

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 29, 1996

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 1-7882

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

P. O. Box 3453

Sunnyvale, California

94088-3453

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (408) 732-2400

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 X No

The number of shares of \$0.01 par value common stock outstanding as of October 31, 1996: 136,543,378.

ADVANCED MICRO DEVICES, INC.

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1. FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Thousands except per share amounts)

<TABLE>

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	Quarter Ended		Nine Months Ended	
	September 29, 1996	October 1, 1995 (Restated)*	September 29, 1996	October 1, 1995 (Restated)*
<S>	<C>	<C>	<C>	<C>
Net sales	\$456,862	\$606,953	\$1,456,151	\$1,873,201
Expenses:				
Cost of sales	337,692	368,359	1,086,206	989,949
Research and development	105,656	106,237	293,204	308,806
Marketing, general and administrative	90,432	102,549	276,506	311,885
	533,780	577,145	1,655,916	1,610,640
Operating income (loss)	(76,918)	29,808	(199,765)	262,561
Interest income and other, net	4,214	10,408	55,312	24,441
Interest expense	(3,443)	(315)	(7,236)	(1,394)
Income (loss) before income taxes and equity in joint venture	(76,147)	39,901	(151,689)	285,608
Provision (benefit) for income taxes	(30,459)	10,212	(62,182)	92,052
Income (loss) before equity in joint venture	(45,688)	29,689	(89,507)	193,556
Equity in net income of joint venture	7,326	12,311	41,800	13,426
Net income (loss)	(38,362)	42,000	(47,707)	206,982
Preferred stock dividends	-	-	-	10
Net income (loss) applicable to common stockholders	\$ (38,362)	\$ 42,000	\$ (47,707)	\$ 206,972
Net income (loss) per common share	\$ (.28)	\$.30	\$ (.35)	\$ 1.53
Shares used in per share calculation	136,082	139,288	135,019	135,451

</TABLE>

* Restated from previously released financial information to reflect the January 1996 merger with NexGen, Inc., which has been accounted for under the pooling-of-interests method.

See accompanying notes

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands)

<TABLE>
<CAPTION>

	September 29, 1996 (Unaudited)	December 31, 1995 (1) (Restated) *
<S>	<C>	<C>
Assets		

Current assets:		
Cash and cash equivalents	\$ 108,748	\$ 126,316
Short-term investments	252,596	383,349
	-----	-----
Total cash, cash equivalents, and short-term investments	361,344	509,665
Accounts receivable, net	234,242	284,238
Inventories:		
Raw materials	23,680	29,494
Work-in-process	97,946	68,827
Finished goods	41,863	57,665
	-----	-----
Total inventories	163,489	155,986
Deferred income taxes	149,289	147,489
Prepaid expenses and other current assets	95,287	40,564
	-----	-----
Total current assets	1,003,651	1,137,942
Property, plant, and equipment, at cost	3,231,071	2,946,901
Accumulated depreciation and amortization	(1,497,804)	(1,305,267)
	-----	-----
Property, plant, and equipment, net	1,733,267	1,641,634
Investment in joint venture	192,128	176,821
Other assets	124,946	122,070
	-----	-----
	\$ 3,053,992	\$ 3,078,467
	=====	=====
Liabilities and Stockholders' Equity		

Current liabilities:		
Notes payable to banks	\$ 12,902	\$ 26,770
Accounts payable	166,791	241,916
Accrued compensation and benefits	73,333	106,347
Accrued liabilities	107,617	103,404
Income tax payable	148	56,297
Deferred income on shipments to distributors	85,936	100,057
Current portion of long-term debt and capital lease obligations	27,711	41,642
	-----	-----
Total current liabilities	474,438	676,433
Deferred income taxes	97,407	84,607
Long-term debt and capital lease obligations, less current portion	445,489	214,965
Stockholders' equity:		
Capital stock:		
Common stock, par value	1,413	1,050
Capital in excess of par value	943,077	908,989
Retained earnings	1,092,168	1,192,423
	-----	-----
Total stockholders' equity	2,036,658	2,102,462
	-----	-----
	\$ 3,053,992	\$ 3,078,467
	=====	=====

</TABLE>

(1) The information in this column was derived from the Company's Supplemental Audited Consolidated Balance Sheet as of December 31, 1995.

* Restated from previously released financial information to reflect the January 1996 merger with NexGen, Inc., which has been accounted for under the pooling-of-interests method.

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

<TABLE>
<CAPTION>

	Nine Months Ended	
	September 29, 1996	October 1, 1995 (Restated) *
<S>	<C>	<C>
Cash flows from operating activities		
Net income (loss)	(47,707)	\$ 206,982
Adjustments to reconcile net income (loss) to net cash: provided by (used in) operating activities		
Depreciation and amortization	248,457	180,622
Net (gain) loss on sale of property, plant, and equipment	6,252	(348)
Write-down of property, plant, and equipment	1,068	513
Net gain realized on sale of available-for-sale securities	(41,028)	(2,707)
Compensation recognized under employee stock plans	2,478	1,863
Undistributed income of joint venture	(41,800)	(13,426)
Changes in operating assets and liabilities:		
Net increase in receivables, inventories, prepaid expenses, and other assets	(56,420)	(84,792)
Payment of litigation settlement	-	(20,000)
Net (increase) decrease in deferred income taxes	11,000	(16,900)
Increase (decrease) in income tax payable	(59,471)	56,260
Net increase (decrease) in payables and accrued liabilities	(98,972)	111,232
Net cash provided by (used in) operating activities	(76,143)	419,299
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(349,132)	(491,176)
Proceeds from sale of property, plant, and equipment	2,278	3,046
Purchase of available-for-sale securities	(518,317)	(628,079)
Proceeds from sale of available-for-sale securities	692,741	582,072
Purchase of held-to-maturity debt securities	-	(566,619)
Proceeds from maturities of held-to-maturity debt securities	-	508,635
Investment in joint venture	-	(18,019)
Net cash used in investing activities	(172,430)	(610,140)
Cash flows from financing activities:		
Proceeds from borrowings	432,760	227,828
Payments on capital lease obligations and other debt	(230,377)	(117,270)
Proceeds from issuance of stock	28,622	96,051
Redemption of preferred stock and stockholder rights	-	(2,501)
Payments of preferred stock dividends	-	(10)
Net cash provided by financing activities	231,005	204,098
Net increase (decrease) in cash and cash equivalents	(17,568)	13,257
Cash and cash equivalents at beginning of period	126,316	85,966
Cash and cash equivalents at end of period	\$ 108,748	\$ 99,223
Supplemental disclosures of cash flow information:		
Cash paid during the first nine months for:		
Interest (net of amounts capitalized)	\$ -	\$ 2,541
Income taxes	\$ 4,441	\$ 53,291
Non-cash financing activities:		
Equipment capital leases	\$ 342	\$ 19,690
Conversion of preferred stock to common stock	\$ -	\$ 270,328

</TABLE>

* Restated from previously released financial information to reflect the January 1996 merger with NexGen, Inc., which has been accounted for under the pooling-of-interest method.

See accompanying notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The results of operations of Advanced Micro Devices, Inc. (AMD or the Company) for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

The Company uses a 52 to 53 week fiscal year ending on the last Sunday in December. The quarters ended September 29, 1996 and October 1, 1995 included 13 weeks. The nine months ended September 29, 1996 and October 1, 1995 included 39 and 40 weeks, respectively.

Certain prior year amounts on the Condensed Consolidated Financial Statements have been reclassified to conform to the 1996 presentation.

2. The following is a summary of available-for-sale securities included in cash and cash equivalents and short-term investments as of September 29, 1996 (in thousands):

<S>	<C>
Cash equivalents	
Certificates of deposit	\$ 15,000
Treasury notes	2,017
Federal agency notes	32,267
Security repurchase agreements	7,400
Commercial paper	52,064

Total cash equivalents	\$ 108,748
	=====
Short-term investments	
Certificates of deposit	\$ 63,103
Corporate notes	18,954
Treasury notes	62,671
Commercial paper	80,368
Money market auction preferred stocks	27,500

Total short-term investments	\$ 252,596
	=====

</TABLE>

As of September 29, 1996, the Company held \$13.2 million of available-for-sale equity securities with a fair value of \$19.9 million which are included in other assets. The net unrealized gain on these equity securities is included in retained earnings. During the first nine months of 1996, the Company sold a portion of its available-for-sale equity securities and realized a pre-tax gain of \$41.0 million.

3. The primary net income per common share computation is based on the weighted average number of common shares outstanding plus dilutive common share equivalents. The primary net loss per common share computation excludes common share equivalents as their effect on the net loss per share would be anti-dilutive. In the first quarter of 1995, the Company called for redemption of all outstanding shares of its Convertible Preferred Stock. As a result, all of its outstanding preferred stock was either redeemed or converted to the Company's common stock. Shares used in the per share computations are as follows:

<S>	Quarter Ended		Nine Months Ended	
<C>	September 29, 1996	October 1, 1995	September 29, 1996	October 1, 1995
	-----	-----	-----	-----
	(Thousands)			
Common shares outstanding	135,827	130,494	134,782	126,394
Employee stock plans	255	2,290	237	5,808
Warrants	-	6,504	-	3,249
	-----	-----	-----	-----
	136,082	139,288	135,019	135,451
	=====	=====	=====	=====

</TABLE>

- 4. On January 17, 1996, the Company acquired NexGen, Inc. (NexGen) in a transaction accounted for as a pooling-of-interests. All financial data and footnote information of the Company, including the Company's previously issued financial statements for the periods presented in this Form 10-Q, have been restated to include the historical financial information of NexGen in accordance with generally accepted accounting principles.

Separate results of the combining entities for the quarter and nine months ended October 1, 1995 are as follows:

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<TABLE>
<CAPTION>

	Quarter ended October 1, 1995 (Thousands)	Nine Months Ended October 1, 1995 (Thousands)
<S>	<C>	<C>
Net sales:		
AMD	\$ 590,385	\$ 1,836,695
NexGen	16,568	36,506
	\$ 606,953	\$ 1,873,201
Net income (loss):		
AMD	\$ 62,468	\$ 261,849
NexGen	(20,468)	(54,867)
	\$ 42,000	\$ 206,982

</TABLE>

- 5. In August 1996, the Company sold \$400.0 million of Senior Secured Notes due August 1, 2003 under its shelf registration statement declared effective by the Securities and Exchange Commission on May 17, 1994. Due to the sale of the Senior Secured Notes, the Company has fully utilized its existing shelf registration statement. Interest on the Senior Secured Notes accrues at the rate of 11 percent per annum and is payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 1997.

On July 19, 1996, the Company entered into a syndicated bank loan agreement (the New Credit Agreement) which provides for a new \$400.0 million term loan and revolving credit facility which became available concurrently with the sale of the Senior Secured Notes. The New Credit Agreement replaced the Company's unsecured and unused \$250.0 million line of credit and its unsecured \$150.0 million four-year term loan. The New Credit Agreement provides for a \$150.0 million three-year secured revolving line of credit (which can be extended for one additional year, subject to approval of the lending banks) and a \$250.0 million four-year secured term loan which is available to the Company for a period of six months after the closing of the sale of Senior Secured Notes and which the Company expects to utilize fully.

The Company used \$150.0 million of the net proceeds to repay its existing four-year term bank loan which was to mature on January 5, 1999. The New Credit Agreement and the Indenture which relates to the Senior Secured Notes contain covenants regarding limits on the Company's ability to engage in various transactions and require maintenance of specified financial ratio requirements. The Senior Secured Notes are redeemable at the Company's option after August 1, 2001.

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

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

The statements in this Management's Discussion and Analysis of Results of Operations and Financial Condition that are forward looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward looking statements relate to operating results, cash flow, capital expenditures and adequacy of resources to fund operations and capital investments; future business prospects for microprocessors, Flash memory device products and other product lines; the effect of foreign exchange contracts; the development, validation, certification, introduction, market acceptance and pricing of the K86(TM) products; the impact of the Company's acquisition of NexGen, Inc. (NexGen); the

Company's commitment to research and development; the planned build-out of Fab 25 (as defined below); and the proposed Dresden and FASL II manufacturing facilities (which are defined below). See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties as are detailed in the Company's Securities and Exchange Commission reports and filings for a discussion of the factors that could cause the actual results to differ materially from the forward looking statements.

