asset Purchase Agreement and the Ancillary Agreements.

(d) The definition of "Escrow Amount" set forth in Section 10.1 of the Asset Purchase Agreement is hereby amended and restated so as to read in its entirety as follows:

" "Escrow Amount" means fourteen million dollars ($14,000,000)."

2. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one instrument.

3. Effective Date of Amendment. This Amendment shall become effective immediately upon the execution hereby by Seller, Purchaser and BIL.

4. Effectiveness of Asset Purchase Agreement. Except as expressly amended by this Amendment, all terms, conditions and provisions of the Asset Purchase Agreement shall remain in full force and effect in accordance with their respective terms.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first written above.

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Name: Harry A. Wolin
Title: Sr. Vice President, General Counsel & Secretary

SIGNATURE PAGE TO AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

BROADCOM CORPORATION

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

BROADCOM INTERNATIONAL LIMITED

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

SIGNATURE PAGE TO AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

Exhibit 10.1

EXECUTION VERSION

First Amended and Restated

PARTICIPATION AGREEMENT

Between

INTERNATIONAL BUSINESS MACHINES CORP.

And

ADVANCED MICRO DEVICES, INC.

Dated

August 15, 2008

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXECUTION VERSION

This **Participation Agreement** ("Participation Agreement") is made effective as of the twenty-fifth (25th) day of June, 2008 (hereinafter referred to as the "Effective Date") by and between **International Business Machines Corporation ("IBM")**, incorporated under the laws of the State of New York, U.S.A. and having an office for the transaction of business at 2070 Route 52, Hopewell Junction, NY 12533, U.S.A, and **Advanced Micro Devices, Inc. ("AMD" or "Company")**, incorporated under the laws of the State of Delaware, U.S.A, and having an office for the transaction of business at One AMD Place, Sunnyvale, CA 94088-3453 for the Development Projects referenced on Exhibit A attached hereto (collectively, the "Development Projects").

WHEREAS, IBM and Company previously entered into the Third Amendment and Restatement of the "S" Process Development Agreement as of December 28, 2002 (hereinafter "SPDA") to develop certain SOI process technologies;

WHEREAS, IBM is pursuing or intends to pursue each of the Development Projects alone or in conjunction with one or more Participating Parties, as such Development Projects are more particularly described in the Project Agreements;

WHEREAS, Company seeks to participate as a Participating Party in each of the Development Projects with IBM and the other applicable Participating Parties; and

WHEREAS, IBM seeks to permit such participation in each of the Development Projects based upon the terms and conditions set forth in (i) the applicable Project Agreement (including the Master Terms), which governs matters between and among all Parties, and (ii) this Participation Agreement, which governs certain supplemental matters between IBM and Company.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, as well as for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, IBM and Company agree as follows.

1. Additional Definitions. Unless expressly defined and used with an initial capital letter in this Participation Agreement, the Project Agreement, or the Master Terms, words shall have their normally accepted meanings. Each of the following terms has the meaning ascribed to it below:

"Baseline Fees" is defined in Section 5(a).

"BEOL" (Back End of Line) shall mean those aspects of Background Know-How and Specific Results that are directed to methods and processes of interconnecting the source, gate, or drain electrodes of FET transistors formed on a wafer, including initial passivation of such FET transistors with a dielectric, up to and including polyimide passivation and final via formation but not including Packaging Technology. For the avoidance of doubt, "BEOL" shall not include local interconnects made of tungsten.

"Company Participation Period(s)" is defined in Section 3.

"Derivative Process(es)" shall have the meaning ascribed to it in Section 7(f).

"Development Projects" means those particular Development Projects identified on Exhibit A.

"Foundry Company(ies)" means an entity having a majority of its revenue arising from the sale of Integrated Circuits wherein all the following conditions are met: (i) the design, or masks and/or mask build data, for such Integrated Circuit product are provided to the Foundry Company from a party other than the Foundry Company; (ii) such Foundry Company played no substantial role in any phase of the design of such product (except for providing standard design libraries, design enablement tools or other intellectual property to the party other than the Foundry Company to specifically assist with the design of the product); and (iii) such Foundry Company is contractually bound to manufacture such product solely for, and to sell such product solely to, such party other than the Foundry Company or its distributor or other recipient solely for the benefit of such party other than the Foundry Company. Foundry Company also includes any other entity that has as its primary business the manufacture of Industry Standard Integrated Circuits, wherein at least fifty percent (50%) of the ownership interest in such entity is held by a Foundry Company (as defined in the first sentence of this paragraph), and wherein such Foundry Company and no other entity provides day-to-day control and decision-making authority as to the manufacturing operations of such entity.

"Foundry Entity" means a Third Party entity which derived more than [****] dollars of revenue from sale of foundry products (defined as for Foundry Products except with such entity named in place of Company) in fiscal year 2007.

"Foundry Product" means an Integrated Circuit wherein all the following conditions are met: (i) the design, or masks and/or mask build data, for such Integrated Circuit product are provided to Company from a Third Party; (ii) Company played no substantial role in any phase of the design of such product (except for providing standard design libraries, design enablement tools or other intellectual property to the Third Party to specifically assist with the design of the product); and (iii) Company is contractually bound to manufacture such product solely for, and to sell such product solely to, such Third Party or its distributor or other recipient solely for the benefit of such Third Party.

"High Performance Information" means aspects of Background Know-How or Specific Results of any one or more Development Projects, except for Industry Standard Information.

"Industry Standard Development Projects" means the Development Projects pursuant to any of the following Project Agreements:

(1) [****]; or

(2) [****]; or

(3) [****]; or

(4) [****];

(5) [****]; or

(6) [****].

"Industry Standard Information" means Background Know-How or Specific Results of any Industry Standard Development Project and Background Know-How or Specific Results of any other Development Projects other than Protected High Performance Information selected by IBM and Company pursuant to Section 7(f).

"JMP" means a Third Party who is licensed by Company pursuant to Section 7(a) of this Participation Agreement to manufacture Integrated Circuits in a joint manufacturing facility utilizing the Background Know-How and Specific Results of any Development Project (excluding High Sensitivity Pre-T0 Information).

"Key Information" means Industry Standard Information that enables a Third Party to engage in installation of the unit process modules, process integration flow, or yield enhancement activities of the relevant technology excluding information that enables a licensee of such Key Information to 1) sign and confirm that a license exists, 2) present an implementation roadmap for the licensed technology, and 3) build and equip a manufacturing facility, excluding specific recipe details.

"Master Terms" means the Master IBM Joint Development Terms and Conditions that are incorporated by reference into the Project Agreements.

"Net Sales" means the net revenue recorded by Company (including its Wholly Owned Subsidiaries) with respect to the first sale or other transfer of unbumped product wafers less (a) shipping, (b) insurance, and (c) sales, value added, use or excise taxes, to the extent to which such items (a), (b) or (c) are actually paid or allowed, and less allowances to the extent they are actually allowed. If such wafers are sold or otherwise transferred in a higher level of assembly or with further processing or in the course of a transaction that includes other products or services with no separate bona fide price to be charged for such wafers, the applicable Net Sales for the purpose of calculating Revenue Based Fees shall be the fair market value of the unbumped wafers.

"Participation Effective Date" means, for each Development Project, the earlier date referenced under Company Participation Period in Exhibit A for the respective Development Project.

"Participation Agreement" means this "First Amended and Restated Participation Agreement between International Business Machines Corporation and Advanced Micro Devices, Inc."

"Project Agreement" means the Project Agreement governing the respective Development Project, as referenced on Exhibit A.

"Protected High Performance Information" is defined in Section 7(f).

"Revenue Based Fees" is defined in Section 5(b).

"SOI Wafer" shall mean a single-crystal silicon wafer bearing a horizontally-disposed isolating silicon dioxide (SiO_2) layer, in turn bearing a single-crystal silicon layer or a polysilicon layer, which is separated from the underlying silicon by the silicon dioxide layer and in which one or more active or passive integrated circuit structures are formed.

"SPDA" is defined in the recitals of this Participation Agreement.

2. Binding Contract; Relationship to the SPDA.

(a) By executing this Participation Agreement and the respective "Participating Party Notification" attached as Exhibit C and upon Company board approval, such approval to be received no later than September 15, 2008 (absent such approval this Agreement shall be null and void *ab initio* and any Confidential Information received hereunder shall be destroyed), (i) Company joins each of the respective Development Projects as a Participating Party, (ii) Company and the other Participating Parties are each directly contracted to IBM and to each other based upon the terms and conditions of the respective Project Agreement (including the Master Terms and any language herein applicable to the respective Project Agreements), without the need for any additional documentation or signatures by any Party, and (iii) Company is estopped from contesting its direct privity of contract with the other Participating Parties and with IBM on such referenced terms and conditions. Exhibit D provides a list of the Participating Parties in each of the Development Projects as of the Participation Effective Date. IBM will record updates to this list on the respective Project Database.

(b) Company and IBM recognize that certain of their bilateral development effort pursuant to the SPDA must be replaced in order to facilitate IBM and Company's continued development with other Participating Parties pursuant to the applicable Development Projects. Accordingly, IBM and Company agree that, as of the Participation Effective Date, the development activities pursuant to the SPDA, or portions thereof, listed in Exhibit E to this Participation Agreement permanently end and such development recommences pursuant to such Project Agreements and this Participation Agreement. The SPDA continues in full force and effect, however the parties hereto contemplate terminating the SPDA, in part, in the future subject to negotiating which of the SPDA's provisions will survive. Notwithstanding the foregoing, as of the date of the last signature hereto, for the Development Projects listed in Exhibit A this Agreement shall supercede the provisions of Sections 5.1-5.3, 5.6, 5.7, 5.8, 5.10, 5.11 and 4.6 of the SPDA.

(c) The language in Exhibits F and G attached hereto contain additional Company-specific terms and conditions agreed to by IBM and Company. Such terms and conditions are incorporated herein and form an integral part of the Agreement.

3. Company Participation Periods; Term. Company shall participate and is only authorized to participate in the Development Project(s), commencing on the Participation Effective Date and continuing for the applicable periods for the Project Agreements referenced in Exhibit A attached hereto ("Company Participation Period(s)"), regardless of whether the applicable Project Term extends beyond a Company Participation Period for such Development Project. The term of this Participation Agreement shall commence on the Effective Date and, unless terminated prior to expiration as set forth elsewhere in the Agreement, shall remain in force until the earlier of (i) expiration or earlier termination of all Project Agreements referenced on Exhibit A, or (ii) December 31, 2015.

4. Company Staffing. Company shall provide IBM with Representatives to work on the Development Projects in accordance with the minimum staffing levels detailed on Exhibit B attached hereto.

5. Company Contributions and Other Payments. In consideration for Company's right to participate in the Development Projects commencing as of the Participation Effective Date, Company shall timely pay IBM quarterly development fees which are the greater of Baseline Fees pursuant to subsection (a) below or Revenue Based Fees pursuant to subsection (b) below. Company's contributions will be calculated during the second calendar quarter of each year and be in effect for the subsequent four calendar quarters. Beginning in the fourth calendar quarter of 2008, all such payments shall be made within forty-five (45) days after receipt by Company of a quarterly invoice from IBM but no earlier than on the fifteenth day of the first month of each calendar year quarter. For the third calendar quarter of 2008, such payments shall be made within forty-five (45) days after receipt by Company of an invoice from IBM but in no case later than September 30, 2008.

(a) Baseline Fees, in millions of dollars per calendar quarter, shall be determined according to the tables below.

3Q08	4Q08	1Q09	2Q	3Q	4Q	1Q10	2Q	3Q	4Q	1Q11	2Q	3Q	4Q	1Q12
[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]

2Q12	3Q	4Q	1Q13	2Q	3Q	4Q	1Q14	2Q	3Q	4Q	1Q15	2Q	3Q	4Q
[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]

(b) Revenue Based Fees shall be calculated based on Company's Net Sales during Company's preceding fiscal year of products or services manufactured using, embodying, derived from or otherwise based upon any Background Know-How or Specific Results of a Development Project as follows:

(i) [****] percent ([****]%) of Net Sales for products, consumed by Advanced Micro Devices, Inc., or sold or transferred to Advanced Micro Devices, Inc. by any permitted assignee hereunder of Advanced Micro Devices, Inc., based upon substantially all of the High Performance Information derived from the relevant high performance Development Project, plus;

(ii) [****] percent ([****]%) of Net Sales (excluding for clarity Net Sales from (i) above) for products, consumed by Advanced Micro Devices, Inc., or sold or transferred to Advanced Micro Devices, Inc. by any permitted assignee hereunder of Advanced Micro Devices, Inc., based upon Industry Standard Information, plus;

(iii) [****] percent ([****]%) of Net Sales for products based upon Specific Results or Background Know-How of any Development Project and sold to, transferred to or consumed by any third party who is licensed by IBM to manufacture products using Specific Results or Background Know-How of the same Development Project, plus;

(iv) [****] percent ([****]%) of Net Sales for products based upon Specific Results or Background Know-How of any Development Project and sold to, transferred to or consumed by any third party who is licensed by IBM to Specific Results or Background Know-How of the same Development Project wherein such license does not include the right to manufacture products using such Specific Results or Background Know-How, plus;

(v) [****] percent ([****]%) of Net Sales for products sold to, transferred to or consumed by any other third party.

The percentage values stated above in 5(b)(i) through (v) will prospectively change to [****], [****], [****], [****], and [****] percent, respectively, should Company merge with or acquire (including reverse merger or reverse acquisition) [****] ("[****]") while [****] is a Participating Party in a major node IBM Development Project or within nine (9) months after [****] ceases to be a Participating Party in a major node IBM Development Project.

For avoidance of doubt each product consumed by, sold to or transferred to Advanced Micro Devices, Inc. or any third party shall fall under only one revenue category under subsections 5.(b)(i) through (v) above for purposes of calculating Revenue Based Fees.

Company's quarterly Revenue Based Fees shall be one quarter of the amount indicated above. For avoidance of doubt, the establishment of a half-node process technology Development Project(s) and Company's participation in such project(s) will not increase Company's fee schedule.

Company's total yearly Revenue Based Fees in any given year shall not exceed two (2) times the corresponding yearly amount of Company's Baseline Fees indicated above. Should Company merge with or acquire (including reverse merger or reverse acquisition) [****] ("[****]") then Company's total yearly Revenue Based Fees in that year and any subsequent year shall not exceed three (3) times the corresponding yearly amount of Company's Baseline Fees indicated above.

To the extent it has the right to do so, which right IBM will make a good faith effort to obtain, IBM shall promptly notify Company after it enters into, or terminates or alters, any relevant licensing arrangement affecting the appropriate categorization of transfers above which would allow Company to correctly calculate Revenue Based Fees under subsections (iii) and (iv) above. Company shall not be liable for any underpayments which result from IBM's failure to provide such notification. No later than March 31 of each calendar year, Company shall provide to IBM a written statement containing Company's Net Sales during the preceding fiscal year in each of the above categories, the calculated percentages according to the above and the total amount of Revenue Based Fees. Company shall maintain a complete, clear and accurate record of the quantity of products sold or otherwise transferred or consumed and any other relevant information to the extent it is required to determine whether they are reporting the correct Revenue Based Fees hereunder. To ensure compliance with the terms and conditions of this Agreement, IBM shall have the right to audit all relevant accounting, technical and sales books and records of Company. The audit will be conducted by a mutually acceptable audit firm, and shall be conducted following reasonable prior written notice (at least forty-five (45) days in advance) during regular business hours at an office where such records are normally maintained and in such a manner as not to interfere with Company's normal business activities and shall be restricted only to those records necessary to verify Company's obligations hereunder. The audit report provided to IBM may only include

the information necessary to determine whether or not any underpayment or overpayment exists, and if it exists, the amount of such underpayment or overpayment. IBM shall instruct the auditor to include only business information in the audit report to IBM. IBM shall use the business information reported by the auditor only for the purpose of determining royalty payments and for no other purpose. In no event shall audits be made hereunder more frequently than once in every twelve (12) months and the audit shall not cover any records from a period of time previously audited. If any audit should disclose any underpayment or overpayment, the owing Party shall within forty-five (45) days pay the difference. The cost of such audit will be borne by IBM. Company shall be provided with a copy of the audit report within a reasonable period of time after its completion. The independent audit firm shall not be hired on a contingent fee basis and Company shall have the right to require such audit firm to sign a confidentiality agreement sufficient to protect Company's confidential information.

(c) Company shall be liable for interest on any overdue payment under this Agreement commencing on the date such payment becomes due at an annual rate equal to eighteen percent (18%) per year. If such interest rate exceeds the maximum legal rate in the jurisdiction where a claim therefor is being asserted, the interest rate shall be reduced to such maximum legal rate.

(d) IBM shall apply the payments of this Section 5 towards Development Project costs and not for any license rights granted by any Party to any other Party for Background Know-How.

(e) In consideration for the licenses granted to Company to Background Know-How of the 32nm Bulk Industry Standard Semiconductor Process Technology and 32nm Bulk-Industry Standard Enablement Technology Development Projects, Company shall pay to IBM [****] dollars ($[****]) according to the following schedule: $[****] on or before September 30, 2008; $[****] on or before December 30, 2008, $[****] on or before January 15, 2009; $[****] on or before April 15, 2009 and $[****] on or before July 15, 2009; which obligation shall be irrevocable and which payment when made shall be non-refundable. The first two payments under this section will be due and payable on the respective dates specified with this Agreement serving as the invoice. All subsequent payments shall be made within forty-five (45) days after receipt by Company of a quarterly invoice from IBM; however, in no case will Company be required to payment before the dates specified above.

(f) Each Party shall bear and pay all taxes (including, without limitation, sales and value added taxes) imposed upon it by the national government or political subdivision thereof, of any country in which they are doing business as a result of the existence of this Agreement or the exercise of its rights hereunder. Except as expressly provided in this Agreement, neither Party shall be entitled to any payment, cost reimbursement, or other compensation from the other for services, deliverables and rights granted to the other Party hereunder. Each Party shall bear all its own expenses incurred in the performance of this Agreement. All payments due hereunder shall be paid in United States dollars.

6. Limitation Amount. Notwithstanding the Limitation Amount provided in the Project Agreement, the Limitation Amount as between IBM and Company for all Development Projects in the aggregate is [****] dollars.

7. Confidentiality; Information Transfers; Licenses to Background Know-How.

(a) **Joint Manufacturing Rights.** IBM hereby grants to Company the right to disclose and sublicense Background Know-How and Specific Results of any Development Project (excluding High Sensitivity Pre-T0 Information) subject to the following requirements. Company may sublicense no more than two (2) JMPs for a maximum of a total of two (2) joint manufacturing facilities with a combined maximum capacity of producing [****] 300 mm wafers per month for such technology consumed by, or supplied to the JMPs. Said combined maximum volume amount for a specific technology will apply until the confidentiality period for that specific technology expires. Company must own greater than fifty percent (50%) interest (defined in the same manner as for Subsidiary) in the joint manufacturing facility and the JMP own the remaining interest except for any interest owned by a government entity or institutional investor ("Inactive Owners"). The Inactive Owners shall not be in the business of manufacturing Integrated Circuits and will not be granted access to any Key Information. Company and the JMP will provide day-to-day control and decision making authority as to the manufacturing operations of their joint manufacturing facility. The JMP will derive no more than fifty percent (50%) of its total revenue from foundry related business. The JMP will not be based in Asia (which for purposes of this Section 7(a) Asia does not include Japan, Korea or Singapore). The JMP will not have the right to use the licensed technology to provide foundry services. The JMP will not have the right to use the licensed technology other than in the joint manufacturing facility. The JMP will not be any party who contracts with IBM to conduct joint development of semiconductor process technology any sooner than 18 months after the later termination of either the IBM joint development or joint manufacturing partner relationship between IBM and such aforementioned company. The joint manufacturing facility will not be located in Asia. Notwithstanding the foregoing, [****] may be a JMP.

If Company builds or has built a manufacturing facility for the purpose of exercising Company's rights and performing Company's obligations under the immediately preceding paragraph of this Section 7(a) and Company and a first or second JMP cannot utilize all of the combined maximum capacity of [****] 300 mm wafers per month, then six (6) months prior to start of installation of any process technology for volume production for any unutilized combined maximum capacity, and yearly thereafter for any uncontracted, unutilized combined maximum capacity, Company will so notify IBM in writing, and IBM will have the right of first refusal of the unutilized combined maximum capacity at a price to IBM of the then current average market price for such wafers less twenty percent (20%), but in no event will such price to IBM be greater than that offered by Company to its most favored customer under substantially similar terms and conditions. For the capacity that IBM refuses, Company may sell foundry wafers

including Foundry Products subject to this Section 7(a) to Third Parties (other than those that are not permitted to be a JMP) provided that: (i) all such sales are made more than two (2) years after the applicable L2 for the technology in which such wafers are manufactured and (ii) all such sales shall be included in the calculation of Revenue Based Fees under Section 5(b). The foregoing notification obligation will cease when the confidentiality obligation for a technology expires.

(b) **Have-Made Rights.** Except as expressly provided herein, Company shall have no right to disclose or sublicense Background Know-How or Specific Results of any Development Project for the purpose of having products made by a Third Party in a manufacturing process whose minimum critical dimension is less than or equal to that of the 32nm High Performance Semiconductor Process Technology Development Project or the 32nm Industry Standard Semiconductor Process Technology Development Project.

(c) **Third Party Joint Development.** Except as specifically set forth in a Project Agreement or in this Participation Agreement, Company shall have no right to disclose or sublicense Background Know-How or Specific Results of any Development Project to any Third Party for the purpose of engaging in joint development of semiconductor process or design enablement technology with such Third Party.

(d) **Foundry Entities.** IBM shall not disclose to a Foundry Entity any Key Information prior to one (1) year after the applicable Qualification. Furthermore, IBM shall not allow a Foundry Entity to become a Participating Party in any Development Project to which Company is a Participating Party or in which Development Project Company is actively in negotiation with IBM to become a Participating Party until six (6) months after IBM has offered participation in such Development Project to Company or immediately upon Company declining such participation, whichever is earlier.

(e) **Foundry Services.** Notwithstanding anything to the contrary in this Agreement, Company may use High Performance Information to produce Foundry Products or produce Foundry Products on SOI Wafers only for sale, lease or transfer to IBM, other Participating Parties in the Development Project from which such High Performance Information is derived, licensees of such High Performance Information from IBM or sale, lease or transfer to Advanced Micro Devices, Inc. from any subsequent assignee. For avoidance of doubt, Industry Standard Information may be used to produce Foundry Products for any Third Party, subject to all the terms and conditions of this Agreement including Section 5(b) of this Participation Agreement.

(f) **Derivative Processes and Protected High Performance Information.**

The license granted to Company in Section 8.1 of the Master Terms shall include the right for Company to utilize one or more aspects of Industry Standard Information for the development and qualification of its own, proprietary derivative process(es) ("Derivative Process(es)") and for developing, engineering, manufacturing, using, marketing, selling, servicing and otherwise disposing of Integrated Circuits utilizing such Derivative Process(es), other than Integrated Circuits created using High Performance Information, such Integrated Circuits being designed by any party. It is expressly confirmed that such license shall include the right for Company to develop Derivative Process(es).

The IBM Project Leader and the Company Project Leader shall mutually agree on a documented list of elements of the Specific Results and Background Know-How thereof that may not be utilized in a Derivative Process ("Protected High Performance Information"). The following criteria will be seriously considered when defining elements included as Protected High Performance Information:

- such elements do not include Background Know-How or Specific Results of any Industry Standard Development Project to the extent, and only to the extent, included in such Development Project,
- in the reasonable belief of the IBM and Company Representatives such elements are not being targeted for or included in the applicable technology node of other Foundry Companies,
- such elements are not reported in the literature in sufficient detail that they can be implemented based upon reported results and methods, combined with "residuals" (as defined in Section 9.1 of the Master Terms) and limited experimental development, and
- such elements do not include BEOL or Lithography steps.

The IBM and Company Management Committee Members shall attempt to agree upon a designation of Protected High Performance Information no later than ninety (90) days after the T0 exit checkpoint for the applicable Development Project.

If significant elements of high performance Specific Results or Background Know-How become available at any time after the initial designation of Protected High Performance Information and before the T1 exit ("T1" date) of the applicable high performance Development Project, the IBM Project Leader may provide additional such elements for designation as Protected High Performance Information and shall consult with the Company Project Leader, who shall provide his input as to the applicability of such elements for designation as Protected High Performance Information. The IBM and Company Management Committee Members shall mutually agree upon the designation of such elements within ninety (90) days. Such elements shall be treated as Protected High Performance Information until mutually agreed upon by IBM and Company.

Any elements of Specific Results or Background Know-How that are or that become Industry Standard Information for a given Development Project shall automatically be included as Industry Standard Information in preceding (larger node) Development Projects and shall not be treated as Protected High Performance Information for such preceding Development Project(s).

In addition to the process described above in this Section 7(f) the documented list may be updated from time to time by written mutual agreement of the Management Committee Members of IBM and Company.

If the Project Leaders fail to agree on the designation or removal of elements of high performance Specific Results or Background Know-How as Protected High Performance Information, the decision will be escalated to the Management Committee Members of IBM and Company, and if necessary to the Designated Executives, for resolution. If upon such escalation the Designated Executives are unable to agree on the designation or removal of such elements as Protected High Performance Information, IBM shall make the final determination.

(g) If Company exercises its right to assign this Participation Agreement as provided in Section 8, Company will have the additional right to disclose the following portions of Specific Results and/or Background Know-How from high performance Development Projects to Advanced Micro Devices, Inc. and its Wholly Owned Subsidiaries (the "AMD Group") for the purpose of providing the AMD Group with Foundry Product:

Descriptions of manufacturing process flow (excluding detailed process information that could enable a party to engage in installation of unit process modules) as reasonably necessary for AMD Group to work with Company in the development of DFM techniques and structures, and to assess layout considerations, electrical performance, reliability, yield, cost, risk and/or schedule; and

Detailed information relating to processes used for FET, only to the extent necessary to support device level simulation for the purpose of modeling the electrical behavior of such devices.

(h) If Company exercises its right to assign this Participation Agreement as provided in Section 8, Company and Advanced Micro Devices, Inc., and its Wholly Owned Subsidiaries will have the additional right to disclose the following portions of Specific Results and/or Background Know-How to Advanced Micro Devices, Inc.'s customers for the purpose of exercising Company's rights under this Agreement:

- process roadmap and development schedule for the Development Project(s);
- simplified process flow (indicative of rough number of process and mask steps); and
- reliability data and specifications.

(i) Disclosures made pursuant to Sections 7(g) and 7(h), above, shall be subject to all the confidentiality terms and conditions of Section 4(c) of the relevant Project Agreement(s) and, in addition, in the case of the Joint Development Project Agreement for Pre-T0 Semiconductor Technology Research, Section 4(d).

8. Assignment. No Party may assign any of its rights or delegate any of its obligations under this Agreement without prior written permission from the other Party. Any attempted such assignment or delegation without such permission shall be null and void. If IBM reorganizes its business so as to set up a Wholly Owned Subsidiary that shall include the entire business and assets responsible for such IBM's performance of its obligations under this Agreement, then Company agrees that the permission to assign and

delegate to such Wholly Owned Subsidiary shall not be unreasonably withheld. Furthermore, IBM may assign its right to receive payments under this Agreement. Notwithstanding the foregoing, if Company reorganizes its business so as to set up a Wholly Owned Subsidiary or new legal entity that shall include substantially its entire business and assets related to manufacturing of semiconductor wafers, or if Company's entire business and assets related to manufacturing of semiconductor wafers is acquired by a Third Party, then Company may assign all of its rights and delegate all of its obligations under this Agreement without prior permission of IBM to such Wholly Owned Subsidiary, new legal entity or acquiring Third Party. For avoidance of doubt, such an assignment by Company will not be deemed a Change of Control under this Participation Agreement.

9. Termination. In addition to Section 12 of the Master Terms, the following termination terms and conditions apply as between IBM and Company:

(a) The following Sections of this Participation Agreement survive and continue to bind IBM and Company and their legal representatives, successors and assigns after the expiration of this Participation Agreement: 1, 2 (only to the extent necessary for the validity of the surviving terms), 6, 7, 9, 10, 12, 14; provided, however, a Company's surviving license and disclosure rights pursuant to Section 7 only apply to the information as it existed at the end of its participation in the applicable Development Project. In addition, certain provisions of the Master Terms and Project Agreement survive, as detailed in each agreement, respectively. For clarity, the expiration of this Participation Agreement does not, in and of itself, affect the SPDA.

(b) Either Party shall have the right to immediately terminate this Agreement as to a breaching Party (as defined herein in 1), 2), 3) or 4) below) by giving written notice of termination to the other Party if the other Party (the "breaching Party") 1) becomes insolvent or permanently ceases doing business; 2) is adjudged bankrupt or insolvent or files a petition for bankruptcy; 3) goes into liquidation; or 4) undergoes a Change of Control.