The following discussion should be read in conjunction with the attached Condensed Consolidated Financial Statements and Notes thereto, and with the Company's Supplemental Consolidated Financial Statements and Notes thereto at December 31, 1995 and December 25, 1994, and for each of the three years in the period ended December 31, 1995. On January 17, 1996, the Company acquired NexGen in a transaction accounted for as a pooling-of-interests. All financial data and footnote information of the Company, including the Company's previously issued financial statements for the periods discussed herein, have been restated to give retroactive effect to the merger with NexGen.

Am486 and Nx586 are registered trademarks of AMD.
K86, K86 RISC SUPERSCALAR, AMD-K5, AMD-K6, SLAC, and Nx686 are trademarks of AMD.
Windows and WindowsNT are registered trademarks of Microsoft Corporation.

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RESULTS OF OPERATIONS

Net sales were \$456.9 million for the third quarter of 1996 as compared to \$607.0 million for the same period in 1995 and \$455.1 million for the second quarter of 1996. For the nine month period ended September 29, 1996, net sales decreased to \$1,456.2 million from \$1,873.2 million for the comparable period in 1995. Net sales decreased in the third quarter of 1996 as compared to the corresponding period in 1995 primarily due to a decline in Am486(R) microprocessor sales as average selling prices decreased significantly, and secondarily due to a decline in Flash memory device sales. These decreases were partially offset by increased sales of AMD-K5(TM) microprocessors. Net sales decreased in the nine month period ended September 29, 1996 as compared to the corresponding period in 1995 primarily due to a decline in Am486 microprocessor sales, as average selling prices decreased significantly.

Communications and Components Group (CCG) net sales were \$284.2 million for the third quarter of 1996 as compared to \$324.2 million for the same period in 1995 and \$290.1 million for the second quarter of 1996. For the nine month period ended September 29, 1996, CCG net sales increased to \$922.7 million from \$859.3 million for the comparable period in 1995. The three main factors contributing to the decrease in CCG net sales in the third quarter of 1996 as compared to the same period in 1995, were first, a decline in Flash memory device sales, as average selling prices declined; second, a decline in unit shipments of bipolar programmable logic devices; and third, a decline in Erasable Programmable Read-Only Memories (EPROMs) sales, as average selling prices declined. CCG net sales increased in the nine month period ended September 29, 1996 as compared to the corresponding period in 1995 primarily due to increased unit shipments of Flash memory devices, and secondarily due to an increase in unit shipments of AMD's Subscriber Line Interface Circuit (SLIC) and Subscriber Line Audio-Processing Circuit (SLAC(TM)) products. These increases were partially offset by a decline in unit shipments of bipolar programmable logic devices. The market for the Company's Flash memory devices in 1996 has been characterized by increased competition and falling prices. There can be no assurance that these trends will not continue or accelerate.

Programmable Logic Division (PLD) net sales were \$58.1 million for the third quarter of 1996 as compared to \$68.1 million for the same period in 1995 and \$61.6 million for the second quarter of 1996. For the nine month period ended September 29, 1996, PLD net sales increased to \$189.2 million from \$186.8 million for the comparable period in 1995. PLD net sales in the third quarter of 1996 decreased from the comparable period in 1995 due to decreased unit shipments and declines in average selling prices. The Company believes this decline in net sales is attributable to decreased market demand in the simple programmable logic market. There can be no assurance that this trend will not continue.

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Computation Products Group (CPG) net sales were \$114.6 million for the third quarter of 1996 as compared to \$214.7 million for the same period in 1995 and \$103.4 million for the second quarter of 1996. For the nine month period ended September 29, 1996, CPG net sales decreased to \$344.3 million from \$827.1 million for the comparable period in 1995. CPG net sales increased in the third quarter of 1996 as compared to the immediate prior quarter due to higher unit shipments of AMD-K5 microprocessors which more than offset the decline in Am486 microprocessor sales. The decline in CPG net sales was in each other case due to increased market acceptance of higher performance fifth generation microprocessors from Intel Corporation, coupled with the Company's delay in introducing competitive fifth generation microprocessors. Average selling prices

for fourth generation microprocessors, including the Company's Am486 microprocessor, have continued to decline as the product life cycle ages. The Company's fifth generation microprocessor, the AMD-K5 microprocessor, was introduced relatively late in the life cycle of fifth generation products. As such, the Company believes the AMD-K5 microprocessor will be a transitional product and will be unlikely to generate levels of sales achieved by the Am486 microprocessor over its product life.

Gross margins were 26 percent for the third quarter of 1996 as compared to 39 percent for the same period in 1995. For the nine month period ended September 29, 1996, gross margins decreased to 25 percent from 47 percent for the comparable period in 1995. The gross margin declines were due to lower sales and underutilization of the Company's production facilities.

Research and development expenses were \$105.7 million for the third quarter of 1996 as compared to \$106.2 million for the same period in 1995. For the nine month period ended September 29, 1996, research and development expenses decreased to \$293.2 million from \$308.8 million for the comparable period in 1995.

Marketing, general and administrative expenses were \$90.4 million for the third quarter of 1996 as compared to \$102.5 million for the same period in 1995 and \$83.1 million for the second quarter of 1996. For the nine month period ended September 29, 1996, marketing, general and administrative expenses decreased to \$276.5 million from \$311.9 million for the comparable period in 1995.

Marketing, general and administrative expenses in the third quarter of 1996 increased from the immediate prior quarter primarily due to a charge of approximately \$6.0 million for employee severance pay and benefits associated with a work force reduction. The decline in marketing, general and administrative expenses was in each other case primarily due to the cessation of promotional expenses associated with NexGen's products, which the Company no longer offers.

Interest income and other, net was \$4.2 million for the third quarter of 1996 as compared to \$10.4 million for the same period in 1995 and \$23.0 million for the second quarter of 1996. For the nine month period ended September 29, 1996, interest income and other, net increased to \$55.3 million from \$24.4 million for the

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comparable period in 1995. The Company's quarter ended June 30, 1996 and nine month period ended September 29, 1996 include pre-tax gains of \$16.3 million and \$41.0 million, respectively, resulting from the sales of equity investments.

Interest expense was \$3.4 million for the third quarter of 1996 as compared to \$0.3 million for the same period in 1995 and \$1.8 million for the second quarter of 1996. For the nine month period ended September 29, 1996, interest expense increased to \$7.2 million from \$1.4 million for the comparable period in 1995. Interest expense increased from the immediate prior quarter primarily due to interest expense incurred on the Company's Senior Secured Notes sold in August 1996, partially offset by higher capitalized interest mainly related to the second phase of equipment installation at AMD's manufacturing facility in Austin, Texas (Fab 25) to increase its production capacity. Gross interest expense increased in the third quarter and the nine month periods ended September 29, 1996 from 1995, and is expected to increase in the future, primarily due to interest expense incurred on the Company's Senior Secured Notes as discussed above.

During the third quarter of 1996, the Company recorded a tax credit of \$30.5 million. This results in an effective tax rate (benefit) of approximately 40 percent for the third quarter and nine month periods ended September 29, 1996. The income tax rate was 26 percent and 32 percent in the third quarter and the first nine months of 1995, respectively.

International sales were 53 percent of net sales in the third quarter of 1996 as compared to 56 percent for the same period in 1995 and 53 percent for the second quarter of 1996. For the nine month period ended September 29, 1996, international sales decreased to 52 percent of net sales from 58 percent for the comparable period in 1995. Approximately 17 percent of the Company's net sales were denominated in foreign currencies in the first nine months of 1996. The Company does not have sales denominated in local currencies in those countries which have highly inflationary economies. (A highly inflationary economy is defined in accordance with the Statement of Financial Accounting Standards No. 52 as one in which the cumulative inflation over a three-year consecutive period approximates 100 percent or more.) The impact on the Company's operating results from changes in foreign currency rates individually and in the aggregate has not been material.

The Company enters into foreign exchange forward contracts to buy and sell currencies as economic hedges of the Company's foreign net monetary asset position including the Company's liabilities for products purchased from its manufacturing joint venture with Fujitsu Limited, Fujitsu AMD Semiconductor Limited (FASL). In 1995 and 1996, these hedging transactions were denominated

in lira, yen, French franc, Deutsche mark, and pound sterling. The maturities of these contracts are generally short-term in nature. The Company believes its foreign exchange contracts do not subject the Company to material risk from exchange rate movements because gains and losses on these contracts are designed to offset losses and gains on the net monetary asset position being hedged. Net foreign currency gains and losses have not

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been material. As of September 29, 1996, the Company had approximately \$34.3 million (notional amount) of foreign exchange forward contracts.

The Company has engaged in interest rate swaps primarily to reduce its interest rate exposure by changing a portion of the Company's interest rate obligation from a floating rate to a fixed rate basis. At September 29, 1996, the net outstanding notional amount of interest rate swaps was \$165.0 million, of which \$125.0 million will mature in 1996 and \$40.0 million will mature in 1997. Gains and losses related to these interest rate swaps have been immaterial.

The Company participates as an end user in various derivative markets to manage its exposure to interest and foreign currency exchange rate fluctuations. The counterparties to the Company's foreign exchange forward contracts and interest rate swaps consist of a number of major, high credit quality, international financial institutions. The Company does not believe that there is significant risk of nonperformance by these counterparties because the Company monitors the credit ratings of such counterparties, and reduces the financial exposure by limiting the amount of agreements entered into with any one financial institution.

FINANCIAL CONDITION

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The Company's working capital balance increased to \$529.2 million at September 29, 1996 from \$461.5 million at December 31, 1995 primarily due to \$400.0 million of cash received from the sale of its Senior Secured Notes in the third quarter of 1996, which was partially offset by both repayment of the Company's \$150.0 million four-year term bank loan, and continued capital spending, particularly on Feb 25. The Company's operations required the use of \$76.1 million in cash for the nine months ended September 29, 1996. The Company's cash, cash equivalents and short-term investments balance was approximately \$361.3 million at September 29, 1996 compared to \$509.7 million at December 31, 1995.

Excluding the cash received from the sale of the Senior Secured Notes, the Company's capital investments and its recent operating performance have resulted in significant negative cash flow and the Company anticipates negative cash flow through the remainder of 1996. In 1996, the Company has made substantial capital investments in its process technology and manufacturing capacity based, in part, upon Company and industry projections regarding future growth in the market for integrated circuits (ICs). The Company plans to continue to make significant capital investments through the remainder of 1996 and in 1997. The Company's current capital plan and requirements are based on the availability of financial resources and various product-mix, selling-price, and unit-demand assumptions and are, therefore, subject to revision.

The Company plans to construct an 875,000 square foot submicron integrated circuit manufacturing and design facility in Dresden, in the State of Saxony, Germany (the Dresden Facility) over the next five years at a presently estimated cost in Deutsche

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marks equivalent to approximately \$1.5 billion (under current exchange rates). It is presently intended that the Dresden Facility will be dedicated to the production of microprocessors and other advanced logic products. The governments of the Federal Republic of Germany and the State of Saxony have agreed to provide financing assistance for the Dresden Facility through grants and allowances in Deutsche marks in an aggregate amount equivalent to approximately \$350.0 million at current exchange rates, interest subsidies in Deutsche marks in an aggregate amount equivalent to approximately \$200.0 million at current exchange rates, and loan guarantees. Through 1997, AMD currently intends to invest in the Dresden Facility, through a wholly owned subsidiary (the German Subsidiary) or through a wholly-owned intermediate holding company, as appropriate, an aggregate amount in Deutsche marks which is equivalent to approximately \$150.0 million at current exchange rates. The planned Dresden Facility costs are denominated in Deutsche marks and, therefore, are subject to change due to foreign exchange rate fluctuations.

The Company's total cash investment in FASL was \$160.4 million at the end of the third quarter of 1996 and at the end of 1995. No additional cash investment is currently planned for the remainder of 1996. In March of 1996, FASL began construction of a second Flash memory device wafer fabrication facility (FASL II) at a site contiguous to the existing FASL facility in Aizu-Wakamatsu, Japan. The facility is expected to cost approximately \$1.1 billion when fully equipped. Capital expenditures for FASL II construction are expected to be funded by the

cash anticipated to be generated from FASL operations and, if necessary, bank borrowings by FASL. To the extent that FASL is unable to secure the necessary funds for FASL II, AMD may be required to contribute cash or guarantee third-party loans in proportion to its percentage interest in FASL. At September 29, 1996, AMD had loan guarantees of \$12.6 million outstanding with respect to such loans. The planned FASL II costs are denominated in yen and, therefore, are subject to change due to foreign exchange rate fluctuations.

In August 1996, the Company sold \$400.0 million of Senior Secured Notes due August 1, 2003 under its shelf registration statement declared effective by the Securities and Exchange Commission on May 17, 1994. Due to the sale of the Senior Secured Notes, the Company has fully utilized its existing shelf registration statement. Interest on the Senior Secured Notes accrues at the rate of 11 percent per annum and is payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 1997.

The net proceeds to the Company from the sale of Senior Secured Notes, after deducting underwriting discounts and commissions and estimated expenses of the sale of Senior Secured Notes, were approximately \$389.0 million. The Company used \$150.0 million of the net proceeds to repay its existing four-year term bank loan which was to mature on January 5, 1999. The Company expects to use the balance of the net proceeds of approximately \$239.0 million for general corporate purposes.

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On July 19, 1996, the Company entered into a syndicated bank loan agreement (the New Credit Agreement) which provides for a new \$400.0 million term loan and revolving credit facility which became available concurrently with the sale of the Senior Secured Notes. The New Credit Agreement replaced the Company's unsecured and unused \$250.0 million line of credit and its unsecured \$150.0 million four-year term loan. The New Credit Agreement provides for a \$150.0 million three-year secured revolving line of credit (which can be extended for one additional year, subject to approval of the lending banks) and a \$250.0 million four-year secured term loan which is available to the Company for a period of six months after the closing of the sale of Senior Secured Notes and which the Company expects to utilize fully.

The Company believes that current cash balances, together with cash flows, will be sufficient to fund operations and capital investments currently planned through 1997.

RISK FACTORS

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The Company's business, results of operations and financial condition are subject to the following risk factors:

Microprocessor Products

Intel Dominance. Intel Corporation (Intel) has long held a dominant position in

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the market for microprocessors used in personal computers (PCs). Intel's dominant market position has to date allowed it to set x86 microprocessor standards and thus dictate the type of product the market requires of Intel's competitors. In addition, Intel's financial strength has enabled it to reduce prices on its microprocessor products within a short period of time following their introduction, which reduces the margins and profitability of its competitors. AMD believes that the process technologies used in the fabrication of the Company's microprocessors are currently somewhat behind those of Intel. The Company expects Intel to continue to invest heavily in research and development and new manufacturing facilities and to maintain its dominant position through advertising campaigns designed to engender brand loyalty to Intel among PC purchasers. In addition to its dominant microprocessor market share, Intel also dominates the PC platform in other manners. For example, Intel has obtained a dominant market share in sales of 64-bit or Pentium-class core logic chip sets, has emerged as the world's largest motherboard manufacturer, has become a significant manufacturer of personal computers, incorporating Intel microprocessors, chip sets, motherboards and other Intel-designed components for resale by third-party original equipment manufacturers (OEMs) under such OEMs' names, and has purchased an equity interest in Phoenix Technologies Ltd., a company which has a significant share of the market for BIOS software (basic input/output system software encoded in read-only memory which controls access to devices connected to a PC, such as the monitor and the serial communications port). The Company does not have the financial resources to compete with Intel on such a large

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scale. As long as Intel remains in this dominant position, its product introduction schedule, product pricing strategy and customer brand loyalty may continue to have a material adverse effect on the Company, as they have had in the past.

As Intel has expanded its role in designing and setting standards for PC

systems, many PC OEMs have reduced their system development expenditures and have begun to purchase microprocessors in conjunction with chip sets or in assembled motherboards. In marketing its microprocessors to these OEMs and dealers, AMD is dependent upon companies other than Intel for the design and manufacture of core-logic chip sets, motherboards, BIOS software and other components. In recent years, these third-party designers and manufacturers have lost market share to Intel. In addition, these companies are able to produce chip sets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors only to the extent that Intel makes its related proprietary technology available. Any delay in the availability of such technologies would make it increasingly difficult for them to retain or regain market share. To compete with Intel in this market in 1996 and beyond, the Company intends to form closer relationships with third-party designers and manufacturers of core-logic chip sets, motherboards, BIOS software and other components, expand its chip set and system design capabilities, and sell a portion of the Company's processors along with chip sets and license system designs incorporating the Company's processors and products resulting from AMD's relationships with such third party designers and manufacturers to OEMs. There can be no assurance, however, that such efforts by the Company will be successful. The Company expects that as Intel introduces future generations of microprocessors, chip sets and motherboards, the design of chip sets and higher level board products which support Intel microprocessors will become increasingly dependent on the Intel microprocessor design and may become incompatible with non-Intel PC systems. If the infrastructure of third-party designers and manufacturers which supports non-Intel PC platforms were to fail to continue to support the Company's products or to offer products competitive with Intel's, the Company could experience difficulties marketing its microprocessors, which could have a material adverse effect on the Company.

Dependence on New AMD Microprocessor Products. Am486 microprocessor products

contributed a significant portion of AMD's revenues, profits and margins in 1994 and 1995. Am486 microprocessor revenues, profits and margins in 1996 will be significantly below those of 1995. As the product life cycle of fourth-generation x86 products ages, AMD's ability to maintain or expand its current levels of revenues from microprocessor products, and its ability to benefit fully from the substantial financial commitments it has made to process technologies and integrated circuit manufacturing facilities dedicated to the production of microprocessors, will depend upon its success in developing and marketing in a timely manner its next generations of microprocessor products, the K86 RISC SUPERSCALAR(TM) products. The Company is now shipping its K86 products including the 133 and 150 megahertz (MHz) AMD-K5 products which are designed to be competitive with the Pentium, Intel's fifth

generation microprocessor. The Company anticipates that the AMD-K5 microprocessor, which was introduced relatively late in the life cycle of fifth generation microprocessor products, will be a transitional product, unlikely to result in the levels of revenue for the Company realized from the Am486 microprocessor. The Company's AMD-K5 products have not, to date, achieved substantial market acceptance, which has had and continues to have a material adverse effect on the Company. The Company acquired NexGen in January 1996, in part, to accelerate the introduction of its microprocessor products, particularly its sixth generation products. The Company is modifying NexGen's sixth-generation design using AMD's design, verification and manufacturing technologies. With these changes, AMD intends to develop and produce the AMD-K6(TM) microprocessor. AMD does not expect any sales of the AMD-K6 products in 1996. The Company intends to begin volume shipments of the AMD-K6 products in the first half of 1997, although no assurance can be given that such shipments will occur. The Company's production and sales plans for K86 microprocessors, including the AMD-K6 microprocessor, are subject to numerous risks and uncertainties, including the timing of the introduction of future AMD-K5 products and of AMD-K6 products, the possibility that volume shipments of the AMD-K6 may be delayed due to the time required to verify operating systems and application software compatibility, the development of market acceptance for the AMD-K5 and the AMD-K6 products particularly with leading OEMs of PCs, the effects of marketing and pricing strategies adopted by Intel, the possible adverse effects of existing and future customer inventory levels, the pace at which the Company is able to ramp production of fifth and sixth generation microprocessors in Feb 25, the possibility that products newly introduced by the Company may be found to be defective, possible adverse conditions in the personal computer market and unexpected interruptions in the Company's manufacturing operations. A failure of the Company's K86 products, particularly the AMD-K6, to be timely introduced or to achieve market acceptance, would have a material adverse effect on the Company.

Dependence on Market Acceptance of x86 Standard and Dominance of Windows.

Customer acceptance of AMD's K86 products will depend upon the continued demand for x86-based personal computers, including the continued development of application software programs for such computers. There can be no assurance of the continued acceptance of the x86 standard or that software developers will continue to develop software compatible with this standard. AMD's K86 products will face competition not only from x86 products manufactured by Intel and

others but also from products based upon an increasing number of different architectures which have been developed or are under development by Hewlett-Packard, IBM, Motorola, Silicon Graphics, Sun Microsystems, Digital Equipment Corporation and other manufacturers of integrated circuits. Several of these manufacturers, such as Motorola, Digital Equipment Corporation, Silicon Graphics and Sun Microsystems, produce microprocessors which are designed to be compatible with such operating systems as WindowsNT(R) and UNIX but not with Windows(R). Currently, as a result of the dominance of the Windows operating system, which operates with x86 based PCs, AMD is able to market its microprocessors without significant competition from

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these manufacturers. AMD would lose much of this advantage if the Microsoft Windows operating system should be displaced as the dominant operating system software by one or more other systems, such as WindowsNT or UNIX. A reduction in the market acceptance of either the x86 standard or the Windows operating system could have a material adverse effect on the Company.

Compatibility Certifications. For its future generations of K86 microprocessors,

AMD intends to obtain Windows and Windows 95 certifications from Microsoft and other appropriate certifications from recognized testing organizations. A failure to obtain certification from Microsoft would prevent the Company from describing and labeling its K86 microprocessors as Microsoft Windows compatible. This could substantially impair the Company's ability to market the products and could have a material adverse effect on the Company.

Acquisition of NexGen. AMD believes that its acquisition of NexGen is important

to the development and introduction of its K86 products, particularly the AMD-K6 microprocessor. AMD has acquired and is currently developing new technologies to manufacture its sixth generation microprocessor which will utilize NexGen's sixth generation design as modified by AMD. There can be no assurance that AMD will be successful in implementing these new technologies. If the new technologies cannot be successfully implemented or if AMD encounters other difficulties in manufacturing its sixth generation microprocessors, such an event would have a material adverse effect on the Company.

Fluctuation in PC Market. Since most of AMD's microprocessor products are used

in personal computers and related peripherals, AMD's future growth is closely tied to the performance of the PC industry. The Company could be materially and adversely affected by industry-wide fluctuations in the PC marketplace in the future.

Possible Rights of Others. Prior to its acquisition by AMD, NexGen granted

limited manufacturing rights regarding certain of its current and future microprocessors, including the Nx586(R) and Nx686(TM), to IBM and Compaq. The Company does not intend to produce any NexGen products as it is the Company's position that its forthcoming AMD-K6 products are AMD products and not NexGen products. There can be no assurance that neither IBM nor Compaq will seek to establish rights with respect to the products. If either IBM or Compaq or both were deemed to have rights to produce AMD's AMD-K6 products for their own use and IBM were deemed to have the right to produce limited volumes of such products for sale to third parties, such production could reduce the potential market for microprocessor products produced by AMD, the profit margin achievable with respect to such products, or both.

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Manufacturing

Underutilized Capacity. The Company's manufacturing facilities are currently

underutilized as a result of reduced demand for certain of the Company's products and may remain so until the Company has developed new products and such products have achieved market acceptance. The Company's operations related to microprocessors are particularly affected by this situation. The underutilization of the Company's manufacturing facilities is having, and could continue to have, a material adverse effect on the Company. The Company plans to increase its manufacturing capacity by making significant capital investments in Fab 25 and in its German Subsidiary which will construct an integrated circuit manufacturing facility, which is presently intended to be dedicated to the production of microprocessors and other advanced logic products. In addition, FASL has begun construction of a second Flash memory device manufacturing facility (FASL II). There can be no assurance that the industry projections regarding future growth in the markets for integrated circuits upon which the Company is basing its strategy of increasing its manufacturing capacity will prove to be accurate. If demand for the Company's products does not increase, the underutilization of the Company's manufacturing facilities will likely increase and have a material adverse effect on the Company.