A "Change of Control" shall be deemed to have occurred if (a) there shall be consummated (i) any consolidation or merger of a Party in which such Party is not the continuing or surviving entity, or pursuant to which shares of such Party's equity securities would be converted into cash, securities or other property, other than a consolidation or merger of such Party in which the holders of such Party's equity securities immediately prior to the merger have substantially the same proportionate ownership of equity securities of the surviving entity immediately after the merger, or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of such Party; (b) the equity holders of a Party shall approve any plan or proposal for the liquidation or dissolution of such Party, or (c) any person (as such term is used in section 13(d) and 14(d) (2) of the Securities Exchange Act of 1934 (the Exchange Act") other than a Party or any employee benefit plans sponsored by such Party, shall become the beneficial owner (within the meaning of

Rule 13d-3 under the Exchange Act) of securities of the company representing: (i) more than one third of voting securities having the voting power of such Party's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise, only if such person and its Subsidiaries exceeded ten billion US dollars in revenue from the sale of microprocessors in calendar year 2001; or (ii) fifty percent (50%) or more of voting securities having the voting power of such Party's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise. Notwithstanding the foregoing, a change of ownership or control effected solely through an investment of Venture Capitalist(s) in a Party shall not be considered a "Change of Control." For the avoidance of doubt, a change of ownership or control of Company effected through an initial public offering of Company (unless effected solely through such a Venture Capitalist investment) shall be considered a "Change of Control" only if it meets the criteria set forth above in clauses (a), (b) or (c) of this paragraph. "Venture Capitalist" means an investor or prospective investor of either Party whose business is primarily investment or banking and specifically not the development, sale or manufacture of Integrated Circuits, computer or network systems or infrastructure for the foregoing. For avoidance of doubt, such a transaction wherein the beneficial owner of voting securities is Advanced Micro Devices, Inc. or a Venture Capitalist shall not be considered a Change of Control.

(c) If either Party to this Agreement fails to perform or violates any material obligation of this Agreement, then, upon thirty (30) days written notice to the breaching Party specifying such failure or violation (the "Default Notice"), the non-breaching Party may terminate this Agreement as to the breaching Party, without liability, unless:

The failure or violation specified in the Default Notice has been cured within a thirty (30) day period; or

The failure or violation reasonably requires more than thirty (30) days to correct (specifically excluding any failure to pay money), and the breaching Party has begun substantial corrective action to remedy the failure or violation within such thirty (30) day period and diligently pursues such action, in which event, termination shall not be effective unless ninety (90) days has expired from the date of the Default Notice without such corrective action being completed and the failure or violation remedied.

(d) Company shall have the right to immediately terminate (without liability to any Party) this Agreement by giving written notice of termination to IBM, if IBM sells, leases, exchanges or otherwise transfers (in one transaction or a series of related transactions) the assets of its microelectronics business unit required to perform its obligations under this Agreement.

(e) In the event that Company does not reorganize its business so as to set up a new legal entity that shall include substantially its entire business and assets related to manufacturing of semiconductor wafers, or that substantially all of Company's business and assets related to manufacturing of semiconductor wafers is not acquired by a Third Party (each referred to as a "Failed Funding") prior to March 31, 2009, then Company shall provide IBM written notice of the Failed Funding. In such event, Company shall have thirty (30) days to elect, by written notice to IBM, one of the following alternatives: (i) to terminate this amendment prospectively without cause and for convenience; or (ii) to extend the time period for the effectiveness of this amendment for up to an additional nine (9) months in order to seek alternative funding for the new entity. Upon expiration of the additional funding term, set forth in subsection (ii) above, if applicable, and Company's written notification to IBM that the new entity has not then received adequate funding, this amendment shall automatically expire. All payments due and owing prior to termination or expiration of this amendment shall remain due and owing and shall be timely paid.

10. Patent Licenses/No Patent Licenses. As contemplated in Section 8 of the Master Terms, Exhibit A sets forth whether Company is a Patent Participating Party for each of the respective Development Project(s).

11. Company Information; Participating Parties. In connection with Company's execution of this Participation Agreement, IBM shall provide a copy of each such Participating Party Notification to the other respective Participation Parties in order to, among other things, demonstrate Company as a Participating Party in each such Development Project. Notwithstanding anything in the respective Agreement to the contrary, Company expressly permits IBM to share the following information with Third Parties who IBM believes may wish to participate in the subject Development Project(s): (i) the identity of the Company and (ii) whether Company is a Patent Participating Party for the applicable Development Project(s). IBM will promptly deliver to Company copies of all other Participating Parties' existing Participating Party Notification documents and subsequently executed Participating Party Notification documents for all Development Projects set forth on Exhibit A.

12. General.

(a) This Participation Agreement supplements the respective Project Agreement (including the Master Terms) and provides supplemental information as between IBM and Company that was intentionally omitted from the Project Agreement. Therefore, this Participation Agreement is not a stand-alone agreement, but as between IBM and Company, merges with and becomes part of the terms and conditions of the respective Project Agreement. There are no intended third party beneficiaries to this Participation Agreement, including the other Participating Parties; provided, however, Company is executing and providing a Participating Party Notification for each Development Project, and such document is for the express benefit of all Participating Parties. Promptly after the Participation Effective Date, Company agrees to complete, execute and deliver to IBM one Participating Party Notification in the form attached as Exhibit C hereto for each Development Project.

(b) This Participation Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but each of which together shall constitute one and the same agreement. Confirmed facsimile signatures shall have the same effect as original signatures for the purpose of executing or amending the Participation Agreement. Once signed by IBM and Company, any reproduction of this Participation Agreement by reliable means (e.g. a facsimile, electronic scanning, or photocopy) shall be considered an original.

13. Access to the CSR. The "CSR Access Terms" identified in Exhibit F to the Joint Development Project Agreement for Pre-T0 Semiconductor Technology Research do not apply to Company so long as the Participation Agreement for IBM CSR Development Associate for the Center for Semiconductor Research at Albany Nanotech by and between IBM, Company and the Research Foundation of the State University of New York remains in effect.

14. Separate Development Scope. For clarity, in addition to IBM and Company's joint development with one or more other parties pursuant to the Development Projects, IBM and Company shall continue to jointly pursue any development activities under the SPDA, or portions thereof, not identified in Exhibit E to this Participation Agreement exclusively pursuant to the terms and conditions of the SPDA.

15. Extension of Project Agreements. If the Project Term of the relevant Project Agreement is extended in accordance with Section 6 of such Project Agreement, then Company is, without additional consideration, entitled to participate in such extended Project Term until December 31, 2015.

16. Additional Activities. If at any time during the term of this Agreement, IBM initiates one or more development projects covering development of the next major industry standard or high performance technology node after 22nm, IBM will notify Company, and then Company agrees to participate in at least one such development project under the terms and conditions of this Agreement and such participation will be set forth in a signed, written amendment hereto. If IBM has not established any such development project by [****], then this Agreement and Company's participation in all Development Projects may be terminated by either party hereto, without liability to any Party, as of [****], and Company will have no further payment obligations under Section 5 herein provided, however, that if such a development project is established after [****], but prior to either party hereto's exercise of its preceding right to terminate, the preceding right to terminate shall lapse. If IBM establishes a Development Project covering the next major technology node after 22nm in only high performance technology, or if IBM establishes Development Projects for the next major technology node after 22nm in both industry standard and high performance technology and Company declines to participate in such high performance Development Project, then the parties hereto will renegotiate reduced Company's quarterly development fees (whether Baseline Fees or Revenue Based Fees) based on the scope of the Development Project in which Company agrees to participate, which will be set forth in a signed written amendment hereto. For the avoidance of doubt, a "next major technology node" shall not include a half node.

IN WITNESS WHEREOF, IBM and Company have caused this Participation Agreement to be executed by their duly authorized representatives as of the Participation Effective Date.

Advanced Micro Devices, Inc.

By: /s/ D.A. Grose
Name: D.A. Grose
Title: SVP Manufacturing Technology
Date: August 15, 2008

International Business Machines Corporation

By: /s/ Bernard S. Meyerson
Name: Bernard S. Meyerson
Title: VP & CTO
Date: August 15, 2008

EXHIBIT A – DEVELOPMENT PROJECTS

[****]

EXHIBIT B – COMPANY STAFFING

[****]

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT C - PARTICIPATING PARTY NOTIFICATION.

Re: Participating Party Notification - Joint Development Project Development Agreement for [_____] ("Development Project") dated as of [_____].

To the Participating Parties (current and future) in the Development Project:

[_____] ("Company") represents and warrants to IBM and the Participating Parties (for clarity, current and future) in the above-referenced Development Project that: (i) [_____] has joined the above-referenced Development Project as a Participating Party as of the date listed below by signing a Participation Agreement with IBM, and (ii) Company and the other Participating Parties are each directly contracted to IBM and to each other based upon the terms and conditions of the Project Agreement (including the Master Terms), without the need for any additional documentation or signatures by any Party, and (iii) Company is estopped from contesting its direct privity of contract between itself and the other Participating Parties, and between itself and IBM on such terms and conditions. All terms not defined herein are defined in the Project Agreement.

Below is specific information applicable to the Company for the above-referenced Development Project:

1. Company Name and Address: [_____].
2. Company [is] [is not] a "Patent-Participating Party" for the above-referenced Development Project (See Section 8.6 of the Master Terms).
3. "Notice Address" for the Company (See Section 13 of the Master Terms): [_____]
4. Company "Designated Executive" and contact information (See Section 18 of the Master Terms): [_____]
5. Company "Management Committee Member" and contact information (See Section 13 of the Master Terms): [_____]
6. Company "Project Leader" and contact information (See Section 13 of the Master Terms): [_____]
7. Company "Technical Coordinator" and contact information (See Section 13 of the Master Terms): [_____]

8. Company is currently scheduled to participate in the Development Project from _____ until _____, but the actual end date is subject to change without advance notice to the other Participating Parties.

Except for item 2 above, Company may update the representatives, contact, and notice information provided above. If Company elects to do so, it shall provide the revised information to the IBM Designated Executive for inclusion on the Project Database. No update is effective until reflected on the Project Database.

This document is non-confidential, and Company requests that IBM provide the above information to all Participating Parties and update the Project Database to reflect the above information.

[COMPANY NAME]

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT D – PARTICIPATING PARTIES (as of the August 8, 2008)

[****]

EXHIBIT E – APPLICABLE SPDA PROCESS DEVELOPMENT PROJECTS

CMOS 12S (for clarity, excluding CMOS 12SeD)

CMOS 12S2

CMOS 13S (for clarity, excluding CMOS 13SeD)

CMOS 13S2

CMOS 14S

Pre-T0 Activities, excluding bump technology

EXHIBIT F – COMPANY ADDITIONAL PROJECT REQUIREMENTS

1. Chemical & Environmental Information

To the extent one Party (the "Disclosing Party") possesses such information and has the right to disclose it to the other Party (the "Receiving Party"), as set forth below, the Disclosing Party agrees to provide the Receiving Party with the following Chemical and Environmental Information described in (A) and (B) below ("C&E Information") under this Agreement:

(A) C&E Information supplied to the Disclosing Party by third parties:

For each material used in Development Projects in which Receiving Party is a Participating Party, Disclosing Party will grant receiving party access to any related MSDS as well as any chemical constituent information not listed in the MSDS unless the Providing Party is prohibited from providing such chemical constituent information with the Receiving Party.

To the extent that this information is provided by IBM, this C&E Information shall be provided by IBM EFK site chemical and environmental professionals.

(B) C&E Information created or gathered by IBM as Disclosing Party.

(i) Until the earlier of: (a) Company ceases to be a Participating Party under a Development Project, or (b) IBM determines as part of a facility or corporate wide policy that its best interest is served by terminating its alliance development companies' access to this information, IBM will continue to permit Company to have access to CI ENV 116 (see [****].

(ii) Until the earlier of: (a) Company ceases to be a Participating Party under a Development Project, or (b) IBM determines as part of a facility or corporate wide policy that its best interest is served by terminating its alliance development companies' access to this information, IBM will provide Company Chemical Authorization Requests and Notification of Approvals relating to the active Development Projects. Information is to be provided by IBM EFK site chemical and environmental professionals.

(iii) With respect to the semiconductor manufacturing equipment jointly evaluated under the Semiconductor Manufacturing Equipment Evaluation Agreement, dated as of April 21, 2004 between IBM and Company or as reasonably requested by Company, IBM will supply the following information ("Emissions Information") with respect to the emissions from any such tool (the "Emissions"): (a) the current drain type to which such Emissions is connected, (b) the current exhaust system type

to which such Emissions is connected, (c) a recent calculated average emission rate (mass per day) with respect to the emission stream flowing out of a tool, and (d) a generic description of the current type of waste abatement or treatment that IBM applies to such emission stream (for example, combustion-type scrubbers). For the avoidance of doubt, IBM can not and will not parse the Emissions Information to specifically link any portion of the Emissions to any particular technology node that is utilized with respect to such tool. Information is to be provided by IBM EFK site chemical and environmental professionals.

IBM Toxicology will share with Company new hazards (not identified in current MSDSs) for any chemicals found in the technologies covered within this Agreement, for the term of each Project Agreement, that may be assessed in future upstream chemical reviews, subject to the following:

- IBM is not obligated to perform additional toxicology searches nor provide toxicology services to Company.
- Data will be provided "AS IS" with no warranty being made as to the accuracy or suitability of the data for a particular purpose.

(C) With respect to all C&E Information, subject to the terms above, Disclosing Party will make good faith efforts to provide such C&E Information unless Disclosing Party is restricted from providing such C&E Information by contractual obligations that Disclosing Party has established with one or more third parties.

(D) For confidentiality obligations that Disclosing Party enters into with third parties in the future and that relate to an active Development Project, Disclosing Party will request that such third party give Disclosing Party the right to make such disclosures to the Receiving Party. In addition, as and if reasonably requested, Disclosing Party will provide Receiving Party with a list of suppliers with whom Disclosing Party has a confidential disclosure agreement in place, which confidential disclosure agreement relates to a Development Project and restricts Disclosing Party's ability to disclose C&E Information to Receiving Party.

The obligations under Section 1 of this Exhibit F will terminate immediately upon the termination of the Participation Agreement.

2. Additional Pre-T0 Joint Development Project Requirements

The following changes modify the terms and conditions of the Joint Development Project Agreement for Pre-T0 Semiconductor Technology Research as indicated. In case of conflict, the requirements below will govern.

(a) For clarity, the following Pre-T0 In-Scope Technical Subjects are not included in Exhibit E to this Participation Agreement:

- Bump technology
  - Non-solder interconnect technology
    - [****]

Including applicable tool development, mechanical models, constituent equations, reliability (e.g., fatigue model) and electromigration results)

(b) For clarity and as provided for in Exhibit D of the Project Agreement for Pre-T0 Semiconductor Technology Research, it is the responsibility of the Steering Committee to approve changes in Pre-T0 In-Scope Technical Subjects and projects as set forth in Exhibit A to the Project Agreement for Pre-T0 Semiconductor Technology Research, with final approval to be provided from the Management Committee.