Process Technology. Manufacturers of integrated circuits are constantly seeking

to improve the process technologies used to manufacture their products. In order to remain competitive, the Company must make continuing substantial investments in improving its process technologies. In particular, the Company has made and continues to make significant research and development investments in the technologies and equipment used in the fabrication of its microprocessor products and by FASL in the fabrication of Flash memory devices. Portions of these investments might not be recoverable if the Company's K86 microprocessors fail to gain market acceptance or if the market for its Flash memory products should significantly deteriorate. This could have a material adverse effect on the Company. In addition, any inability of the Company to remain competitive with respect to process technology could have a material adverse effect on the Company.

Commitments to Facilities Dedicated to Specific Products. The Company has made

and plans to continue to make substantial capital investments in integrated circuit manufacturing facilities dedicated to the production of specific product lines. AMD has invested over \$970.0 million in Fab 25 and ancillary facilities as of September 29, 1996, and currently expects to have invested over \$1.2 billion by the end of 1997 and over \$1.6 billion by the end of 1999, although the Company is not obligated to make such further investments. Fab 25 is currently dedicated to the production of Microsoft Windows compatible microprocessors. Other facilities of the Company are also dedicated to the production of specific product lines. In addition, the Company's German Subsidiary currently plans to construct a semiconductor manufacturing facility, at an estimated cost of \$1.5 billion over 5 years, which will be dedicated to the production of microprocessors. Significant time and expense would be incurred

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were the Company to alter any of its facilities so that they could be used to produce other IC products. Any such alteration, resulting from a need to respond to changes in the markets for the Company's products or otherwise, could have a material adverse effect on the Company.

Manufacturing Constraints. While the Company's manufacturing facilities are

currently underutilized, there have been situations in the past in which the Company's manufacturing facilities were inadequate to enable the Company to meet demand for certain of its products. In addition to having its own fabrication facilities, AMD has foundry arrangements for the production of its products by third parties. Any inability of AMD to generate sufficient manufacturing capabilities to meet demand, either in its own facilities or through foundry or similar arrangements with others, could have a material adverse effect on the Company.

Manufacturing Interruptions. Any substantial interruption with respect to any of

AMD's manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could have a material adverse effect on the Company. The Company may also be materially adversely affected by fluctuations in manufacturing yields.

Essential Manufacturing Materials. Certain of the raw materials used by AMD in

the manufacture of its products are available from a limited number of suppliers. For example, several types of the integrated circuit packages purchased by AMD, as well as by the majority of other companies in the semiconductor industry, are principally supplied by Japanese companies. Shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. If AMD were unable to procure certain of such materials from any source, it would be required to reduce its manufacturing operations which could have a material adverse effect on the Company.

International Manufacturing. Nearly all product assembly and final testing of

AMD's products are performed at its manufacturing facilities in Penang, Malaysia; Singapore; and Bangkok, Thailand; or by subcontractors in Asia. Foreign manufacturing entails political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if AMD were unable to assemble and test its products abroad, or if air transportation between the United States and AMD's overseas facilities were disrupted, there could be a material adverse effect on the Company.

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Other Risk Factors

Debt Restrictions. The New Credit Agreement and the Indenture related to the

Senior Secured Notes contain significant covenants that limit the Company's and its subsidiaries' ability to engage in various transactions and, in certain cases, require satisfaction of specified financial performance criteria. In addition, the occurrence of certain events (including, without limitation, failure to comply with the foregoing covenants, material inaccuracies of representations and warranties, certain defaults under or acceleration of other indebtedness and events of bankruptcy or insolvency) would, in certain cases after notice and grace periods, constitute events of default permitting acceleration of the indebtedness under the New Credit Agreement and the Indenture. The limitations imposed by the New Credit Agreement and the Indenture are substantial, and failure to comply with such limitations could have a material adverse effect on the Company.

Importance of Flash Memory Device Business; Recent Pricing Weakness. The market

for Flash memory devices has recently experienced rapid growth and is likely to become increasingly competitive as additional manufacturers introduce competitive products and production capacity in the industry increases. The Company's primary competition with respect to Flash memory devices is Intel. A substantial portion of the Company's revenues are derived from sales of Flash memory devices, and the Company expects that this will continue to be the case. During 1996, the Company has experienced declines in the selling prices of Flash memory devices. There can be no assurance that the Company will be able to maintain its market share in Flash memory devices or that price declines may not accelerate as the market develops and as new competitors emerge. A decline in the Company's Flash memory device business could have a material adverse effect on the Company.

Dependence on Third Party for PLD Software. Customers utilizing programmable

logic devices must use special software packages, generally provided by the suppliers of the programmable logic devices, to program these devices. AMD currently provides its programmable logic device customers with software which it licenses from MINC, Inc. (MINC), an unaffiliated company, and is dependent upon MINC for the software and continuing improvements in the software. An inability of AMD to continue to obtain appropriate software and improvements from MINC, to license alternative software from another third party, or to develop its own software internally could adversely affect AMD's PLD business, including the timing of new or improved product introductions, which could have a material adverse effect on the Company.

Technological Change and Industry Standards. The market for AMD's products is

generally characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. The establishment of industry standards is a function of market acceptance. Currently accepted industry standards may change at any time. AMD's success depends

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substantially upon its ability, on a cost-effective and timely basis, to continue to enhance its existing products and to develop and introduce new products that take advantage of technological advances and adhere to evolving industry standards. An unexpected change in one or more of the technologies related to its products, in market demand for products based on a particular technology or in accepted industry standards could have a material adverse effect on the Company. There can be no assurance that AMD will be able to develop new products in a timely and satisfactory manner to address new industry standards and technological changes, or to respond to new product announcements by others, or that any such new products will achieve market acceptance.

Product Incompatibility. While AMD submits its products to rigorous internal and

external testing, there can be no assurance that AMD's products will be compatible with all industry standard software and hardware. Any inability of AMD's customers to achieve such compatibility or compatibility with other software or hardware after AMD's products are shipped in volume could have a material adverse effect on the Company. There can be no assurance AMD will be successful in correcting any such compatibility problems that are discovered or that such corrections will be acceptable to customers or made in a timely manner. In addition, the mere announcement of an incompatibility problem relating to the Company's products could have a material adverse effect on the Company.

Competition. The integrated circuit industry is intensely competitive and,

historically, has experienced rapid technological advances in product and system technologies together with substantial price reductions in maturing products. After a product is introduced, prices normally decrease over time as production efficiency and competition increase, and a successive generation of products is developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant

performance improvements. Competition in the sale of integrated circuits is based upon performance, product quality and reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition, financial strength and ability to deliver in large volumes on a timely basis.

Fluctuations in Operating Results. AMD's operating results are subject to

substantial quarterly and other fluctuations due to a variety of factors, including the effects of competition with Intel in the microprocessor industry, competitive pricing pressures, anticipated decreases in unit average selling prices of AMD's products, fluctuations in manufacturing yields, availability and cost of products from AMD's suppliers, the gain or loss of significant customers, new product introductions by AMD or its competitors, changes in the mix of products sold and in the mix of sales by distribution channels, market acceptance of new or enhanced versions of AMD's products, seasonal customer demand, the timing of significant orders and the timing and extent of product development costs. In addition, operating results could be

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adversely affected by general economic and other conditions affecting the timing of customer orders, a downturn in the market for PCs, and order cancellations or rescheduling. AMD's customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of AMD's control. These factors are difficult to forecast, and these or other factors could materially adversely affect AMD's quarterly or annual operating results.

Order Revision and Cancellation Policies. AMD manufactures and markets a

standard line of products. Sales are made primarily pursuant to purchase orders for current delivery, or agreements covering purchases over a period of time, which are frequently subject to revision and cancellation without penalty. As a result, AMD must commit resources to the production of products without having received advance purchase commitments from customers. Any inability to sell products to which it had devoted significant resources could have a material adverse effect on the Company. Distributors typically maintain an inventory of AMD's products. Pursuant to the Company's agreements with the distributors, AMD protects its distributors' inventory of AMD's products against price reductions as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally contain a provision for the return of AMD's products in the event the agreement with the distributor is terminated. The price protection and return rights AMD offers to its distributors may materially adversely affect the Company.

Key Personnel. AMD's future success depends upon the continued service of

numerous key engineering, manufacturing, sales and executive personnel. There can be no assurance that AMD will be able to continue to attract and retain qualified personnel necessary for the development and manufacture of its products. Loss of the service of, or failure to recruit, key engineering design personnel could be significantly detrimental to AMD's product development programs or otherwise have a material adverse effect on the Company.

Product Defects. One or more of AMD's products may possibly be found to be

defective after AMD has already shipped such products in volume, requiring a product replacement, recall, or a software fix which would cure such defect but impede performance. Product returns could impose substantial costs on AMD and have a material adverse effect on the Company.

Intellectual Property Rights; Potential Litigation. Although AMD attempts to

protect its intellectual property rights through patents, copyrights, trade secrets and other measures, there can be no assurance that AMD will be able to protect its intellectual property adequately or that competitors will not be able to develop similar technology independently. There can be no assurance that any patent applications that AMD may file will be issued or that foreign intellectual property laws will protect AMD's intellectual property rights. There can be no assurance that any patent licensed by or issued to AMD will not be challenged, invalidated or circumvented or

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that the rights granted thereunder will provide competitive advantages to AMD. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate AMD's products or design around the patents issued to or licensed by AMD.

From time to time, AMD has been notified that it may be infringing intellectual property rights of others. If any such claims are asserted against AMD, AMD may seek to obtain a license under the third party's intellectual property rights. AMD could decide, in the alternative, to resort to litigation to challenge such

claims. Such challenges could be extremely expensive and time consuming and could materially adversely affect the Company. For example, for many years the Company was involved in intellectual property litigation with Intel which was settled in 1995. The litigation required substantial resources of the Company. No assurance can be given that all necessary licenses can be obtained on satisfactory terms, or that litigation may always be avoided or successfully concluded.

Environmental Regulations. The failure to comply with present or future

governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process could result in fines being imposed on AMD, suspension of production, alteration of AMD's manufacturing processes or cessation of operations. Such regulations could require AMD to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure by AMD to control the use, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject AMD to future liabilities and could have a material adverse effect on the Company.

International Sales. AMD derives a substantial portion of its revenues from its

subsidiaries located in Europe and Asia. AMD's international sales operations entail political and economic risks, including expropriation, currency controls, exchange rate fluctuations, changes in freight rates and changes in rates for taxes and tariffs.

Domestic and International Economic Conditions. AMD's business is subject to

general economic conditions, both in the United States and abroad. A significant decline in economic conditions in any significant geographic area could have a material adverse effect upon the Company.

Volatility of Stock Price; Ability to Access Capital. Based on the trading

history of its stock, AMD believes factors such as quarterly fluctuations in AMD's financial results, announcements of new products by AMD or its competitors and general conditions in the semiconductor industry have caused and are likely to continue to cause the market price of AMD common stock to fluctuate substantially. Technology company stocks in general have experienced extreme price and volume fluctuations that often have been unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of AMD's common stock and

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consequently limit the Company's ability to raise capital. In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of AMD common stock in any given period.

Earthquake Danger. AMD's corporate headquarters, a portion of its manufacturing

facilities, assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. The Company could be materially adversely affected in the event of a major earthquake.

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II. OTHER INFORMATION

Item 1. Legal Proceedings

SEC Investigation. The Securities and Exchange Commission (SEC) began an

informal investigation of the Company in 1993 regarding the Company's disclosures about the development of its AM486SX microcode and the extent to which it included access to Intel's 386 microcode. These disclosures were the subject of securities class actions and a derivative suit that were settled and dismissed with prejudice. The Company has entered into an agreement with the SEC settling proceedings related to this investigation. The Company has consented to entry of a cease and desist order barring the Company from committing future violations of SEC rules and regulations governing official Company reports and disclosure of material information. No fines were imposed, and only the Company was named as the subject of the order.

Advanced Micro Devices, Inc. v. Altera Corporation (Case No. C94-20567-RMW, U.S.

District Ct., San Jose, California). This litigation, which began in 1994,

involves multiple claims and counterclaims for patent infringement relating to the Company's and Altera Corporation's programmable logic devices. On June 21, 1996, the jury returned a verdict favorable to Altera. The Company filed a motion seeking to set aside the verdict. The judge issued a ruling confirming

the jury's verdict. The parties have stipulated that the court, not a jury, will decide which of the AMD patents-in-suit fall within the scope of the license that the jury found. Based upon information presently known to management the Company does not believe that the ultimate resolution of this lawsuit will have a material adverse effect upon the financial condition or results of operations of the Company.

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Item 6. Exhibits and Reports on Form 8-K

- (a). Exhibits
- 4.1 Form of Advanced Micro Devices, Inc. 11% Senior Secured Notes due August 1, 2003, filed as Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
 - 4.2 Indenture, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and United States Trust Company of New York, as trustee, filed as Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
 - 4.3 Intercreditor and Collateral Agent Agreement, dated as of August 1, 1996, among United States Trust Company of New York, as trustee, Bank of America NT&SA, as agent for the banks under the Credit Agreement of July 19, 1996, and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.3 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
 - 4.4 Payment, Reimbursement and Indemnity Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.4 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
 - 4.5 Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of August 1, 1996, among Advanced Micro Devices, Inc., as grantor, IBJ Schroder Bank & Trust Company, as grantee, and Shelley W.

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- Austin as trustee, filed as Exhibit 4.5 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.6 Security Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and IBJ Schroder Bank & Trust Company, as agent for United States Trust Company of New York, as Trustee, and Bank of America NT&SA, as agent for banks, filed as Exhibit 4.6 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.7 Lease, Option to Purchase and Put Option Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as lessor, and AMD Texas Properties, LLC, as lessee, filed as Exhibit 4.7 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.8 Reciprocal Easement Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and AMD Texas Properties, LLC, filed as Exhibit 4.8 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

4.9 Sublease Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as sublessee, and AMD Texas Properties, LLC, as sublessor, filed as Exhibit 4.9 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

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10.11(a) Employment Agreement dated September 29, 1996 between the Company and W. J. Sanders III.

10.24 Credit Agreement, dated as of July 19, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.1 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

10.24(a) First Amendment to Credit Agreement, dated as of August 7, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

10.24(b) Second Amendment to Credit Agreement dated as of September 9, 1996 among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.

10.25(n) Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996 (amending the Second Amendment to the Third Amended and Restated Guaranty, dated as of January

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12, 1996, made by the Company in favor of CIBC, Inc.).

10.25(o) Fourth Amendment to Third Amended and Restated Guaranty, dated as of June 20, 1996 (amending the Third Amendment to the Third Amended and Restated Guaranty, dated as of May 10, 1996, made by the Company in favor of CIBC, Inc.).

10.25(p) Fifth Amendment to Third Amended and Restated Guaranty, dated as of August 1, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 25, 1995, made by the Company in favor of CIBC, Inc.), filed as Exhibit 99.3 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

10.25(q) Fifth Amendment to Building Lease, dated as of August 1, 1996 (amending the Building Lease, dated as of September 22, 1992, by and between AMD International Sales & Service, Ltd. and CIBC, Inc.), filed as Exhibit 99.4 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

10.25(r) Fifth Amendment to Land Lease, dated as of August 1, 1996 (amending the Land Lease, dated as of September 22, 1992, by and

between AMD International Sales & Service, Ltd. and CIBC, Inc.), filed as Exhibit 99.5 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

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<TABLE>

<S>	<C>
*10.48	C-4 Technology Transfer and Licensing Agreement dated June 11, 1996 between the Company and IBM Corporation.

27.1	Financial Data Schedule.
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</TABLE>

(b). Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter for which this report is filed:

1. Current Report on Form 8-K dated July 10, 1996 reporting under Item 5 - Other Events - second quarter earnings.
2. Current Report on Form 8-K dated July 22, 1996 reporting under Item 5 - Other Events - commencement of the underwritten offering of the Company's Senior Secured Notes.
3. Current Report on Form 8-K dated August 13, 1996 reporting under Item 5 - Other Events - Completion of the underwritten offering of the Company's Senior Secured Notes.

* Confidential treatment has been requested as to certain portions of this Exhibit.

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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: 11/7/96 By: /s/ Geoffrey Ribar

Geoffrey Ribar
Vice President and
Corporate Controller

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

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EXHIBIT INDEX

Exhibits
- -----

- 4.1 Form of Advanced Micro Devices, Inc. 11% Senior Secured Notes due August 1, 2003, filed as Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.2 Indenture, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and United States Trust Company of New York, as trustee, filed as Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.3 Intercreditor and Collateral Agent Agreement, dated as of August 1, 1996, among United States Trust Company of New York, as trustee, Bank of America NT&SA, as agent for the banks under the Credit Agreement of July 19, 1996, and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.3 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

- 4.4 Payment, Reimbursement and Indemnity Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and IJB Schroder Bank & Trust Company, filed as Exhibit 4.4 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.5 Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of August 1, 1996, among Advanced Micro Devices, Inc., as grantor, IJB Schroder Bank & Trust Company, as grantee, and Shelley W. Austin as trustee, filed as Exhibit 4.5 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.6 Security Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and IJB Schroder Bank & Trust Company, as agent for United States Trust Company of New York, as Trustee, and Bank of America NT&SA, as agent for banks, filed as Exhibit 4.6 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.7 Lease, Option to Purchase and Put Option Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as lessor, and AMD Texas Properties, LLC, as lessee, filed as Exhibit 4.7 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.8 Reciprocal Easement Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and AMD Texas Properties, LLC, filed as Exhibit 4.8 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 4.9 Sublease Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as sublessee, and AMD Texas Properties, LLC, as sublessor, filed as Exhibit 4.9 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 10.11(a) Employment Agreement dated September 29, 1996 between the Company and W.J. Sanders III.
- 10.24 Credit Agreement, dated as of July 19, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.1 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 10.24(a) First Amendment to Credit Agreement, dated as of August 7, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 10.24(b) Second Amendment to Credit Agreement dated as of September 9, 1996 among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.
- 10.25(n) Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996 (amending the Second Amendment to the Third Amended and Restated Guaranty, dated as of January 12, 1996, made by the Company in favor of CIBC, Inc.).
- 10.25(o) Fourth Amendment to Third Amended and Restated Guaranty, dated as of June 20, 1996 (amending the Third Amendment to the Third Amended and Restated Guaranty, dated as of May 10, 1996, made by the Company in favor of CIBC, Inc.).
- 10.25(p) Fifth Amendment to Third Amended and Restated Guaranty, dated as of August 1, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 25, 1995, made by Advanced Micro Devices, Inc. in favor of CIBC, Inc.), filed as Exhibit 99.3 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.
- 10.25(q) Fifth Amendment to Building Lease, dated as of August 1, 1996 (amending the Building Lease, dated as of September 22, 1992, by and between AMD International Sales & Service, Ltd. and CIBC, Inc.), filed as Exhibit 99.4 to the Corporation's Current Report on Form 8-

K dated August 13, 1996, is hereby incorporated herein by reference.

10.25(r) Fifth Amendment to Land Lease, dated as of August 1, 1996 (amending the Land Lease, dated as of September 22, 1992, by and between AMD International Sales & Service, Ltd. and CIBC, Inc.), filed as Exhibit 99.5 to the Corporation's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated herein by reference.

*10.48 C-4 Technology Transfer and Licensing Agreement dated June 11, 1996, between the Company and IBM Corporation.

27.1 Financial Data Schedule

* Confidential treatment has been requested as to certain portions of this Exhibit.

EMPLOYMENT AGREEMENT

DATED AS OF SEPTEMBER 29, 1996

ADVANCED MICRO DEVICES, INC.

AND

W. J. SANDERS III

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EMPLOYMENT AGREEMENT
DATED AS OF SEPTEMBER 29, 1996
ADVANCED MICRO DEVICES, INC.
AND
W. J. SANDERS III

This Employment Agreement (the "Agreement") is made and entered into as of the 29th day of September, 1996 (the "Effective Date") by and between W. J. Sanders III ("Executive") and Advanced Micro Devices, Inc., a Delaware corporation ("Company").

R E C I T A L S

- A. Executive and Company entered into an Employment Agreement (the "Original Employment Agreement") as of July 1, 1991.
- B. Executive is the founder of Company and is instrumental to developing and expanding its business and operations, possesses unique and invaluable knowledge, skills and judgment with respect to such business, and maintains strong ties with the business community essential to the continued success and growth of Company.
- C. The non-management directors believe Executive to be uniquely qualified to protect and enhance the best interests of Company and its stockholders and that entering into a new employment contract to provide for Executive's long-term continued employment would be of great value to Company

and the long-term interests of its stockholders.

D. Company recognizes that, as is the case with many publicly held corporations, the possibility of a change of control may exist and that the uncertainty and questions which such possibility may raise among management may result in the departure or distraction of management personnel to the detriment of Company and its stockholders.

E. The non-management members of Company's Board of Directors have determined that in the event of that contingency it is imperative to be able to rely upon management's continuance and in particular Executive's leadership, and that appropriate steps should be taken to reinforce and encourage that leadership and to reward Executive's essential service.

F. Executive and Company now desire to extend the term of the Original Employment Agreement until December 31, 2003 and modify certain other terms and conditions contained in the Original Employment Agreement.

G. As a result, this Agreement amends and completely restates the Original Employment Agreement.

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1. TERM

The term of this Agreement shall commence as of September 1, 1996 and shall terminate on December 31, 2003. As used in this Agreement, "Expiration Date" shall mean December 31, 2003.

2. POSITION AND DUTIES

(a) Executive shall be employed by Company as its Chairman and Chief Executive Officer through December 31, 2001 (the "Initial Term"). Executive shall report directly and solely to Company's Board of Directors ("Board"). The Board agrees to nominate Executive for election to the Board as a member of the management slate at each annual meeting of stockholders during the Initial Term and the Optional Term. Executive agrees to serve on the Board if elected. The duties and responsibilities of Chairman and Chief Executive Officer shall be as defined in the By-Laws of Company in effect as of the date hereof, and shall be without consideration of other positions Executive may hold with Company. Executive's services are mutually agreed to be unique.

(b) Executive shall be employed by Company as its Chairman from January 1, 2002 through December 31, 2002 (the "Optional Term").

(c) Executive shall be employed by Company as its Vice Chairman or in such other executive officer capacity as the Board shall determine and he may accept from January 1, 2003 through December 31, 2003 (the "Extended Term"). During such period, Executive shall report directly and solely to the Board.

(d) During Executive's period of service hereunder, Executive agrees to perform such services not inconsistent with his position as shall from time to time be assigned to him by Company's Board. During the Initial Term, except for disability, illness and reasonable vacation periods, Executive shall devote substantially his full productive time, attention, and energies to the position of Chairman and Chief Executive Officer.

(e) Without the prior express authorization of Company, Executive shall not, directly or indirectly, during the term of service:

(1) Render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise; or

(2) Engage in any activity competitive with or adverse to Company's business or welfare, whether alone, as a partner, or as an officer, director, employee or holder (directly or indirectly, such as by means of a trust or option arrangement) of

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more than 1% of the capital stock of any class of any other corporation.

Notwithstanding the foregoing requirement of substantially full-time services to be rendered by Executive on behalf of Company, his expenditure of reasonable amounts of time in connection with outside activities, not competitive with Company's business, such as additional outside directorships (but only with Board approval), or charitable or professional activities, or, after the Initial Term, other business ventures shall not be considered to be in violation of this Agreement subject, however, to the requirement that in no event shall any such activities materially interfere with the performance of Executive required under this Agreement. Further, it is understood and agreed by the parties hereto that Executive is entitled to engage in passive and personal investment activities not materially interfering with his performance hereunder.

Service as an executive of an affiliate of Company, whether separately compensated or not, shall not be considered to be in contravention of this paragraph.