(c) For clarity, IBM and Company hereby acknowledge that all Participating Parties to the Joint Development Project Agreement for Pre-T0 Semiconductor Technology Research, shall have access to all Specific Results and Background Know-How of such Development Project and that documentation procedures will be established by mutual agreement of the respective Project Leaders during the course of the Development Project.

EXHIBIT G – ADDITIONAL COMPANY TERMS AND CONDITIONS

1. Intentionally Omitted.

2. In addition to the primary Development Facilities specified in a Project Agreement pursuant to Section 2.2 of the Master Terms and Conditions, Company and IBM Project Leaders will mutually agree to the use of any additional Development Facilities in which Company's Representatives will work and will seek approval from the Management Committee in the case of a conflict.

3. Notwithstanding language to the contrary in section 4.1.2 of the Master Terms and Conditions, the following shall apply:

If the Designated Executives are unable to resolve a party's hereto concern raised under Section 4.1.2, the Company and IBM will negotiate a mutually agreeable reasonable wind down plan (which may include negotiation of fees) to terminate the development relationship set forth in this Agreement for any or all Development Project(s).

If the conditions for wind-down set forth in Section 4.1.2 of the Master Terms are met for any process technology Development Project, then such wind down shall include the corresponding design enablement Development Project for the same technology node.

4. Company shall also have the right to disclose the following portions of the Specific Results and Pre-T0 Information (except for High Sensitivity Pre-T0 Information) to Third Parties, but solely for the purpose of enabling such Third Party to assist Company in exercising the rights granted to it hereunder:

4.1. wafers and/or information to have equipment maintained; or

4.2 spice models, design-related data (netlists, GDS), device models, verification decks; or

4.3 for clarity, Company's disclosure rights under Section 4(c)2 of a Project Agreement shall include the right to disclose reliability data and specifications.

5. Company's rights under the respective Development Agreement to disclose wafers and process information to tool vendors as required to have equipment maintained shall extend to all companies that provide such equipment maintenance to Company.

6. Notwithstanding language to the contrary in Section 6.1 of the Master Terms, failure to achieve Strategic Technology Objectives or the Development Schedule shall constitute a basis to extend the Project Term, but only as provided for in Section 15 of this Participation Agreement.

7. Intentionally Omitted.

8. As between IBM and Company, the confidentiality provisions of Section 7.3 of the Master Terms shall not apply to Specific Results and Background Know-How and other information of any Party in the case that such information is not labeled in accordance with Section 7.2 of the Master Terms.

9. To the extent that either party hereto enters into a development agreement with its equipment, design, and materials suppliers and elects to disclose the results of any such development to the other party hereto as Background Know-How under a Development Project or Pre-T0 Activity, and to the extent the disclosing party hereto has the right to do so, the disclosing party hereto agrees to notify the other party hereto of such development agreement. Furthermore, the disclosing party hereto will consent to include a reasonable number of Representatives of the other party hereto in technical discussions with each such supplier. The parties hereto will use reasonable efforts to accommodate such technical discussions at either party's hereto facilities or via teleconference. Any additional information generated at such meetings shall be the Background Know-How of the party hereto who has entered into such development agreement.

10. Bump Technology.

10.1 The Parties agree that all terms and conditions of the "C-4 Agreements" shall continue in full force and effect, and shall not be superseded by this Agreement. For purposes of this Agreement, the "C-4 Agreements" shall mean collectively (1) the C-4 Plating Technology Transfer and Licensing Agreement between Company and IBM having a last signature date of April 29, 1999; (2) the C-4 Tighter Pitch Workshop Agreement between Company and IBM having a last signature date of March 23, 2001; (3) the C-4 Technical Assistance and Short Loop Support Agreement between Company and IBM having a last signature date of July 16, 2001; and (4) the Letter Agreement having a signature date of September 13, 2004.

10.2 If at any time during the term of this Agreement, IBM initiates one or more development projects covering development of bump technology, IBM will notify Company, and if Company agrees to participate in at least one such development project under the terms and conditions of this Agreement and such participation will be set forth in a signed, written amendment hereto. IBM agrees that Company will not be required to pay any additional fees to IBM for participation in such development project or access to said bump technology. If a separate bump technology development agreement is entered between IBM and any Third Party(ies), IBM will use reasonable efforts to include Company in such development efforts, subject to the negotiation of mutually agreeable terms and conditions between Company and the participants in such development efforts.

a. If Bump Technology is established as a Development Project under this Section 10.2: (i) the Parties agree that Company may exercise at least the same rights to use and implement and have the same obligations with regard to said bump technology as Company currently exercises and has under the C-4 Agreements and (ii) if the Parties, thereafter, mutually agree to expand the scope of a bump technology Development Project, such expansion will be governed by the terms and conditions of Section 14 of the Master Terms.

10.3 If bump technology is established as a Development Project, the Parties will provide, to the extent a Party has the right to do so without the payment of additional compensation to any Third Party, to the bump technology Development Project any relevant information as Background Know-How. Additionally, to the extent that IBM does enter a separate bump technology development agreement with a Third Party and IBM has the right to do so without the payment of additional compensation to any Third Party, IBM will grant a sublicense to Company to the technology developed thereunder without requiring any additional fees, which sublicense shall be consistent with the licenses granted to Company under this Agreement and the C-4 Agreements.

11. For the avoidance of doubt, as set forth in Section 10.1 of this Exhibit G, Company shall be permitted to perform bumping for up to [****] 200mm semiconductor wafers per calendar quarter and up to [****] 300mm semiconductor wafers per calendar quarter for third parties. For each 200mm wafer bumped for third parties in excess of [****] per calendar quarter, Company shall pay IBM a royalty of [****] percent ([****]%) of the bumping price charged by Company to the third parties. For each 300mm wafer bumped for third parties in excess of [****] per calendar quarter, Company shall pay IBM a royalty of [****] percent ([****]%) of the bumping price charged by Company to the third parties. Company's royalty obligation shall continue until December 31, 2011, after which time, Company may bump an unlimited number of wafers for third parties with no further royalty or reporting obligations, including no additional fees for Company or the third parties who have products bumped by Company. The audit provisions of the last paragraph of Section 5(b) hereto shall apply to royalty obligations in this Section 11.

12. Development Projects shall be conducted primarily at the IBM Development Facilities and the parties hereto agree that the process technology development projects performed under this Agreement (except for under the Pre-T0 Development Project) will be conducted primarily in IBM's 300mm East Fishkill Facility, unless otherwise agreed to by the Parties.

13. Should IBM desire, at its own discretion, that the process technology development projects performed under this Agreement (except for under the Pre-T0 Development

Project) be primarily conducted at facilities other than IBM's 300mm East Fishkill facility, it shall provide notice of such desire to Company no later than one (1) year prior to the intended change. The parties hereto will meet to discuss and attempt to agree on such a move. If the parties hereto are unable to reach agreement, the Designated Executives of IBM and Company shall negotiate a mutually agreeable reasonable wind down plan to terminate (for convenience and without liability to either party hereto) the development relationship set forth in this Agreement.

14. For clarity and pursuant to Section 4(a) of the Pre-T0 Project Agreement, restrictions on High Sensitivity Pre-T0 Information shall not apply to Background Know-How or Specific Results of any other Development Project in which Company is a Participating Party.

15. For the avoidance of doubt, if Company exercises its right to assign this Participation Agreement as provided in Section 8, Advanced Micro Devices, Inc. will continue to have the right to disclose to companies providing design services to Advanced Micro Devices, Inc., library/IP creators, Electronic Design Automation ("EDA") vendors, consultants (such consultants including design service providers, integrated circuit designers, and external subcontractors) (collectively, "Consultants/Designers") as may be reasonably necessary to enable the design of Advanced Micro Devices, Inc. Integrated Circuits or Semiconductor Products. By way of example and not limitation, examples of the general types of information that are "reasonably necessary" for disclosure are as follows:

A. Design rules for the Development Project;

B. Simplified process flow information (indicative of rough number of process and mask steps and excluding detailed process flow information and detailed process specifications);

C. Design manual;

D. Device models;

E. Checking decks;

F. Electrical characterization / model information; and

G. Model to hardware comparisons;

H. Reliability data and specifications.

Disclosures pursuant to this Section will not be made without a written agreement between Advanced Micro Devices, Inc. and the recipient Third Party. Such written agreements shall be subject to the following:

(a) such agreements must obligate the recipient to utilize the disclosed information solely for the benefit of the discloser and for no other purpose; and

(b) such disclosures shall be subject to confidentiality terms and conditions that are the same or substantially similar to those set forth in this Agreement, and at a minimum must have a confidentiality term that is no shorter than five (5) years.

16. Company agrees to provide [****] Representatives to the Development Projects in addition to the Representatives assigned to work on the Development Projects as of June 30, 2008. Company will use commercially reasonable efforts to assign such additional Representatives to work in the Development Facilities according to the following schedule: [****] additional Representatives as of October 31, 2008; [****] additional Representatives as of February 28, 2009; and five (5) additional Representatives as of June 30, 2009. However, if Company fails to provide such [****] additional Representatives by June 30, 2009, or if Company's number of Representatives subsequently falls below such staffing level, then Company's quarterly Baseline Fees will increase by [****] dollars ($[****]) per Representative for each month where such shortfall exists.

17. In addition to the documents (currently in Exhibit C) of the respective Process Technology Project Agreements, the following will also be provided: Design Services Code (cheese/fill) and techfile documentation.

INTELLECTUAL PROPERTY CROSS-LICENSE AGREEMENT

This **INTELLECTUAL PROPERTY CROSS-LICENSE AGREEMENT** (this "***Agreement***") effective as of the Effective Date, is by and between **ADVANCED MICRO DEVICES, INC**., a corporation organized under the laws of Delaware and having its corporate head office located at One AMD Place, Sunnyvale, California 94088 ("***AMD***") and **BROADCOM CORPORATION**, a corporation organized under the laws of California and having its principal place of business at 5300 California Ave., Irvine, California 92617 (**"*Broadcom***").

WHEREAS, Broadcom, AMD and Broadcom International Limited, a Cayman Islands entity, have entered into that certain Asset Purchase Agreement dated August 25, 2008 ("***APA***"), pursuant to which Broadcom and Broadcom International Limited purchased and assumed, and AMD sold, transferred and assigned to Broadcom and Broadcom International Limited, certain assets and liabilities of the Business;

WHEREAS, AMD desires to license to Broadcom certain intellectual property rights and technology retained by AMD and currently used by the Business to enable Broadcom to conduct the Business and exploit the Purchased Assets after the Effective Date on the terms set forth herein;

WHEREAS, Broadcom desires to license such intellectual property rights and technology from AMD to conduct the Business and exploit the Purchased Assets on the terms set forth herein;

WHEREAS, Broadcom desires to license back to AMD the intellectual property rights and technology acquired by Broadcom under the APA to enable AMD to continue, subject to AMD's non-competition obligations under the APA, to conduct certain businesses retained by AMD after the Effective Date on the terms set forth herein; and

WHEREAS, AMD desires to license such intellectual property rights and technology from Broadcom to conduct certain businesses on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual promises of the parties, and of good and valuable consideration, it is agreed by and between the parties as follows:

1. DEFINITIONS

For the purpose of this Agreement the following capitalized terms are defined in this Section 1 and shall have the meaning specified herein. Other terms that are capitalized but not specifically defined in this Section 1 or in the body of the Agreement shall have the meaning set forth in the APA.

1.1 ***"AMD Exclusive Field"*** means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any IP core, processor, integrated circuit or chipset, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as [****] for use in [****]); or (ii) (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, or (C) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor. Notwithstanding the foregoing, the "AMD Exclusive Field" does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (1) Current Business Products, Past Products or Roadmap Products, (2) the other products described in the first sentence of the "Broadcom Exclusive Field" definition, (3) products [****], or (4) products [****].

1.2 ***"AMD Technology"*** has the meaning ascribed to it in the IP Core License Agreement.

1.3 ***"Broadcom Exclusive Field"*** means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following, and the Software operating thereon or in connection therewith: (a) Current Business Products; (b) Past Products; (c) Roadmap Products; (d) products that are included in digital television devices; (e) products that are included in [****] devices; (f) products that are included in [****] devices such as [****] devices; or (g) products [****] devices, [****] devices, and other [****] (other than [****]). Notwithstanding the foregoing, the "Broadcom Exclusive Field" does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (A) all products made, sold, or marketed by AMD or its Subsidiaries as of the Effective Date, other than the Current Business Products, Past Products or Roadmap Products, (B) future products designed by AMD or its Subsidiaries (other than Current Business Products, Past Products and Roadmap Products) primarily for use in [****] (and not designed primarily for the products listed in (a) through (g) above), or for use as [****], (C) products for use in [****], or (D) products for use as [****].

1.4 ***"Confidential Information"*** means any and all technical and non-technical information a party provides to another party hereunder that is marked or otherwise identified at the time of disclosure as confidential or proprietary or is material that should be readily recognized as confidential by the recipient, which information may include trade secrets, know-how, firmware, designs, schematics, techniques, software code, technical documentation, specifications, Books and Records, plans or any other information relating to any research project, work in process, future development, scientific, engineering, manufacturing, marketing or business plan or financial, business or personnel matter relating to a party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in written, oral, graphic or electronic form. Notwithstanding the foregoing, after the Effective Date, all Transferred Technology shall be the Confidential Information of Broadcom, Broadcom shall be deemed to be the disclosing party of such Confidential Information and AMD shall be deemed to be the recipient of such Confidential Information. All Retained Technology shall be the Confidential Information of AMD.

1.5 ***"Derivative"*** means a modified version of a Functional Block or of an integrated circuit comprised of a Current Business Product, Past Product or Roadmap Product.

1.6 **"*Effective Date*"** shall be the same date as the Closing Date.

1.7 ***"Excluded Technology"*** means the Technology listed on Exhibit C.

1.8 ***"First Effective Filing Date"*** means the earliest effective filing date in the particular country for any Patent or any application for any Patent. By way of example, it is understood that the First Effective Filing Date for a United States Patent is the earlier of (a) the actual filing date of the United States Patent application which issued into such Patent, (b) the priority date under 35 U.S.C. § 119 for such Patent, or (c) the priority date under 35 U.S.C. § 120 for such Patent.

1.9 ***"Functional Block"*** means an IP core or similar functional block or other component or element within, or Software in or for, a Current Business Product or Past Product or developed as of the Effective Date for incorporation in a Roadmap Product.

1.10 ***"Game Consoles"*** means consumer electronic devices that attach to a television and are primarily marketed for the playing of electronic games, such as, or similar to, Microsoft's Xbox 360, Sony's PlayStation 3 or Nintendo's Wii, and including portable devices that are primarily marketed for the playing of electronic games, such as Nintendo DS. "Game Console" excludes [****].