3. SALARY

(a) Through the Initial Term, Executive shall receive an annual base salary of \$1,000,000. The Board of Directors (or such Committee as may be designated by the Board) shall review Executive's salary at least annually at or before the first regularly scheduled Board meeting following the annual stockholders meeting of each fiscal year during the Initial Term. The Board (or designated Committee), in its discretion, may increase the base salary based upon relevant circumstances. The base salary shall not be reduced during the Initial Term. The Compensation Committee of the Board shall fulfill the Board's obligations under this Section 3(a) until such designation is revoked by the Board. If during any one year period of January 1 to December 31 of the Initial Term, the Consumer Price Index for Urban Wage Earners, San Francisco, published by the Bureau of Labor Statistics of the U.S. Department of Labor ("CPI-W") increases, the salary for the following one year period from January 1 to December 31, shall be automatically increased by the same percentage. Any such indexed salary increases shall be accrued on a continuous basis and shall bear interest from the date of accrual at an annual rate of 120% of the federal long-term rate, with compounding, as of the effective date of this Agreement. The accrued balance of any such indexed salary increases, together with accrued interest thereon, shall be paid at the earliest time at which a deduction for federal income tax purposes will be allowed for payment of such amounts under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), but in any event no later than March 31, 2004, which earliest time shall be referred to as the "Section 162(m) Deferred Payment Date".

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(b) During the Optional Term, Executive shall receive an annual base salary of no less than \$500,000 (with adjustment for CPI-W increases from base year 1996). The Board (or designated committee), in its discretion, may increase the annual base salary based upon relevant circumstances. The base salary shall not be reduced during the Optional Term.

(c) During the Extended Term, Executive shall receive an annual base salary of no less than \$350,000 (without adjustment for CPI-W increases from base year 1996). The Board (or designated committee), in its discretion, may increase the annual base salary based upon relevant circumstances. The base salary shall not be reduced during the Extended Term.

4. BONUS

(a) Executive shall, as provided in, and subject to, this Section 4(a) and Sections 4(b) and (c) below, receive an incentive bonus for Company's fiscal years ending December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000 and December 31, 2001 under Company's 1996 Executive Incentive Plan in an amount equal to six-tenths of one percent (.6%) of Adjusted Operating Profits of Company for each respective fiscal year in excess of twenty percent (20%) of the Adjusted Operating Profits of Company for Company's immediately preceding fiscal year, payable immediately upon release by Company of its operational results for the last quarter of each fiscal year referred to above. The amount payable under this Section 4(a) or Section 4(b) shall not be subject to the further discretion of Company's Compensation Committee and shall not be reduced or deferred except as specifically provided in this Section 4 or as otherwise agreed to by Executive.

For purposes of all calculations, "Adjusted Operating Profits" of Company shall be deemed to constitute operating income, as reported on Company's financial statements, increased for any pre-tax operating income and decreased for any pre-tax operating loss from the Fujitsu joint venture (and any subsequent joint ventures approved by Executive and the Board for these purposes); and increased by any expenses accrued for profit sharing plan contributions, bonuses under Company's Executive Bonus Plan, bonuses to the Chief Operating Officer of Company, and bonuses (including bonuses under this Agreement and the Original Employment Agreement) provided for in Sections 4(a), (b) and (d) hereof. The provisions of this Agreement with respect to bonus-related benefits following a termination of service shall supersede any "in service" provisions of the 1996 Executive Incentive Plan.

(b) The maximum bonus payable to Executive under Section 4(a) above for each fiscal year shall not be greater than \$5,000,000. The amount of the bonus which exceeds the maximum bonus payable in any one fiscal year, if any, (the "Excess

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Bonus") shall be carried over (on a "first-in, first-out" basis) and added to the bonus determined for any of the next three fiscal years (or on the same basis apportioned among the bonuses determined for each of the next three fiscal years or such lesser number of fiscal years remaining through the last day of the Optional Term), provided the addition of the Excess Bonus, or portion

thereof, does not cause the bonus payable in such fiscal year to exceed the maximum bonus payable in that year. All bonus amounts, including Excess Bonus amounts, earned under the Original Employment Agreement for fiscal years ending on or prior to December 31, 1996, shall be payable as provided under the terms of the Original Employment Agreement, the maximum bonus (including Excess Bonus) amounts for the fiscal years ending on or prior to December 31, 1996 shall be paid to Executive immediately upon the release of fourth quarter 1996 operational results, and the carryover Excess Bonus amount not paid by that date shall carry over and be paid immediately upon confirmation that the performance goals established by the Committee pursuant to the terms of the 1996 Executive Incentive Plan for fiscal years 1997 and 1998 and attached hereto as Exhibit 1

have been satisfied and certified, provided that the total amount paid pursuant to this Section 4 (including Excess Bonus and carryover amounts) for any fiscal year after 1996 does not exceed five million dollars (\$5,000,000).

(c) In the event that there shall be a combination of Company with another company or a capital restructuring of Company, or any other occurrence similar to any of the foregoing, and as a result thereof the amount or value of the bonuses payable pursuant to the bonus formula set forth in Section 4(a) above would be, or could reasonably be expected to be, significantly affected thereby, appropriate adjustment will, at the request of either party, be negotiated to establish a substitute formula to yield an equitable and comparable result. If the parties cannot agree upon such substitute formula, or if the parties cannot agree as to whether or not an occurrence which would give rise to the right of either party to request adjustment pursuant to the foregoing has occurred, the parties shall submit such matter to arbitration under the provisions of Section 27.

(d) In addition to the bonus payable in each fiscal year under Section 4(a), Executive shall be entitled to receive as an additional bonus such additional amounts as the Board (or such Committees as may be designated by the Board) shall determine in its discretion. In determining the amount of such additional amounts, the Board (or Committee) shall consider among other things Executive's contribution to the accomplishment of Company's long-range business goals, the success of various corporate strategies in which Executive participated in reaching those goals, and Executive's unique services in connection with the maintenance or increase in stockholder value of Company. The Compensation Committee of the Board shall fulfill the Board's

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obligations under this Section 4(d), until such designation is revoked by the Board.

5. STOCK OPTIONS AND RELATED INCENTIVE PLANS

(a) Executive shall be eligible to participate in the Stock Option Plans of Company and any additional or successor incentive plan or plans. Any option grants made to Executive pursuant to such plans shall provide for an expiration date of ten (10) years following the date of grant subject to earlier termination following termination of service pursuant to Sections 13 and 15 hereof.

(b) As of the Effective Date, Executive shall be granted a time-based option to purchase 1,250,000 shares of Company's Common Stock, consisting of 750,000 shares pursuant to Company's 1996 Stock Incentive Plan, as amended as of the Effective Date (the "1996 Plan"), and 500,000 shares pursuant to the 1995 Stock Plan of Nexgen, Inc., as amended as of the Effective Date (the "Nexgen Plan" and, together with the 1996 Plan, the "Plans"), collectively, the "Time-Based Options", in accordance with the following terms: The option shall have an exercise price equal to one hundred percent (100%) of the fair market value of Company Common Stock as of the date of grant. Of these option shares, an option for 325,000 shares shall become fully exercisable on November 15, 1997; an option for 325,000 shares shall become fully exercisable on November 15, 1998; an option for 200,000 shares shall become fully exercisable on November 15, 1999; an option for 200,000 shares shall become fully exercisable on November 15, 2000; and an option for the remaining 200,000 shares shall become fully exercisable on November 15, 2001.

(c) As of the Effective Date, Executive shall be granted an option to purchase 1,250,000 shares of Company's common stock pursuant to Company's 1996 Plan ("Performance Accelerated Options"), in accordance with the following terms: the Performance Accelerated Options shall have an exercise price equal to one hundred percent (100%) of the fair market value of Company's common stock as of the date of grant.

(d) The dates on which the Performance Accelerated Options (also, "PAOs") are first exercisable will be the fixed dates to the extent set forth in Section 5(e) or the earlier Measurement Date to the extent provided in this Section 5(d). The number of shares with respect to which the exercisability of Performance Accelerated Options shall be accelerated under this Section 5(d) shall be determined as of each Measurement Date as follows:

If at any Measurement Date the Average Stock Price meets or exceeds a Stock

Price Target for the applicable Target Period or any subsequent Target Period, Performance Accelerated Options with respect to an aggregate number of shares (less the aggregate number of shares subject to Performance Accelerated Options that

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previously became exercisable under Section 5(d) or (e)) equal to 250,000 multiplied by the sum of $n + p$ shall become exercisable, where

n = the number of full fiscal years in the Initial Term that have elapsed prior to the applicable Measurement Date or, if applicable,* that will have elapsed prior to the end of the latest such subsequent Target Period (if a greater number of full fiscal years would result)

p = the applicable percentage set forth in Column (2) of Exhibit 2 for the applicable Average Stock Price, or (if the Average Stock Price falls between two Stock Price Targets) the percentage derived by interpolation of the applicable percentages corresponding to those Stock Price Targets, as set forth below.

*The later date is applicable if the Average Stock Price meets or exceeds a Stock Price Target for any Target Period subsequent to the Target Period for the applicable Measurement Date.

"Average Stock Price" ("ASP") means the sum of the closing prices of the Company's Common Stock during the applicable Target Period, divided by the number of days in which the Company's Common Stock traded during such period.

"Measurement Date" means the first business day after the end of each Target Period.

"Target Period" means each of the 3-month periods set forth in Column (1) of Exhibit 2.

"Stock Price Target" means a Threshold Stock Price ("ThSP"), a Target Stock Price ("TSP"), or Maximum Stock Price ("MSP"), as set forth in Column (3) of Exhibit 2.

Interpolation Mechanics. If the Threshold Stock Price is equaled or exceeded for a Target Period but the Target Stock Price is not equaled or exceeded for such Target Period, then the number of shares subject to performance acceleration for such Target Period, expressed as a percentage of 250,000, will equal $25\% + 25\% \times \frac{ASP - ThSP}{TSP - ThSP}$

(TSP - ThSP)

or, in actual shares (subject to adjustment), will equal the sum of (i) 62,500 plus (ii) 62,500 multiplied by (A) the Average Stock Price less the Threshold Stock Price, divided by (B) the Target Stock Price less the Threshold Price. If the Target Stock Price is equaled or exceeded for a Target Period but the Maximum Stock price is not equaled or exceeded for such Target Period,

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then the number of shares subject to performance acceleration for such Target Period, expressed as a percentage of 250,000, will equal $50\% + 50\% \times \frac{ASP - TSP}{MSP - TSP}$

(MSP - TSP)

or, in actual shares (subject to adjustment), will equal the sum of (i) 125,000 plus (ii) 125,000 multiplied by (A) the Average Stock Price less the Target Stock Price, divided by (B) the Maximum Stock Price less the Target Stock Price.

Adjustments. If there is any change in the Common Stock of the Company by reason of any stock dividend, stock split, spin-off, split up, merger, consolidation, recapitalization, reclassification, combination or exchange of Shares, or any other similar corporate event or reorganization, however structured, then the number of shares subject to the Performance Accelerated Options, the exercise price and the Stock Price Targets shall be equitably and appropriately adjusted. Notice of any adjustment shall be given by Company to the Executive and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of this Agreement.

Limitations. Notwithstanding anything in this Section 5(d) or in Section 5(e) to the contrary, in no event shall Options become exercisable in accordance with Section 5(e) of the Agreement except to the extent that the percentage of Options otherwise exercisable pursuant to Section 5(e) of the Agreement exceeds the percentage of Options that have become exercisable pursuant to this Section 5(d). Except as elsewhere provided in this Agreement, the Executive must be in service on the last day of the Target Period immediately preceding the earlier applicable Measurement Date.

(e) The Performance Accelerated Options shall vest and become fully

exercisable as follows: 125,000 of the Performance Accelerated Options shall become fully exercisable on November 15, 1999; 187,500 of the Performance Accelerated Options shall become fully exercisable on November 15, 2000; 250,000 of the Performance Accelerated Options shall become fully exercisable on November 15, 2001; 250,000 of the Performance Accelerated Options shall become fully exercisable on November 15, 2002 and 437,500 of the Performance Accelerated Options shall become fully exercisable on November 15, 2003.

(f) Each of the Time-Based Options and the Performance Accelerated Options described in this Section 5 (collectively, the "Options") shall be subject to, and governed by, the terms and provisions in the applicable Plan under which the Option was granted, except to the extent of modifications of the Option that are expressly provided for herein. Notwithstanding anything in the Plans to the contrary, the Options shall be exercisable for a period of five years following Executive's retirement as Chief

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Executive Officer to the extent otherwise exercisable pursuant to Section 5(b) through (e) but not later than ten years after the execution of this Agreement.