1.11 **"*Improvements*"** means any improvements, enhancements, discoveries, developments, inventions, modifications or derivative works, whether or not patentable.

1.12 ***"IP Core License Agreement"*** means the certain IP Core License Agreement between the parties of even date herewith.

1.13 **"*Licensable*"** means that, as of the Effective Date, AMD or any of its Affiliates has the right to grant to Broadcom a license or other rights within the scope of the rights granted to Broadcom under this Agreement, subject to the scope of permissible sublicense rights granted to AMD, without such grant (a) resulting in any breach or other violation of any obligation of AMD or any of its Affiliates to any Third Party, or (b) resulting in any payment obligations of AMD to any Third Party.

1.14 ***"Mobile Devices"*** means battery-operated, handheld electronic personal communication devices, such as, or similar to, cellular telephones, smart phones, PDAs, or pagers, including such devices that are primarily marketed for purposes other than playing electronic games, even if such devices incorporate game-playing functionality, such as, or similar to, Apple's iPhone or Research In Motion's Blackberry.

1.15 ***"PCs"*** means x86 desktop, notebook or ultra-mobile personal computers.

1.16 ***"PCTV Devices"*** means (a) computer cards and products that both (i) tune, demodulate, process (including encoding, decoding and enhancing audio and video data), record and/or display digital and analog broadcast television signals, and provide related services such as electronic program guides, and (ii) are included in a PC, or require a PC for operation, and (b) Software operating on such computer cards and integrated circuits to the extent necessary to provide the functionality described in clause (a)(i).

1.17 ***"Retained Intellectual Property Rights"*** means the Intellectual Property Rights (other than trademarks and Patents) owned or Licensable by AMD or any of its Affiliates, that are not included in the Transferred Intellectual Property Rights, and that (a) are used in, necessary for or primarily related to the Business or (b) cover any of the Retained Technology. "Retained Intellectual Property Rights" do not include any of AMD's Intellectual Property Rights in or to its semiconductor manufacturing Technology.

1.18 ***"Retained Patents"*** means the claims of Patents owned or Licensable by AMD or any of its Affiliates (other than the Transferred Patents) that (a) without a license, would be infringed (or, with respect to patent applications, would be infringed if such patent application were to issue as a patent) by the design, development, use, manufacture, import, offer for sale, sale, maintenance, support or other disposal of any Current Business Product, Past Product or Roadmap Product or any Functional Block, including those Patents listed on Exhibit A, or (b) cover any of the Retained Technology; provided that, such Patents have a First Effective Filing Date on or before the Effective Date (including, for clarity, all continuations, continuations-in-part, divisionals, substitutions, reissues, reexaminations, and foreign counterparts that claim priority to any such Patents, regardless of when filed or issued).

1.19 ***"Retained Technology"*** means all Technology owned or Licensable by AMD or any of its Affiliates (other than the Transferred Technology) that is used in, necessary for or primarily related to the Business or the Past Products, any Current Business Product, Roadmap Product or any Functional Block. "Retained Technology" includes the Technology specifically listed on Exhibit B. For the avoidance of doubt, "Retained Technology" does not include, except as specifically listed on Exhibit B, (w) any of AMD's proprietary semiconductor manufacturing Technology; (x) any of the AMD Technology licensed under the IP Core License Agreement; (y) except as licensed under the IP Core License Agreement, any IP core, processor or product that operates as a [****] for use in [****]; or (z) any processor core or product that (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, (C) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor, or (D) is a chipset (Northbridge/Southbridge) for use with any AMD Processor.

1.20 **"*Third Party*"** means any person or entity other than AMD or Broadcom or any Affiliate of AMD or Broadcom.

1.21 ***"Transferred Intellectual Property Rights"*** means the Intellectual Property Rights (other than trademarks and Patents) transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries pursuant to the APA.

1.22 **"*Transferred Patents*"** means those Patents transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries pursuant to the APA.

1.23 ***"Transferred Technology"*** means the Technology transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries in accordance with the APA.

2. LICENSES

2.1 ***Licenses to Broadcom.***

(a) AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license under the Retained Patents, without right of sublicense, to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of:

(i) any Current Business Product, Past Product, Roadmap Product, Functional Block or Derivative, or

(ii) any combination of the items described in clause (i) with each other or with new or additional technology, but only to the extent of the items described in clause (i) and not to any new or additional functionality added to such items (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Core License Agreement; provided, however, that use or development of such Technology is done in accordance with and remains subject to the restrictions set forth in the IP Core License Agreement) or to the remainder of any device or product in which such items may be incorporated.

For the avoidance of doubt, the restriction on sublicensing set forth above shall not be interpreted to limit the sublicense rights granted under Section 2.1(b) below; *i.e.*, if a permitted sublicensee's exercise of its permitted sublicensed rights with respect to the Retained Technology would necessarily infringe a Retained Patent(s), then Broadcom is permitted to grant a sublicense under such Retained Patents solely to the extent necessary to enable such sublicensee of such Retained Technology to exercise its permitted sublicense rights in accordance with Section 2.1(b).

(b) AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries (i) under the Retained Intellectual Property Rights, and (ii) to the Retained Technology, a perpetual, irrevocable, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, with right of sublicense (but without further right of sublicense by such sublicensee except to end users of products, solely as necessary for such end users to use such products), to use, reproduce, modify, make derivative works of, distribute and otherwise exploit the Retained Technology, to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of products and to provide services. Such license shall be (A) exclusive within the Broadcom Exclusive Field (even as to AMD and its Affiliates), effective as of the Effective Date and for three (3) years thereafter, and non-exclusive within the Broadcom Exclusive Field effective after the third (3rd)

anniversary of the Effective Date, (B) non-exclusive within the AMD Exclusive Field, effective only after the third (3rd) anniversary of the Effective Date, and (C) non-exclusive in all fields, other than the Broadcom Exclusive Field and the AMD Exclusive Field, effective as of the Effective Date.

(c) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed and/or made on Broadcom's or its Subsidiaries' behalf and not to design and/or make products of their own design or products made based upon the designs of Third Parties.

(d) Broadcom shall have the exclusive right, but not the obligation, to enforce and protect the Retained Intellectual Property Rights and Retained Technology against infringement or misappropriation in the Broadcom Exclusive Field arising during the three (3) year period after the Effective Date and may bring and pursue an action to so enforce and protect such rights during or after such three (3) year period. AMD, or its Affiliate, shall join as a party to any action brought by Broadcom pursuant to such right, at Broadcom's request and at Broadcom's expense (including for all reasonable attorneys' fees and costs of AMD or AMD's Affiliates), in the event that an adverse party asserts, the court rules or other laws then applicable provide, or Broadcom determines in good faith, that a court lacks jurisdiction based on such AMD's or such Affiliate's absence as a party in such action. If Broadcom lacks standing to bring such an action in any jurisdiction, Broadcom shall have the right to direct AMD or its Affiliate to initiate legal action to enforce the Retained Intellectual Property Rights and Retained Technology, in accordance with Broadcom's reasonable instructions and AMD or such Affiliate, as applicable, shall initiate and pursue such action in accordance with Broadcom's instructions and at Broadcom's expense (including for all reasonable attorneys' fees and costs of AMD or AMD's Affiliates). Broadcom shall retain or receive all recoveries obtained by either party or their Affiliates from any action or settlement of any claim or action, brought pursuant to this Section 2.1(d). Broadcom shall indemnify and hold AMD and AMD's Affiliates harmless from and against any liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by AMD and its Affiliates, and to promptly reimburse AMD and its Affiliates for any such liabilities, losses, damages, costs and expenses, which are incurred by AMD and its Affiliates, resulting from any actions undertaken by AMD and its Affiliates requested by Broadcom pursuant to this Section 2.1(d); provided, however, that Broadcom's indemnification obligation hereunder (i) shall be subject to, and shall not supersede in any way, AMD's obligation to indemnify Broadcom pursuant to the APA and Broadcom shall have no obligation to indemnify AMD hereunder for any liability, loss, damage, cost or expense which is subject to AMD's obligation to indemnify Broadcom pursuant to the APA; and (ii) is conditioned upon: (A) AMD providing Broadcom with prompt written notice of any such liabilities, losses, damages, costs and expenses, or any Third Party claim which could give rise to such liabilities, losses, damages, costs and expenses; (B) Broadcom having sole control and authority with respect to the defense and settlement of any such claim; and (C) AMD reasonably cooperating with Broadcom in the defense of any such claim.

(e) Broadcom shall not use or hire others to use or analyze any Retained Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the Retained Technology are covered by any patents or patent applications owned by Broadcom and then use that analysis to assert patent infringement claims against AMD.

2.2 ***License to AMD***.

(a) Subject to the non-competition terms in Section 5.10(a) of the APA, Broadcom and its Affiliates grant to AMD and AMD's Subsidiaries under the Transferred Patents, a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, without right of sublicense, to use, make, have made, import, support, maintain, offer to sell, sell, and otherwise dispose of products (other than Current Business Products, Past Products and the Roadmap Products). For the avoidance of doubt, the restriction on sublicensing set forth above shall not be interpreted to limit the sublicense rights granted under Section 2.2(b) below; *i.e.*, if a permitted sublicensee's exercise of its permitted sublicensed rights with respect to the Transferred Technology would necessarily infringe a Transferred Patent(s), then AMD is permitted to grant a sublicense under such Transferred Patents solely to the extent necessary to enable such sublicensee of such Transferred Technology to exercise its permitted sublicense rights in accordance with Section 2.2(b).

(b) Subject to the non-competition terms in Section 5.10(a) of the APA, Broadcom and its Affiliates grant to AMD and AMD's Subsidiaries (i) under the Transferred Intellectual Property Rights (other than any Transferred Intellectual Property Rights covering the Excluded Technology), and (ii) to the Transferred Technology (other than the Excluded Technology), a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, with right of sublicense (in accordance with Section 2.2(e)), to use, reproduce, modify, make derivative works of, and distribute the Transferred Technology (other than the Excluded Technology), to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of products and to provide services, in each case other than in the Broadcom Exclusive Field.

(c) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed or made on AMD's or its Subsidiaries' behalf and not to design or make products of their own design or products made based upon the designs of Third Parties.

(d) AMD shall not use or hire others to use or analyze any Transferred Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the Transferred Technology are covered by any patents or patent applications owned by AMD and then use that analysis to assert patent infringement claims against Broadcom.

(e) AMD and its Subsidiaries may only sublicense any of the rights granted under the Transferred Intellectual Property Rights and to the Transferred Technology to the following (without any further right of sublicense):

(i) any independent contractor or other Third Party service provider, solely as necessary to enable such Third Party to provide services to or on behalf of AMD or its Sublicensee, as applicable;

(ii) AMD's and its Subsidiaries' OEMs and other customers solely as necessary to (A) facilitate collaborative development with AMD or such AMD Subsidiary, as applicable, of products that incorporate AMD products or components that AMD or its Subsidiaries are commercializing or intending to commercialize, as well as the manufacture, sale and support of any such resulting products; (B) fulfill technology escrow rights to the extent required to secure business with customers and consistent with escrow requirements applied to the Intellectual Property Rights and Technology of AMD or its Subsidiary in the same products or technology, if applicable; (C) fulfill second source rights to customers with respect to a single Third Party for each such customer or product (in non-Source Code form and only for products which are created by AMD or such Subsidiary using the Transferred Technology as permitted under this Agreement), solely to the extent required to secure business with such customer and consistent with the second source requirements applied to the other products of AMD or such Subsidiary, if applicable, sold to such customer; or

(iii) end users of products, solely as necessary for such end users to use such products.

2.3 ***No Other Licenses and Rights***. Except as expressly provided in this Section 2, no other license or right is granted to the parties under this Agreement, whether expressly or by implication, estoppel, statute or otherwise.

3. OWNERSHIP

3.1 ***By AMD.*** As between the parties, AMD will retain all right, title and interest, including all Intellectual Property Rights, in and to the Retained Technology, in and to any Improvements to the Retained Technology made by or for AMD or its Affiliates, and in and to any Improvements to the Transferred Technology made by or for AMD or its Subsidiaries in the exercise of the licenses granted to AMD and its Subsidiaries hereunder, subject only to (a) the ownership of Broadcom and its Affiliates in the underlying Transferred Technology, Transferred Patents and Transferred Intellectual Property Rights, (b) the licenses granted hereunder and (c) the non-competition terms agreed to by AMD pursuant to the APA. Unless otherwise agreed by the parties in writing, AMD shall have no obligation to disclose or license to Broadcom any Improvements to the Transferred Technology or to the Retained Technology, or to any Intellectual Property Rights in, or to any Improvements to, the Transferred Technology or the Retained Technology, made by or for AMD or its Affiliates.

3.2 ***By Broadcom.*** As between the parties, Broadcom will retain all right, title and interest, including all Intellectual Property Rights, in and to the Transferred Technology, in and to any Improvements to the Transferred Technology made by or for Broadcom or its Affiliates, and in and to any Improvements to any of the Retained Technology hereunder made by or for Broadcom or its Subsidiaries in the exercise of the licenses granted to Broadcom and its Subsidiaries hereunder, subject only to (a) the ownership of AMD and its Affiliates in the underlying Retained Technology, Retained Patents and Retained Intellectual Property Rights and (b) the licenses granted hereunder. Unless otherwise agreed by the parties in writing, Broadcom has no obligation to disclose or license to AMD any Improvements to the Transferred Technology or to the Retained Technology, or to any Intellectual Property Rights in, or to any Improvements to, the Transferred Technology or the Retained Technology, made by or for Broadcom or its Affiliates.

4. DISCLAIMER

4.1 ***Disclaimer of Warranties***. EXCEPT AS EXPRESSLY SET FORTH IN THE APA, (a) THE PARTIES ACKNOWLEDGE AND AGREE THAT ALL TECHNOLOGY PROVIDED HEREUNDER, AND ALL INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, ARE PROVIDED "AS IS," WITHOUT ANY WARRANTY OF ANY KIND; AND (b) WITHOUT LIMITING THE FOREGOING, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING THE TECHNOLOGY OR INTELLECTUAL PROPERTY RIGHTS LICENSED UNDER THIS AGREEMENT, AND EACH HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED OR STATUTORY, REGARDING THE INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSED HEREUNDER, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, ENFORCEABILITY OR NON-INFRINGEMENT.

5. TERM; TERMINATION

5.1 ***Term***. The term of this Agreement is perpetual, with the licenses surviving as long as the applicable Intellectual Property Rights exist.

5.2 ***Termination.*** This Agreement may only be terminated by express mutual written agreement of the parties in the form of an amendment to this Agreement.

6. ADDITIONAL OBLIGATIONS

6.1 ***Additional Obligations with Regard to Patents***.