(g) Executive agrees to enter into a stock option agreement with Company containing the terms and provisions of the Options together with such other terms and conditions as counsel for Company may reasonably require to assure compliance with applicable federal and state securities law and stock exchange requirements in connection with the issuance of shares of Company Common Stock upon exercise of such Options to be granted as provided herein, or as may be required to comply with the Plan under which the Option was granted. Company will undertake, as soon as practicable following the grant of the Options, to register the shares underlying the Options on Form S-8 under the Securities Act of 1933 and shall keep such Form S-8 in effect for the entire period the Options remain outstanding.

(h) All outstanding options, stock appreciation rights, restricted stock and other stock-based awards held by Executive immediately prior to the date hereof shall remain outstanding in accordance with their original terms (but without reference to this Agreement) and the terms of the Original Employment Agreement and the Management Continuity Agreement dated July 1, 1991 between Company and the Executive (the "MCA") and in the event of any inconsistency or ambiguity with respect thereto, the provisions that are most favorable to the Executive shall prevail.

6. REIMBURSEMENT OF EXPENSES

Executive shall be authorized to incur and shall be reimbursed by Company for reasonable expenses for the advancement of Company's business pursuant to standing Company policy and those specific categories of such expenses as the Board has defined, which shall not during the period of any service hereunder be reduced as to Executive.

7. OTHER BENEFITS DURING SERVICE

(a) During the period of any service hereunder, Executive shall also be entitled to receive all other benefits of service which are, and which may be in the future, generally available to members of Company's management, and specifically, an allowance for use of automobiles as provided from time to time by action of the Board of Directors, as well as, without limitation, group health, disability, and life insurance benefits and participation in any Company profit-sharing, retirement or pension plan, and vacation consistent with the vacation policies of Company.

(b) No later than March 31st of each year during the term, Company shall pay Executive an amount necessary to reimburse Executive for federal and state income taxes payable with respect

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to income recognized by the Executive for income tax purposes as a result of (i) Company providing the Executive with the services of any individuals hired as a driver/security guard, and (ii) the amount paid under this Section 7(b), so that Executive will be in the same after-tax position as if no such taxes had been imposed. Company (consistent with past practice) shall reimburse or pay the costs of any driver/guard and security, provided that reimbursement of any residential security costs (exclusive of any driver/guard or any payments under clauses (i) and (ii) above) incurred other than while traveling on Company business shall not exceed \$100,000.

(c) In addition, Company shall provide up to \$25,000 each year for expenses incurred by Executive for estate, tax and financial planning, including attorneys' fees. If such expenses are less than \$25,000 in any one year, the unused amount(s) shall cumulate and be available to Executive in succeeding years during the term. Company acknowledges that \$117,247 in unused amount from periods prior to the Effective Date hereof shall also be available to Executive in future periods under this Agreement for these purposes.

(d) If Executive enters into loan agreements for the purpose of exercising any options or warrants (whether such options or warrants arose by virtue of this Agreement or any other past, present, or future agreement between Executive and Company), or paying taxes thereon or on the vesting of restricted stock, Company shall guarantee such loans for a period ending two (2) years after the date of the event causing tax liability to be incurred by reason of such exercise or vesting. Company's obligation to guarantee such loans shall continue notwithstanding Executive's termination of service and shall apply to loans entered into prior to termination of service which may run for a period beyond the Date of Termination (as such term is defined in Section 13(b) hereof), as well as loans obtained subsequent to the Date of Termination, provided that the loan was obtained in connection with the exercise of any options or warrants whenever granted or the vesting of restricted stock. The amount of said guaranteed loans shall not exceed the lesser of: (a) the amount of the exercise price, plus the actual tax paid during the two year period by reason of such exercise, or (b) three and one-half million dollars (\$3,500,000). In addition, if Executive enters into any one or more loan agreements for any reason whatsoever, Company shall guarantee such loans for a period ending 180 days after retirement, death, or Disability, or other termination of service hereunder (or after any extended period of consulting, as may be approved by the Board) or, in the case termination by Company other than for good cause as set forth in Section 13(a)(ii) hereof or upon the termination by Executive pursuant to Section 14. The amount of said guaranteed loans shall not exceed three and one-half million dollars (\$3,500,000).

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8. SPECIAL RETIREMENT BENEFIT; CHANGE OF CONTROL

(a) Company will establish a non-discretionary supplemental retirement arrangement (the "Special Retirement Benefit") to provide additional cash payments to Executive that will be paid to Executive upon, or at Executive's election after, the Section 162(m) Deferred Payment Date. The Special Retirement Benefit will accrue at the rate of \$400,000 per year on each of December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000 and December 31, 2001.

(b) The Special Retirement Benefit will be due and payable to Executive on (or at Executive's election after) the Section 162(m) Deferred Payment Date (the "Retirement Payment") and shall be increased by interest at the rate of 9% per year, compounded annually from date of accrual under Section 8(a) until paid (the "Interest"). Payment of the Special Retirement Payment plus the Interest (collectively, the "Retirement Payment") shall be made to Executive only if Executive is Chief Executive Officer of Company on his 65th birthday provided, however, that a pro rata portion of the Retirement Payment (determined by multiplying the Retirement Payment by a fraction, the numerator of which is the number of months from January 1, 1997 until Executive's death or Disability and the denominator of which is 60) will be paid to Executive or his designated beneficiary or in the absence of a designated beneficiary, his estate (the applicable beneficiary or estate being herein referred to as "Estate") upon his death or to him or to his duly authorized representative in event of his Disability as defined in Section 9 hereof.

(c) If Executive's Service hereunder is terminated by Executive pursuant to Section 14 hereof during the Initial Term or by Company pursuant to Section 13(a)(iii) hereof during the Initial Term or if Company shall terminate Executive's service under this Agreement in any way that is a breach of this Agreement by Company during the Initial Term, the unaccrued installments of the Retirement Payment shall be accelerated and accrued immediately and the entire amount of the Retirement Payment shall be payable to Executive no later than the Section 162(m) Deferred Payment Date.

(d) All cash payments pursuant to the Special Retirement Benefit will be paid from the general funds of Company and no special or separate fund will be established and no segregation of assets will be made to assure the payment of funds pursuant to the Special Retirement Benefit. Executive shall have no right, title or interest whatever in or to any investment which Company may make to aid it in meeting its obligations under the Special Retirement Benefit. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between Company and Executive or any other person. To the extent that Executive acquires a right to receive payments

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pursuant to the Special Retirement Benefit, such right shall be no greater than the right of an unsecured creditor of Company.

(e) In the event or anticipation of a Change of Control, as defined in this Section 8, the unaccrued installments of the Retirement Payment shall be accelerated and accrued and the entire amount of the Retirement Payment shall be payable to Executive immediately prior to such Change of Control or as soon thereafter as practicable.

(f) For purposes of this Agreement, the term "Change of Control" shall mean

a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or in response to any other form or report to the Securities and Exchange Commission or any stock exchange on which Company's shares are listed which requires the reporting of a change of control. In addition, a Change of Control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act but excluding a person described in and satisfying the requirements and conditions of the proviso at Rule 13d-1(b)(1)(i), (ii) and (iii)) is or becomes the beneficial owner, directly or indirectly, of securities of Company representing more than 20% if prior to October 1, 1998 or 35% thereafter of the combined voting power of Company's then outstanding securities; or (ii) in any two-year period, individuals who were members of the Board at the beginning of such period, plus each new director whose election or nomination for election was approved by at least two-thirds of the directors in office immediately prior to such election or nomination, cease for any reason to constitute at least a majority of the Board; or (iii) a majority of the members of the Board in office prior to the happening of any event and who are still in office after such event, determines in its sole discretion within one year after such event, that as a result of such event that there has been a Change of Control.

Notwithstanding the foregoing definition, the term "Change of Control" for purposes of this Agreement shall exclude the acquisition of securities representing more than 20% if prior to October 1, 1998 or 35% thereafter of the combined voting power of Company (i) by Executive or any group with which Executive is affiliated (as the terms "group" and "affiliate" are defined under the Exchange Act), (ii) by Company, (iii) by any of its wholly-owned subsidiaries (unless after giving effect to the acquisition, less than 80% if prior to October 1, 1998 or 65% thereafter of the voting power of the subsidiary is held by Company and persons who were stockholders of Company immediately prior to the acquisition), or (iv) by any trustee (or other fiduciary) holding securities of Company under an employee benefit plan now or hereafter established by Company. As used herein, the term "beneficial owner" shall have the same meaning

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as under Section 13(d) of the Exchange Act, and related case law.

9. DISABILITY BENEFITS

"Disability" shall mean Executive's incapacity due to physical or mental illness or cause, which results in the Executive being absent from the performance of his duties with Company on a full-time basis for a period of six (6) consecutive months. The existence or cessation of a physical or mental illness which renders Executive absent from the performance of his duties on a full-time basis shall, if disputed by Company or Executive, be conclusively determined by written opinions rendered by two qualified physicians, one selected by Executive, and one selected by Company. During the period of absence, Executive shall be deemed to be on disability leave of absence, with his compensation paid in full. During the period of such disability leave of absence, the Board of Directors may designate an interim Chief Executive Officer on such terms as it deems proper.

Upon the expiration of twelve (12) consecutive months of such disability leave of absence, Executive's service may be terminated by Company pursuant to the provisions of Section 13(a)(i); provided, however, that prior to the Date of Termination, Executive shall have the right to return to full-time service. At Company's request, Executive shall be required to provide the written opinions of two qualified physicians, one selected by Executive and one selected by Company, to verify Executive's condition of health. If Company refuses to permit Executive to resume full-time service as Chairman and Chief Executive Officer, Company shall be deemed to have terminated this Agreement under Section 13(a)(iii) hereof.

10. DEATH DURING SERVICE; SPLIT DOLLAR POLICY

If Executive dies during the term of service provided for in this Agreement, Company shall pay the regular compensation that would otherwise be payable to Executive up to the end of the month in which his death occurs, plus, as a death benefit, compensation for a period of twelve (12) months thereafter at the same monthly rate of base compensation which prevailed during the month of his death. In addition, Executive shall be entitled to receive the payments and benefits enumerated in Section 13(c). Any amounts payable to Executive under this Agreement which are unpaid at the date of Executive's death or payable hereunder or otherwise by reason of his death, unless otherwise expressly provided herein, shall be paid in accordance with the terms of this Agreement to Executive's Estate.

Company shall provide Executive with a split dollar life insurance policy in the amount of one million dollars (\$1,000,000). Under the terms of such split dollar arrangement,

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on Executive's death, Company shall recover its cumulative premiums paid. If Executive's employment with Company terminates for any reason or Executive desires for any reason to dissolve the split dollar arrangement, Executive may take ownership of the policy by paying to Company an amount equal to Company's cumulative premiums paid, in which event Company shall assign to Executive all of its interest under such policy.

11. CONFIDENTIAL INFORMATION

This and the next following Section 12 supersede all previous agreements, if any, between Executive and Company relating to confidential affairs of Company and to inventions conceived or made by Executive. Executive's obligations hereunder are made partly in consideration of the salary to be paid during service by Company. Confidential information shall mean all information generated by Executive or obtained by Executive from or disclosed to Executive by Company which relates to Company's past, present, and future research, development and business activities, trade secrets, including in particular, all matters of a technical nature, such as "know-how," formulae, secret processes or machines, inventions, and research projects, and matters of a business nature, such as information about costs, profits, markets, sales, lists of customers, and any other information of a similar nature, also including plans for further development. Except as authorized by Company in writing, Executive shall hold all such confidential information in trust and confidence for Company, and agrees not to disclose them to anyone outside of Company, either during or after service with Company. This commitment shall impose no obligation upon Executive with respect to any portion of the confidential information which (i) is now or hereafter, through no act or failure to act on his part, becomes generally known or publicly available, (ii) is hereafter furnished to Executive by a third party as matter of right and without restriction on disclosure, or (iii) is furnished to others by Company without restriction on disclosure. Executive further agrees to deliver promptly to Company on termination of employment with Company, or at any time it may so request all memoranda, notes, records, reports, manuals, drawings, blueprints, and any other documents containing any confidential information as defined above, including all copies of such materials which Executive may then possess or have under his control. The rights and obligations set forth in this Section 11 shall survive according to the terms hereof and continue after any expiration or termination of this Agreement or the service specified herein. In the event of a breach or threatened breach by Executive of the provisions of this Section 11, Company shall be entitled to an injunction restraining Executive from disclosing, in whole or in part, any of such confidential information, or from rendering any services to any person, firm, corporation, association, or other entity to whom such confidential information, in whole or in part, has been disclosed or is threatened to be disclosed.