(a) Broadcom agrees, on behalf of itself and its Affiliates, to make reasonably available to AMD and its Affiliates, or their counsel, on reasonable advance written notice during normal business hours, inventors and other persons previously employed by AMD or its Affiliates, who are Continuing Employees and are employed by Broadcom or is Affiliates at the time of the request, for interviews or testimony to assist in good faith in further prosecution, maintenance, or litigation of all Retained Patents and Retained Intellectual Property Rights, including the signing of documents related thereto. Any reasonable attorneys' fees and costs associated with such assistance shall be borne by AMD, expressly excluding the value of the time of such personnel for maintenance or prosecution, but, with respect to litigation, including the value of the time of such personnel, as well as reasonable attorneys' fees associated with such personnel's participation in litigation on behalf of AMD, as agreed upon in advance in writing by AMD and Broadcom in good faith.

(b) AMD agrees, on behalf of itself and its Affiliates, to make reasonably available to Broadcom and its Affiliates, or their counsel, on reasonable advance written notice during normal business hours, inventors and other persons employed by AMD or its Affiliates at the time of the request, for interviews or testimony to assist in good faith in further prosecution, maintenance, or litigation of all Transferred Patents and Transferred Intellectual Property Rights, including the signing of documents related thereto. Any reasonable attorneys' fees and costs associated with such assistance shall be borne by Broadcom, expressly excluding the value of the time of such personnel for maintenance or prosecution, but, with respect to litigation, including the value of the time of such personnel, as well as reasonable attorneys' fees associated with such personnel's participation in litigation on behalf of Broadcom, as agreed upon in advance in writing by AMD and Broadcom in good faith.

6.2 ***No Other Obligation***. Except as expressly set forth in Section 2.1(d), neither party shall have any obligation hereunder to institute or maintain any action or suit against third parties for infringement or misappropriation of any Intellectual Property Right in or to any Technology licensed to the other party hereunder, or to defend any action or suit brought by a Third Party that challenges or concerns the validity of any of such rights or that claims that any Technology licensed to the other party hereunder infringes or constitutes a misappropriation of any Intellectual Property Right of any Third Party.

6.3 ***No Obligation to Obtain or Maintain Rights in Technology***. Except as otherwise set forth herein, in the APA or any agreement or document referenced in the APA, no party shall be obligated under this Agreement to provide the other parties with any technical assistance or to furnish the other parties with, or obtain, any documents, materials or other information or Technology.

6.4 ***No Obligation to Obtain Or Maintain Patents***. No party is obligated to (i) file any patent application, or to secure any patent or patent rights or (ii) to maintain any patent in force.

7. CONFIDENTIALITY

7.1 ***Restrictions on Use of Confidential Information*.** All Confidential Information shall not be distributed, disclosed, or disseminated in any way or form by the receiving party to anyone except its own, and its Affiliates' and permitted sublicensees', employees, contractors, customers and business partners who have a reasonable need to know such Confidential Information and who have been advised of the confidential nature and required to observe the terms and conditions hereof or of terms substantially similar to these confidentiality provisions; nor shall Confidential Information be used by the receiving party for its own purpose, except for the purposes of exercising its rights or fulfilling its obligations under this Agreement or any permitted sublicense. The recipient shall treat all of the disclosing party's Confidential Information with the same degree of care as the recipient accords to recipient's own Confidential Information, but not less than reasonable care. The recipient shall immediately give notice to the disclosing party of any unauthorized use or disclosure of disclosing party's Confidential Information. The recipient shall assist the disclosing party in remedying any such unauthorized use or disclosure of the disclosing party's Confidential Information. AMD agrees that during the three (3) year period in which Broadcom is granted an exclusive license under Section 2.1(b) above, AMD and its Affiliates will not publicly disclose the Retained Technology in a manner that would result in a loss of trade secret status for the material trade secret aspects of the [****] as of the Effective Date for Broadcom's use of the [****] in accordance with the license rights Broadcom receives to such Retained Technology under Section 2.1(b). Notwithstanding the foregoing, AMD or its Affiliates may publish a non-confidential programming guide that details registers and microcode APIs applicable to the [****] so that developers may develop drivers and other applicable software to configure their devices and access those of AMD's or its Affiliates' products, the design, development, use, manufacture, having manufactured, importation, export, offering to sell, sale, support, maintenance or other disposal of which do not violate any exclusive license granted to Broadcom hereunder.

7.2 ***Exceptions.*** The obligation not to disclose information under Section 7.1 hereof shall not apply to information that, as of the Effective Date or thereafter, (a) was in the public domain or otherwise publicly known at or subsequent to the time such Confidential Information was communicated to recipient by the disclosing party through no fault of the recipient; (b) other than with respect to Transferred Technology, was rightfully in the recipient's possession free of any obligation of confidence at or subsequent to the time such Confidential Information was communicated to the recipient by the disclosing party; (c) was developed by employees or agents of the recipient independently of and without reference to any of the disclosing party's Confidential Information; or (d) was communicated by the disclosing party to a Third Party free of any obligation of confidence.

7.3 ***Confidentiality of Agreement and Permitted Disclosures***. Except as expressly provided herein, each party agrees that the terms and conditions of this Agreement shall be treated as confidential and that neither party will disclose the terms or conditions of this Agreement to any third party without the prior written consent of the other party, provided, however, that each party may disclose the terms and conditions of this Agreement and the other party's Confidential Information to the extent necessary: (a) as required by any court or other governmental body; (b) as otherwise required by law (including the rules and regulations of any stock exchange) or expressly permitted under this Agreement; (c) in confidence to such party's legal counsel, accountants, and other professional advisors; (d) in confidence, to banks, investors and other financing sources and their advisors; (e) in connection with the enforcement of this Agreement or exercise of rights under this Agreement; or (f) in confidence, in connection with an actual or prospective merger or acquisition or similar transaction. With respect to disclosure required by a court, governmental order or otherwise required by law, the party required to so disclose shall (i) to the extent not prohibited, provide prior notification of such impending disclosure to the other party, (ii) use all reasonable efforts to preserve the confidentiality of the terms of this Agreement in complying with such required disclosure, including obtaining a protective order to the extent reasonably possible, and (iii) not be relieved of its obligation of confidentiality and non-use of such disclosed information for any other purpose. Further, all other individuals and/or entities receiving Confidential Information pursuant to subsections (c) through (f) must have signed a written non-disclosure agreement protecting the Confidential Information in accordance with terms in this Agreement, or with respect to attorneys and other professional advisors, be bound by ethical obligations to protect the Confidential Information.

7.4 ***Duration***. The obligations of the parties set forth in this Section 7 with respect to the protection of Confidential Information shall remain in effect for five (5) years after (a) the Effective Date, with respect to Confidential Information of one party that is known to or in the possession of the other party as of the Effective Date, or (b) the date of disclosure, with respect to Confidential Information that is disclosed by the one party to the other party after the Effective Date, provided, however, that the obligations of the parties set forth in this Section 7 with respect to the protection of Confidential Information that is Source Code or that otherwise constitutes or is treated as of the Effective Date by the disclosing party as a trade secret shall remain in effect perpetually, subject only to the exceptions in Section 7.2.

8. LIMITATION OF LIABILITY

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT FOR BREACHES OF CONFIDENTIALITY OBLIGATIONS, OR BREACHES OF LICENSE OR FIELD RESTRICTIONS, IN NO EVENT SHALL A PARTY BE LIABLE UNDER THIS AGREEMENT TO THE OTHER PARTY OR TO ANY PARTY CLAIMING THROUGH OR UNDER ANOTHER PARTY, FOR ANY LOST PROFITS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

9. **MISCELLANEOUS PROVISIONS**

9.1 ***Governing Law; Venue***. This Agreement and any disputes hereunder shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of California. Any dispute, claim or controversy arising out of this Agreement shall be submitted to the exclusive jurisdiction and venue in the federal and state courts located in and serving Santa Clara County, California. Notwithstanding the foregoing, in the event that any dispute, claim or controversy arising out of this Agreement also involves a dispute, claim or controversy arising out of the APA, the governing law and dispute resolution provisions of the APA shall govern all such disputes, claims and controversies.

9.2 ***Notices***. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by telecopy with answer back, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), by registered or certified mail (postage prepaid, return receipt requested) or by e-mail with receipt confirmed by return e-mail to the respective parties as follows:

if to AMD:

Advanced Micro Devices, Inc.
7171 Southwest Parkway
Austin, Texas 78735
Attention: General Counsel
Fax: (512) 602-4999

if to Broadcom:

Broadcom Corporation
5300 California Ave.
Irvine, California 92617
Attention: General Counsel
Fax: (949) 926-9244

or to such other address as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by e-mail, telecopy or by air courier shall be deemed effective on the first Business Day following the day on which such notice or communication was sent. Any notice or communication sent by registered or certified mail shall be deemed effective on the third Business Day following the day on which such notice or communication was mailed.

9.3 ***Assignment***. In addition to the sublicense rights enumerated in Section 2.1 and Section 2.2, in the event of a sale of any portion of the business of either party that utilizes the license granted hereby, either party may grant sublicenses to the purchaser of such portion of the business (including as to AMD, AMD's handheld business unit) to be used by such purchaser solely in connection with the business sold to the purchaser and not for any other business. No party may, directly or indirectly, in whole or in part, whether voluntarily or involuntarily or by operation of law or otherwise, assign or transfer this Agreement and the rights granted to it hereunder without the other party's prior written consent, which consent may be granted or refused at the other party's sole discretion. Notwithstanding the foregoing, either party may assign this Agreement and the rights granted to it hereunder, subject to its obligations, to a successor in interest, without the consent of the other party, upon any merger, acquisition, reorganization, change of control, or sale of all or substantially all of the assets or business of such party or the sale of all or substantially all of the assets or the business related to the Intellectual Property Rights and Technology licensed to such party under this Agreement, to be used by the successor solely in connection with the business sold to the successor and not for any other business. Any assignment in violation of this Section shall be null and void from the beginning, and shall be deemed a material breach of this Agreement. AMD shall not assign, transfer or otherwise divest any right, title or interest in or to Retained Technology, Retained Intellectual Property Rights or Retained Patents unless (a) such assignment, transfer or other divestiture is subject to all of the rights granted to Broadcom under this Agreement, and (b) the Person(s) to whom such right, title or interest is transferred is informed in writing, on or before the effectiveness of such assignment, transfer or divestiture, of the rights granted to Broadcom under this Agreement.

9.4 ***Relationship Between Parties***. Broadcom and AMD shall at all times and for all purposes be deemed to be independent contractors and neither party, its Affiliates, nor either party's or its Affiliates' employees, representatives, subcontractors or agents, shall have the right or power to bind the other party. This Agreement shall not itself create or be deemed to create a joint venture, partnership or similar association between Broadcom and AMD or either party's or its Affiliates' employees, representatives, subcontractors or agents.

9.5 ***Third Party Beneficiaries.*** The terms and provisions of this Agreement are intended solely for the benefit of Broadcom and its Subsidiaries, on the one hand, and AMD and its Subsidiaries, on the other hand. It is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity, and this Agreement does not (shall not be construed to) confer any right or cause of action in, upon or on behalf of any other person or entity, and no person or entity (including any of employee or former employee of any of the parties) other than Broadcom or its Subsidiaries and AMD or its Subsidiaries shall be entitled to rely on any provision of this Agreement in any action proceeding, hearing or other forum.

9.6 ***Severability***. In the event that any clause, sub-clause or other provision contained in this Agreement shall be determined by any competent authority to be invalid, unlawful or unenforceable to any extent, such clause, sub-clause or other provision shall to that extent be severed from the remaining clauses and provisions, or the remaining part of the clause in question, which shall continue to be valid and enforceable to the fullest extent permitted by law.

9.7 ***No Waiver; Remedies Cumulative.*** Failure or neglect by a party to enforce at any time any of the provisions hereof shall not be construed nor shall be deemed to be a waiver of such party's rights hereunder nor in any way affect the validity of the whole or any part of this Agreement nor prejudice such party's rights to take subsequent action. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.

9.8 ***Amendment***. Any term of this Agreement may be amended, modified, rescinded, canceled or waived, in whole or in part, only by a written instrument signed by each of the parties' authorized representatives or their respective permitted successors and assigns. Any amendment or waiver effected in accordance with this Section shall be binding upon the parties and their respective successors and assigns.

9.9 ***Counterparts***. This Agreement may be executed in two or more counterparts, all of which, taken together, shall be considered to be one and the same instrument.

9.10 ***Headings; Construction***. The headings to the clauses, sub-clauses and parts of this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and any similar expressions refer to this Agreement and not to any particular Section or other portion hereof. The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement. As used in this Agreement, the words "include" and "including," and variations thereof, will be deemed to be followed by the words "without limitation" and "discretion" means sole discretion.

9.11 ***Entire Agreement***. With the exception of the APA and the Ancillary Agreements, this Agreement (including its Exhibits, each of which are incorporated herein by this reference) supersedes any arrangements, understandings, promises or agreements made or existing between the parties hereto prior to or simultaneously with this Agreement with respect to the subject matter hereof and thereof and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof, except for the Project Addendum and Exclusivity Agreement, which shall continue as set forth in Section 5.2 of the APA.

9.12 ***Statement of Intent With Respect to Bankruptcy*.** Each party's rights under this Agreement are perpetual, irrevocable, and nonexecutory, notwithstanding any other provision of this Agreement or any other contract, and to the maximum extent permitted by applicable law. In the event of the commencement of a bankruptcy proceeding by or against a party, the license grant to the other party in Article 2 shall continue in full force and effect. Under no circumstances shall the other party's exercise of the rights granted to it in Article 2 ever be construed as an infringement of the licensor party's rights in the Retained Patents, the Retained Intellectual Property Rights, the Retained Technology, the Transferred Patents, the Transferred

Intellectual Property Rights or the Transferred Technology, as applicable. In the event that a bankruptcy court or other court of competent jurisdiction ever determines by final judgment that this Agreement is executory, despite every intention and effort by the parties to negotiate and document nonexecutory rights for the other party, and without implying any acceptance of the rejected concept that it is legally impossible to create such a nonexecutory license for Intellectual Property Rights or Technology, all rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code and the APA is an agreement "supplemental to" this license. Furthermore, in such an event, the parties agree that each party, as a licensee of rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code and other applicable law, including any right by such party to specific performance of this Agreement, since each party acknowledges and agrees that the Retained Patents, Retained Intellectual Property Rights, Retained Technology, Transferred Patents, Transferred Intellectual Property Rights and Transferred Technology are unique and that rejection of the license will cause the other party irreparable harm for which its legal remedies are inadequate; provided, however, nothing herein shall be deemed to constitute a present exercise of such rights and elections.

9.13 ***Export***. In recognition of U.S. and non-U.S. export control laws and regulations, each party agrees that it will not export, or transfer for the purpose of re-export, any product, technical data received hereunder or any product produced by use of such technical data, including processes and services, (each, an "**Exported Product**"), in violation of any U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto. Further, neither party will export an Exported Product to any prohibited or embargoed country or to any denied, blocked, or designated person or entity as mentioned in any such U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto.

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IN WITNESS WHEREOF, the parties have signed this Intellectual Property Cross-License Agreement effective as of the Effective Date.

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Name: Harry A. Wolin
Title: Sr. Vice President, General Counsel & Secretary

SIGNATURE PAGE TO IP CORE LICENSE

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

BROADCOM CORPORATION

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

SIGNATURE PAGE TO IP CORE LICENSE

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT A

LIST OF MATERIAL RETAINED PATENTS

Title	Country	Application No.	Filing Date	Publication / Patent No.	Publication / Issue Date
[****]	[****]	[****]	[****]	[****]	[****]

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT B
LIST OF MATERIAL RETAINED TECHNOLOGY

[****]

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT C
EXCLUDED TECHNOLOGY

[****]

Exhibit 10.3

EXECUTION VERSION
AMD AND BROADCOM CONFIDENTIAL

IP CORE LICENSE AGREEMENT

THIS IP CORE LICENSE AGREEMENT (this "**Agreement**"), effective as of the Effective Date, is by and between **ADVANCED MICRO DEVICES, INC**., a corporation organized under the laws of Delaware and having its corporate head office located at One AMD Place, Sunnyvale, CA 94088 ("**AMD**") and **BROADCOM CORPORATION**, a corporation organized under the laws of California and having its principal place of business at 5300 California Ave., Irvine, CA 92617 ("**Broadcom**").

W I T N E S S E T H:

WHEREAS, Broadcom, AMD and Broadcom International Limited, a Cayman Islands entity, have entered into that certain Asset Purchase Agreement dated August 25, 2008 ("**APA**"), pursuant to which Broadcom purchased and assumed, and AMD sold, transferred and assigned to Broadcom and Broadcom International Limited, certain assets and liabilities of the Business;

WHEREAS, AMD, among other things, designs, develops and markets certain advanced graphics, video and multimedia processors and licenses graphics core designs, and related software, that are retained by AMD and that are not otherwise licensed to Broadcom under the terms of the IP Cross License;

WHEREAS, Broadcom desires to license such AMD graphics cores and software technology for use within the Broadcom Field, and AMD is willing to license such technology to Broadcom, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual promises of the parties, and of good and valuable consideration, it is agreed by and between the parties as follows:

1. DEFINITIONS.

1.1 **Definitions**. For the purpose of this Agreement the following capitalized terms are defined in this Section 1.1 and shall have the meaning specified herein. Other terms that are capitalized but not specifically defined in this Section 1.1 or in the body of the Agreement shall have the meaning set forth in the APA or the IP Cross License.

(a) **"AMD Intellectual Property Rights"** means the Intellectual Property Rights (other than trademarks) owned or Licensable by AMD or any of its Affiliates, that are not included in the Purchased Intellectual Property Rights, and that cover any of the AMD Technology. "AMD Intellectual Property Rights" do not include any of AMD's Intellectual Property Rights in or to its semiconductor manufacturing Technology.

(b) **"AMD Exclusive Field"** means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any IP core, processor, integrated circuit or chipset, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as [****] for use in [****]; (ii) (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

Processor, or (C) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor. Notwithstanding the foregoing, the "AMD Exclusive Field" does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (1) Current Business Products, Past Products or Roadmap Products, (2) the other products described in the "Broadcom Exclusive Field" definition in the IP Cross License, or (3) products for use as [****].

(c) **"AMD Technology**" means the Technology expressly identified on Exhibit A, including the Licensed Cores, the GPG Software and the Licensed Software.

(d) **"Broadcom Owned Improvements**" means the Improvements made by or for Broadcom or its Subsidiaries to the AMD Technology.

(e) **"Broadcom Field"** means all fields other than the AMD Exclusive Field, except that with regard to products for use as [****], the "Broadcom Exclusive Field" shall include only such [****] that are derived through the process of embedding the applicable Licensed Core into Broadcom Products (as defined in Section 3.3 below) designed and marketed for purposes other than for inclusion in [****], but that may thereafter be sold for use in [****] by altering the input/output functionality of such Broadcom Product without other further changes to customize such Broadcom Products for use in [****].

(f) **"Confidential Information**" means any and all technical and non-technical information a party provides to another party hereunder that is marked or otherwise identified at the time of disclosure as confidential or proprietary or is material that should be readily recognized as confidential by the recipient, including trade secrets, know-how, firmware, designs, schematics, techniques, software code, technical documentation, specifications, plans or any other information relating to any research project, work in process, future development, scientific, engineering, manufacturing, marketing or business plan or financial or personnel matter relating to a party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in written, oral, graphic or electronic form. All Broadcom Owned Improvements shall be the Confidential Information of Broadcom. All AMD Technology and Improvements to AMD Technology (other than Broadcom Owned Improvements) shall be the Confidential Information of AMD.

(g) **"Derivative**" means a modified version of a Licensed Core.

(h) **"Effective Date"** shall be the same date as the Closing Date.

(i) **"First Effective Filing Date"** means the earliest effective filing date in the particular country for any Patent or any application for any Patent. By way of example, it is understood that the First Effective Filing Date for a United States Patent is the earlier of (a) the actual filing date of the United States Patent application which issued into such Patent, (b) the priority date under 35 U.S.C. § 119 for such Patent, or (c) the priority date under 35 U.S.C. § 120 for such Patent.

(j) **"GPG Software**" means the AMD Technology described as a "[****]" in Exhibit A.

(k) **"Improvements**" means any improvements, enhancements, discoveries, developments, inventions, modifications or derivative works, whether or not patentable.

(l) **"IP Cross License**" means the certain Intellectual Property Cross License Agreement between the parties of even date herewith.

(m) **"Licensable**" means that, as of the Effective Date, AMD or any of its Affiliates has the right to grant to Broadcom a license or other rights within the scope of the rights granted to Broadcom under this Agreement, subject to the scope of permissible sublicense rights granted to AMD, without such grant (a) resulting in any breach or other violation of any obligation of AMD or any of its Affiliates to any Third Party (who is not an AMD Affiliate), or (b) resulting in any payment obligations of AMD to any Third Party (who is not an AMD Affiliate).

(n) **"Licensed Core**" means each AMD graphics processor core specified in Exhibit A, including (i) all RTL with respect thereto and all Licensed Software and GPG Software described in Exhibit A referencing such Licensed Cores, (ii) the Improvements to the [****] to complete integration for the [****] product (each according to AMD's current classifications) thereto that AMD provides to Broadcom under the [****] support statement of work to the Transition Services Agreement, and (iii) the deliverables with respect to the [****] core (formerly known as the [****] core) that AMD provides to Broadcom pursuant to a letter agreement among the parties with respect to such deliverables, dated on or about the signing date of the APA.

(o) **"Licensed Software**" means the driver code, sample code, tools, software development kits and related documentation described in Exhibit A, but not including the GPG Software.

(p) **"Open Source Software**" has the meaning ascribed to it in the APA; provided, however, that Open Source Software shall, for purposes of this Agreement, exclude the AMD Technology, Purchased Technology and Retained Technology.

(q) **"Third Party**" means any person or entity other than AMD or Broadcom or any Subsidiary of AMD or Broadcom.

(r) **"Third Party IP"** means a claim of a patent owned by a Third Party who is not an AMD Affiliate and not Licensable by AMD or any of its Affiliates, to the extent that infringement of such claim cannot be avoided in remaining compliant with any standards issued by any public or private standards body, including optional implementations thereof, including all standards issued, promulgated or maintained by the Khronos Group (including Open VG 1.0, Open GL-ES 2.0 & Open GL-ES 1.1) and Adobe Flash.

(s) **"Transition Services Agreement"** means the certain Transition Services Agreement between the parties of even date herewith.

2. DELIVERY, RESPONSIBILITIES

2.1 **Delivery of AMD Technology**. AMD shall deliver the AMD Technology pursuant to the delivery terms set forth in the APA or the Transition Services Agreement, as applicable.

2.2 **Integration.** Except as otherwise agreed upon by the parties in writing in a statement of work to the Transition Services Agreement, Broadcom shall be solely responsible for porting and integrating the Licensed Core into a Broadcom Product and for the manufacture and testing of the Broadcom Products.

2.3 **Support and Maintenance**. AMD will provide certain support and maintenance services to Broadcom for the AMD Technology pursuant to a written statement of work to the Transition Services Agreement, which will also sets forth the fees and terms for such services.

3. LICENSE

3.1 **Licenses to Broadcom**. Subject to the terms and conditions of this Agreement, AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries, under the AMD Intellectual Property Rights and in and to the AMD Technology, a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 10.3 (Assignment)), right and license solely in the Broadcom Field and without right of sublicense except as set forth in Section 3.2:

(a) to design, develop, use, make, have made, import, export, support, and maintain:

i. any Licensed Core or Derivative solely for inclusion in Broadcom Products; but only to the extent of such items and not to any new or additional functionality in such Licensed Core or Derivative (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Cross License) or to the remainder of any device or product in which such items may be incorporated; or

ii. any combination of the items described in clause (i) with each other or with new or additional technology, but only to the extent of the items described in clause (i) and not to any new or additional functionality added to such item (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Cross License) or to the remainder of any device or product in which such items may be incorporated;

(b) to import, offer to sell, and sell Broadcom Products to the extent that such Broadcom Products contain the elements permitted pursuant to subsection (a) above; and

(c) under the AMD Intellectual Property Rights other than Patents, to modify and make (or have made) derivative works of the Licensed Software and GPG Software solely for use in connection with or as incorporated in Broadcom Products;

(d) to reproduce and distribute (through multiple tiers of distribution) the Licensed Software and the GPG Software, and any Improvements of the foregoing, but solely for use in connection with or as incorporated in Broadcom Products, and, with respect to the GPG Software, solely in machine-executable object code form; with the foregoing not to be interpreted as limiting the licenses granted by AMD or its Affiliates hereunder under any Patents in the AMD Intellectual Property Rights to distribute the Licensed Software, the GPG Software, or any Improvements to either of the foregoing, as permitted under this Section 3.1, nor to limit Broadcom or its Subsidiaries' right to import, offer to sell, or sell Broadcom Products; and

(e) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed or made on Broadcom's or its Subsidiaries' behalf and not to design or make products of their own design or products made based upon the designs of Third Parties.

(f) Notwithstanding any other provision in this Agreement, in no event may Broadcom or any of its Subsidiaries or sublicensees (A) combine or incorporate any AMD Technology or any Improvement to AMD Technology with any Open Source Software, or (B) intermingle or bundle any AMD Technology or Improvements to AMD Technology with Open Source Software, or (C) link Open Source Software or any libraries or routines that constitute Open Source Software or contains elements that previously used or were linked to Open Source Software or any libraries or routines that constitute Open Source Software, with AMD Technology or Improvements to AMD Technology; in each instance in a manner that would require the disclosure or distribution of the Source Code of the AMD Technology or Improvements to the AMD Technology. Further, Broadcom shall not combine or integrate the Licensed Software with any Open Source Software in such a way to subject the Licensed Software or GPG Software to Open Source Software terms in a manner that would require the disclosure or distribution of the Source Code of the AMD Technology or Improvements to the AMD Technology, without the written authorization of AMD.

(g) Broadcom shall not use or hire others to use or analyze any AMD Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the AMD Technology are covered by any patents or patent applications owned by Broadcom and then use that analysis to assert patent infringement claims against AMD.

3.2 **Use of Third Parties**.

(a) Subject to the terms and conditions of this Agreement, Broadcom and, its Subsidiaries may utilize third-party contractors (**"Contractors**") in connection with its exercise of license rights under Section 3.1; provided that the use of AMD Technology by such Contractors is solely to support Broadcom or its Subsidiaries or sublicensees in connection with Broadcom's or its Subsidiaries' rights under this Agreement and in strict compliance with the terms of this Agreement.

(b) If any third party that received deliverables or AMD Confidential Information from Broadcom pursuant to this Agreement breaches the obligations imposed on Broadcom under this Agreement with respect to such deliverables or AMD Confidential Information, Broadcom agrees to take all reasonable actions to cure such breach. If Broadcom is unable to cure such breach within ten (10) Business Days after Broadcom receives written notice of such breach from AMD, then Broadcom shall terminate the third party's right to use and possess such AMD Confidential Information and shall take all commercially reasonable actions to ensure the third party returns all AMD Confidential Information obtained from Broadcom pursuant to this Agreement in its possession.

(c) Nothing herein shall prevent Broadcom or its Subsidiaries from giving their customers access to APIs with respect to the AMD Technology or Broadcom Owned Improvements to facilitate interoperability between such customers' products and the AMD Technology or Broadcom Owned Improvements. Notwithstanding the foregoing, Broadcom's rights described in this Section 3.2(c) shall not extend to RTL or to any source code for the GPG Software.

3.3 **License Restrictions**. In addition to any other terms and conditions of this Agreement to which the licenses granted under Section 3.1 are subject, Broadcom and its Subsidiaries shall not exercise the right to make or have made products that incorporate any AMD Technology or Derivatives ("**Broadcom Products**") in a manner that circumvents the restrictions on sublicensing. Without limiting the foregoing, a Broadcom Product must incorporate hardware products or components (other than AMD Technology or Broadcom Owned Improvements) that Broadcom or its Subsidiaries have designed and are commercializing or intending to commercialize.

3.4 **Covenant not to Sue to AMD for Broadcom Owned Improvements.** Broadcom hereby covenants that Broadcom and its Subsidiaries shall not assert against AMD and its Subsidiaries, or AMD's or AMD's Subsidiaries' direct and indirect contractors or AMD's or AMD's Subsidiaries' customers for Improvements to AMD Technology made, or made on behalf of AMD by AMD subcontractors, and provided by AMD or AMD's Subsidiaries, any claim that the use, copying, sale, creation of derivative works, modification, license, making, having made or other exploitation of any Improvements made to AMD Technology by AMD or its Subsidiaries, infringes any claim of any Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover Broadcom Owned Improvements.

3.5 **Reservation of Rights**. All rights in a party's Intellectual Property Rights not expressly granted or licensed hereunder are reserved to the licensing party and there are no other licenses or rights, express, statutory, by estoppel, implied or otherwise granted hereunder.

3.6 **Third Party IP**. Broadcom acknowledges and agrees that the AMD Technology may implement certain standards covered by Third Party IP. No license is granted by AMD hereunder to practice the patents of Third Party IP and Broadcom shall be solely responsible for obtaining any necessary rights or licenses from such Third Parties.

4. PAYMENTS

4.1 **Fees**. There are no fees due for the licenses or services set forth in this Agreement. For any support or maintenance services, or for any development services, requested by Broadcom to be performed by AMD related to the subject matter of this Agreement, the parties will agree subject to a separate written agreement regarding any fees or payments due from Broadcom for such services.

5. OWNERSHIP

5.1 **By AMD.** As between the parties, AMD will retain all right, title and interest, including all Intellectual Property Rights, in and to the AMD Technology (subject only to the licenses granted hereunder), and in and to any Improvements to the AMD Technology made by or for AMD or its Affiliates. Unless otherwise agreed by the parties in writing, AMD shall have no obligation to disclose or license to Broadcom any Improvements to the AMD Technology, or to any Intellectual Property Rights in or to any Improvements to the AMD Technology, made by or for AMD or its Affiliates.

5.2 **By Broadcom.** As between the parties, Broadcom will retain all right, title and interest, including all Intellectual Property Rights, in and to any Improvements to the AMD Technology made by or for Broadcom or its Subsidiaries (other than Improvements to the AMD Technology made by AMD pursuant to the Transition Services Agreement) in the exercise of the licenses granted to Broadcom and its Subsidiaries hereunder, subject only to the ownership of AMD and its Affiliates in the underlying AMD Technology, and AMD Intellectual Property Rights. Unless otherwise agreed by the parties in writing, Broadcom has no obligation to disclose or license to

AMD any Improvements to the AMD Technology, or to any Intellectual Property Rights in or to any Improvements to the AMD Technology, made by or for Broadcom or its Subsidiaries, but Broadcom acknowledges the covenant not to sue specified in Section 3.4.

5.3 **Rights in Data.** Broadcom acknowledges that all Licensed Software and related documentation licensed by AMD to Broadcom pursuant to this Agreement are "Commercial Computer Software" or "Commercial Computer Software Documentation" as defined in FAR 12.212 for civilian agencies and DFARS 227.7202 for military agencies, and that in the event Broadcom sells products incorporating the AMD Technology or Derivatives or Improvements to the AMD Technology to the U.S. Government, such items shall be provided under terms at least as restrictive as the terms of this Agreement.

5.4 **No Obligation to Obtain or Maintain Rights in Technology**. Except as otherwise set forth herein, in the APA or any agreement or document referenced in the APA, no party shall be obligated under this Agreement to provide the other parties with any technical assistance or to furnish the other parties with, or obtain, any documents, materials or other information or Technology.

5.5 **No Obligation to Obtain Or Maintain Patents**. No party is obligated to (i) file any patent application, or to secure any patent or patent rights or (ii) to maintain any patent in force.

6. CONFIDENTIAL INFORMATION

6.1 **Confidentiality**. The confidentiality provisions set forth in the IP Cross License shall govern and apply to the Confidential Information. The terms and conditions of this Agreement shall be protected under Section 7.3 of the IP Cross License to the same extent as the terms and conditions of the IP Cross License.

7. REPRESENTATIONS AND WARRANTIES

7.1 **WARRANTY DISCLAIMER**. WITHOUT LIMITING ANY EXPRESS REPRESENTATIONS OR WARRANTIES AS TO LICENSED IP ASSETS UNDER THE APA, (A) BROADCOM ACKNOWLEDGES AND AGREES THAT ALL AMD TECHNOLOGY AND IMPROVEMENTS TO AMD TECHNOLOGY SUPPLIED BY AMD UNDER THIS AGREEMENT ARE PROVIDED BY AMD "AS IS" AND WITHOUT WARRANTY OF ANY KIND; AND (B) AMD HEREBY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AMD TECHNOLOGY AND IMPROVEMENTS, INCLUDING ANY WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE. AMD MAKES NO REPRESENTATIONS OR WARRANTIES THAT THE AMD TECHNOLOGY IS ERROR FREE.

8. LIMITATION OF LIABILITY

8.1 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT FOR BREACHES OF CONFIDENTIALITY OBLIGATIONS OR BREACHES OF LICENSE RESTRICTIONS, IN NO EVENT SHALL A PARTY BE LIABLE UNDER THIS AGREEMENT TO THE OTHER PARTY OR TO ANY PARTY CLAIMING THROUGH OR UNDER ANOTHER PARTY, FOR ANY LOST PROFITS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8.2 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND WITHOUT LIMITING ANY OTHER PROVISION IN THIS AGREEMENT, IN NO EVENT SHALL AMD OR ITS AFFILIATES BE LIABLE FOR ANY DAMAGES RELATING TO OR RESULTING FROM THE USE OF AMD TECHNOLOGY IN PRODUCTS USED FOR AVIATION, MEDICAL, NUCLEAR OR HAZARDOUS PURPOSES OR FOR ANY DAMAGES OWED TO THIRD PARTIES RELATING TO TECHNOLOGY NOT PROVIDED BY AMD. LIABILITY FOR DAMAGES SHALL BE LIMITED AND EXCLUDED AS SET FORTH HEREIN, EVEN IF ANY EXCLUSIVE REMEDY PROVIDED FOR IN THIS AGREEMENT FAILS OF ITS ESSENTIAL PURPOSE.

8.3 AMD SHALL NOT BE RESPONSIBLE FOR ANY RECOVERABLE OR NON-RECOVERABLE COSTS INCURRED, DIRECTLY OR INDIRECTLY, BY BROADCOM OR ITS SUBSIDIARIES IN THE DESIGN MIGRATION, PROCESSING, OR MANUFACTURE OF MASKS AND PROTOTYPES, OR THE CHARACTERIZATION OR MANUFACTURE OF PRODUCTION QUALITY SILICON IN ANY QUANTITY, AS A RESULT OF BROADCOM'S OR ITS SUBSIDIARIES' EXERCISE OF THE LICENSES UNDER THIS AGREEMENT.

9. TERM

9.1 **Term.** The term of this Agreement shall begin on the Effective Date and unless earlier terminated as provided below, shall continue in perpetuity.

9.2 **Termination.** This Agreement may only be terminated by express mutual written agreement of the parties in the form of an amendment to this Agreement.

9.3 **AMD Bankruptcy**. Each party's rights under this Agreement are perpetual, irrevocable, and nonexecutory, notwithstanding any other provision of this Agreement or any other contract, and to the maximum extent permitted by applicable law. In the event of the commencement of a bankruptcy proceeding by or against a party, the license grant or covenant not to sue, as applicable, to the other party in Section 3 shall continue in full force and effect. Under no circumstances shall the other party's exercise of the rights granted to it in Section 3, or reliance on the covenant not to sue granted to it in Section 3.4, ever be construed as an infringement of the licensor party's rights in the AMD Intellectual Property Rights, the AMD Technology, the Broadcom Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements, as applicable. In the event that a bankruptcy court or other court of competent jurisdiction ever determines by final judgment that this Agreement is executory, despite every intention and effort by the parties to negotiate and document nonexecutory rights for the other party, and without implying any acceptance of the rejected concept that it is legally impossible to create such a nonexecutory license for Intellectual Property Rights or Technology, all rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code and the APA is an agreement "supplemental to" this license. Furthermore, in such an event, the parties agree that each party, as a licensee or beneficiary (as applicable) of rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code and other applicable law, including any right by such party to specific performance of this Agreement, since each party acknowledges and agrees that the AMD Intellectual Property Rights, the AMD Technology, the Broadcom-Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements are unique and that rejection of the license or covenant not to sue will cause the other party irreparable harm for which its legal remedies are inadequate; provided, however, nothing herein shall be deemed to constitute a present exercise of such rights and elections. Notwithstanding anything to the contrary herein or under Section 365(n) of the U.S. Bankruptcy Code, the parties agree and acknowledge that AMD and its Subsidiaries are not entitled to obtain embodiments of, and Broadcom and its Subsidiaries have no obligation to disclose, Broadcom Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements.

10. GENERAL TERMS AND CONDITIONS

10.1 **Governing Law; Venue.** This Agreement and any disputes hereunder shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of California. Any dispute, claim or controversy arising out of this Agreement shall be submitted to the exclusive jurisdiction and venue in the federal and state courts located in and serving Santa Clara County, California. Notwithstanding the foregoing, in the event that any dispute, claim or controversy arising out of this Agreement also involves a dispute, claim or controversy arising out of the APA, the governing law and dispute resolution provisions of the APA shall govern all such disputes, claims and controversies.

10.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by telecopy with answer back, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), by registered or certified mail (postage prepaid, return receipt requested) or by e-mail with receipt confirmed by return e-mail to the respective parties as follows:

if to AMD:

Advanced Micro Devices, Inc.
7171 Southwest Parkway
Austin, Texas 78735
Attention: General Counsel
Fax: (512) 602-4999

if to Broadcom:

Broadcom Corporation
5300 California Ave.
Irvine, California 92617
Attention: General Counsel
Fax: (949) 926-9244

or to such other address as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by e-mail, telecopy or by air courier shall be deemed effective on the first Business Day following the day on which such notice or communication was sent. Any notice or communication sent by registered or certified mail shall be deemed effective on the third Business Day following the day on which such notice or communication was mailed.

10.3 **Assignment**. In addition to the sublicense rights enumerated in Section 3, in the event of a sale of any portion of the business of either party that utilizes the license granted hereby, either party may grant sublicenses, or extend the covenant not to sue, to the purchaser of such portion of the business (including as to AMD, AMD's handheld business unit) to be used by such purchaser solely in connection with the business sold to the purchaser and not for any other business. No party may, directly or indirectly, in whole or in part, whether voluntarily or involuntarily or by operation of law or otherwise, assign or transfer this Agreement and the rights granted to it hereunder without the other

party's prior written consent, which consent may be granted or refused at the other party's sole discretion. Notwithstanding the foregoing, either party may assign this Agreement and the rights and covenants granted to it hereunder, subject to its obligations, to a successor in interest without the consent of the other party upon any merger, acquisition, reorganization, change of control, or sale of all or substantially all of the assets or business of such party or the sale of all or substantially all of the assets or the business related to the Intellectual Property Rights and Technology licensed to such party under this Agreement, to be used by the successor solely in connection with the business sold to the successor and not for any other business. Any assignment in violation of this Section shall be null and void from the beginning, and shall be deemed a material breach of this Agreement. AMD shall not assign, transfer or otherwise divest any right, title or interest in or to AMD Technology or any of the AMD Intellectual Property Rights unless (a) such assignment, transfer or other divestiture is subject to all of the rights granted to Broadcom under this Agreement, and (b) the Person(s) to whom such right, title or interest is transferred is informed in writing, on or before the effectiveness of such assignment, transfer or divestiture, of the rights granted to Broadcom under this Agreement.

10.4 **Relationship Between Parties**. Broadcom and AMD shall at all times and for all purposes be deemed to be independent contractors and neither party, its Affiliates, nor either party's or its Affiliates' employees, representatives, subcontractors or agents, shall have the right or power to bind the other party. This Agreement shall not itself create or be deemed to create a joint venture, partnership or similar association between Broadcom and AMD or either party's or its Affiliates' employees, representatives, subcontractors or agents.

10.5 **Third Party Beneficiaries.** The terms and provisions of this Agreement are intended solely for the benefit of Broadcom and its Subsidiaries, on the one hand, and AMD and its Subsidiaries, on the other hand. It is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity, and this Agreement does not (shall not be construed to) confer any right or cause of action in, upon or on behalf of any other person or entity, and no person or entity (including any of employee or former employee of any of the parties) other than Broadcom or its Subsidiaries and AMD or its Subsidiaries shall be entitled to rely on any provision of this Agreement in any action proceeding, hearing or other forum.

10.6 **Severability**. In the event that any clause, sub-clause or other provision contained in this Agreement shall be determined by any competent authority to be invalid, unlawful or unenforceable to any extent, such clause, sub-clause or other provision shall to that extent be severed from the remaining clauses and provisions, or the remaining part of the clause in question, which shall continue to be valid and enforceable to the fullest extent permitted by law.

10.7 **No Waiver; Remedies Cumulative.** Failure or neglect by a party to enforce at any time any of the provisions hereof shall not be construed nor shall be deemed to be a waiver of such party's rights hereunder nor in any way affect the validity of the whole or any part of this Agreement nor prejudice such party's rights to take subsequent action. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.

10.8 **Amendment**. Any term of this Agreement may be amended, modified, rescinded, canceled or waived, in whole or in part, only by a written instrument signed by each of the parties' authorized representatives or their respective permitted successors and assigns. Any amendment or waiver effected in accordance with this Section shall be binding upon the parties and their respective successors and assigns.

10.9 **Counterparts**. This Agreement may be executed in two or more counterparts, all of which, taken together, shall be considered to be one and the same instrument.

10.10 **Headings; Construction**. The headings to the clauses, sub-clauses and parts of this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and any similar expressions refer to this Agreement and not to any particular Section or other portion hereof. The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement. As used in this Agreement, the words "include" and "including," and variations thereof, will be deemed to be followed by the words "without limitation" and "discretion" means sole discretion.

10.11 **Entire Agreement**. With the exception of the APA and the Ancillary Agreements, this Agreement (including its Exhibits, each of which are incorporated herein by this reference) supersedes any arrangements, understandings, promises or agreements made or existing between the parties hereto prior to or simultaneously with this Agreement with respect to the subject matter hereof and thereof and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof, except for the Project Addendum and Exclusivity Agreement, which shall continue as set forth in Section 5.2 of the APA.

10.12 **Export**. In recognition of U.S. and non-U.S. export control laws and regulations, each party agrees that it will not export, or transfer for the purpose of re-export, any product, technical data received hereunder or any product produced by use of such technical data, including processes and services (each, an "**Exported Product**"), in violation of any U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto. Further, neither party will export an Exported Product to any prohibited or embargoed country or to any denied, blocked, or designated person or entity as mentioned in any such U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed by its duly authorized representative:

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Name: Harry A. Wolin
Title: Sr. Vice President, General Counsel & Secretary

SIGNATURE PAGE TO IP CORE LICENSE AGREEMENT

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

BROADCOM CORPORATION

By: /s/ Scott A. McGregor
Name: Scott A. McGregor
Title: President and Chief Executive Officer

SIGNATURE PAGE TO IP CORE LICENSE AGREEMENT

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT A

AMD Technology

[****]

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Derrick R. Meyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 5, 2008

/s/ Derrick R. Meyer
Derrick R. Meyer
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Rivet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 5, 2008

/s/ Robert J. Rivet
Robert J. Rivet
Executive Vice President,
Chief Financial Officer,
Chief Operations and Administrative Officer

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i.) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 27, 2008 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2008

/s/ Derrick R. Meyer
Derrick R. Meyer
President and Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i.) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 27, 2008 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2008

/s/ Robert J. Rivet

Robert J. Rivet
Executive Vice President,
Chief Financial Officer,
Chief Operations and Administrative Officer