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12. INVENTIONS, PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Executive agrees that all inventions, works of authorship, trade secrets, and proprietary information (including new contributions, improvements, ideas, or discoveries), patentable or unpatentable, copyrightable or uncopyrightable, conceived, made or first actually reduced to practice by him solely or jointly with others during the period of his service with Company and which are either related in any manner to the business (commercial or experimental) of Company or of any of its subsidiaries, including product, service, research and development fields in which Company or any of its subsidiaries has been or is engaged or plans to engage, or to Executive's employment activities, or are conceived, made or first reduced to practice in whole or in part on Company time or with the use of Company facilities or materials (except any invention which qualifies fully for exemption under Section 2870 of the California Labor Code) shall belong to Company; provided that works of authorship concerning Executive or the

electronics industry, and any copyrights thereon, shall belong to Executive and Executive shall seek authorization in writing pursuant to Section 11 for disclosure of any confidential information contained therein. Executive further agrees that he will:

(a) Promptly disclose such inventions, works of authorship, trade secrets and proprietary information to Company;

(b) Notify Company of any invention which he claims qualifies for exemption under Section 2870 of the California Labor Code and offer to disclose such inventions to Company in confidence;

(c) Assign to Company, at its request and without additional compensation, the entire rights to the inventions for the United States and all foreign countries;

(d) Sign all papers within the truth, necessary to carry out the above; and

(e) Give testimony (but without expense to Executive) in support of his inventorship, idea or trade secret, or as otherwise reasonably deemed necessary by counsel to Company.

Executive agrees to accept the compensation provided by this Agreement as his sole compensation for the use, lease, sale or other transfer by Company of any such inventions, works of authorship, trade secrets and proprietary information or of any such patents obtained by it in such inventions, works of authorship, trade secrets or proprietary information.

To the best of Executive's knowledge, there is no other contract to assign inventions, works of authorship, patents, trade secrets, or other proprietary information that is now in

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existence between him and any other person, corporation or partnership, unless Executive has so indicated below, and unless a copy of any such other contract is attached hereto.

13. TERMINATION BY COMPANY

(a) Company shall have the right to terminate Executive's service hereunder under the following circumstances:

(i) Upon ten (10) days' written notice from Company to Executive in the event of disability which has incapacitated him from performing his duties for twelve (12) consecutive months as determined under Section 9, subject to Executive's right to reinstatement as provided in Section 9.

(ii) For good cause upon ten (10) days' written notice from Company. Termination by Company of Executive's service for "good cause" as used in this Agreement shall mean (A) that the Board of Directors has found that Executive has committed a material act of theft, misappropriation, or conversion of corporate funds, or (B) a termination of Executive's employment during the Initial Term (other than in contemplation of, in connection with or following a Change in Control (as defined in Section 8 hereof)) as a result of Executive's demonstrably willful, deliberate and continued failure to follow reasonable directives of the Board of Directors (other than for any such failure resulting from Executive's incapacity due to physical or mental illness or any such actual or anticipated failure in connection with a resignation by Executive pursuant to Section 14 hereof) within Executive's ability to perform, which failure has had a material adverse effect on Company. For purposes of the previous sentence, no act or failure to act by Executive shall be deemed "willful" unless done, or omitted to be done, by Executive in bad faith and without reasonable belief that his action or omission was in the best interest of Company. Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for good cause under clause (B) above unless and until: (1) there shall have been delivered to Executive a copy of a resolution duly adopted by the Board of Directors in good faith at a meeting of the Board of Directors called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with his counsel, to be heard before the Board of Directors), finding that Executive was guilty of conduct set forth above in clause (B) and specifying the particulars thereof in reasonable detail, and (2) Executive shall have been provided the opportunity to correct the performance at issue within 20 business days after his receipt of the resolution; and (3) if Executive contests such finding (or a conclusion that he has failed to timely cure the performance in response thereto), the arbitrators by final determination in an

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arbitration proceeding pursuant to Section 27 hereof have concluded that Executive's conduct met the standard for termination for "good cause" above and that the Board of Directors' conduct met the standards of good faith and satisfied the procedural and substantive conditions of this Section 13.

(iii) Upon ninety-five (95) days' written notice to Executive where the Board by majority vote, elects to terminate Executive for any reason, other than the reasons referred to in subparagraphs (i) or (ii) above.

(b) Except as provided below, as used in this Agreement "Date of Termination" shall mean the date specified in the written notice of termination given by Company pursuant to Section 13(a) (i), (ii) or (iii) hereof. If termination occurs pursuant to Executive's death, the date of Executive's death shall be the Date of Termination. Further, if within sixty (60) days after any notice of termination is given, the party receiving such notice of termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date as finally determined by mutual written agreement of the parties or by a final and binding arbitration award. Any party giving notice of a dispute shall pursue the resolution of such dispute. During the period until the dispute is finally resolved in accordance with this Section 13(b), Company will continue to pay Executive his full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue Executive as a participant in all compensation, employee benefit, health and welfare and insurance plans, programs, arrangements and perquisites in which Executive was participating or to which he was entitled

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 13(b). Amounts paid under this Section 13(b) shall be repaid to Company or be offset against or reduce any other amounts due Executive under this Agreement, if appropriate, only upon the final resolution of the dispute.

(c) If Executive's service hereunder is terminated by reason of Executive's death or Disability pursuant to Section 13(a)(i) hereof, Executive or his Estate shall be entitled to receive 100% of his base salary (including adjustments) for the remainder of the Initial Term, the amounts provided under Section 10, his compensation under Sections 4(a), (b) and 4(d) hereof for the fiscal year in which the Date of Termination occurs and for the following fiscal year, and any Excess Bonus remaining unpaid as of the date the foregoing bonuses are paid. Company may purchase insurance to cover all or any part of its obligations set forth in the preceding sentence, and Executive agrees to take a physical examination to facilitate the obtaining of such insurance. In addition to the foregoing, (i) all Time-Based Options which otherwise would have vested within two years

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following the Date of Termination shall accelerate and become exercisable on the Date of Termination, and (ii) all Performance Accelerated Options which otherwise would have become exercisable if any of the Performance Accelerated Stock Option Price Targets were satisfied prior to the end of the first fiscal year of Company beginning after the Executive's death or disability (the "Death or Disability Vesting Period") shall become fully exercisable on the Measurement Date or Dates, if any, such Performance Accelerated Stock Option Price Targets are satisfied but only if and to the extent such Performance Accelerated Stock Option Price Targets are satisfied prior to the end of the Death or Disability Vesting Period. The Time-Based Options shall remain exercisable until three years after the Date of Termination; the Performance Accelerated Options shall remain exercisable until three years after the end of the Death or Disability Vesting Period. Notwithstanding the foregoing provisions of this Section 13, in no event shall any Option remain exercisable beyond the maximum 10-year period allowed therefor in the Plans. All options and rights granted prior to the Effective Date shall be subject to the provisions of Section 5(h) hereof.

(d) If Executive's service hereunder is terminated pursuant to Section 13(a)(ii) hereof, or by reason of Executive's voluntary termination other than pursuant to Section 14 hereof, Company shall be obligated to pay Executive only such severance compensation as the Board by majority vote deems appropriate, or none at all, and Company's obligations under Sections 3 and 4 hereof shall cease. If Executive's service hereunder is terminated pursuant to Section 13(a)(ii), any Options otherwise exercisable on the Date of Termination shall remain exercisable for a period of 30 days from the Date of Termination. If Executive's termination is by reason of a voluntary resignation of Executive other than pursuant to Section 14 hereof, such Options shall remain exercisable for a period of one year from the Date of Termination. In the circumstances addressed in this Section 13(d), any Options not otherwise exercisable on (or accelerated as of) the Date of Termination shall expire.

(e) If Executive's service hereunder is terminated pursuant to Section 13(a)(iii), the provisions of Sections 15 and 16 hereof shall apply.

14. TERMINATION BY EXECUTIVE

Executive shall have the right to terminate his service under this Agreement upon 30 days' notice to Company given within 180 days following the date on which the Executive becomes aware of any of the following events:

(a) Executive is not elected or retained as Chairman and Chief Executive Officer and a director of Company during the

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Initial Term or as Chairman and a director of Company during the Optional Term;

(b) any assignment to Executive of any duties other than those reasonably contemplated by, or any limitation of the powers or prerogatives of Executive in any respect not reasonably contemplated by, Section 2 hereof;

(c) any removal of Executive from responsibilities substantially similar to those described or contemplated in Section 2 hereof (except pursuant to Section 13 (a)(ii) hereof);

(d) any reduction in, or limitation upon, the compensation, reimbursable expenses or other benefits provided in Section 3, 4, Section 7 and Section 8, respectively, hereof, other than by valid public law or regulation; or

(e) any assignment to Executive of duties that would require him to relocate or transfer his current principal place of residence in Southern California, or would make the continuance of such current principal place of residence unreasonably difficult or inconvenient for him; or

(f) a Change of Control of Company (as defined in Section 8 hereof); provided that in such event no advance notice shall be required.

15. CONSEQUENCES OF TERMINATION BY EXECUTIVE, BY COMPANY FOR CERTAIN REASONS AND BREACH BY COMPANY

(a) If Executive's service hereunder is terminated by Executive pursuant to Section 14 hereof during the Initial Term or the Optional Term, or by Company pursuant to Section 13(a)(iii) hereof during the Initial Term or the Optional Term, or if Company shall terminate Executive's service under this Agreement in any way that is a breach of this Agreement by Company during the Initial Term or the Optional Term, the following shall apply:

(i) Executive shall continue to receive Executive's base salary (in effect in the fiscal year in which the Date of Termination occurs and as adjusted under Section 3) until the later of the end of the Optional Term, or one full year after the Date of Termination; provided, however, that in the event of a Change of Control (as defined in Section 8 hereof), such base salary shall be payable for no less than three years following the Date of Termination. Company may at its election following such Date of Termination immediately pay to Executive in a lump sum the full amount to which he is entitled under this Section 15(a)(i), but appropriately discounted for the period over which such compensation would otherwise be paid by a factor measured by

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the prevailing interest rate on ninety (90) day U.S. Treasury Bills at the date of such lump sum payment.

(ii) Executive shall be entitled to receive the bonuses that would have been paid to Executive under Sections 4(a), (b) and 4(d) hereof for (x) the fiscal year in which such Date of Termination occurred and (y) the fiscal year following the fiscal year in which the Date of Termination occurred. Notwithstanding the foregoing, in the event of a Change of Control (as defined in Section 8 hereof), Company shall pay Executive immediately an amount equal to the average of the two highest bonuses paid (or payable) to Executive for the last five full fiscal years immediately prior to such Change of Control and shall pay Executive as soon as determinable the difference between any greater amount determined pursuant to the preceding sentence and such average amount previously paid. Any bonuses otherwise payable pursuant to this Section 15(a)(ii) shall be paid to Executive (or his Estate) at the same time as such bonuses would have been paid to Executive if Executive's service hereunder had not been terminated. If such termination occurs in the fiscal year beginning January 1, 2001, the bonus payable for the fiscal year following the fiscal year in which the Date of Termination occurs shall be calculated and paid as if Executive's service hereunder had not been terminated, notwithstanding any "in service" or other requirements under the 1996 Executive Incentive Plan. Executive shall also be entitled to receive the amount of any Excess Bonus remaining unpaid as of the Date of Termination.

(iii) All stock options and stock appreciation rights granted by Company to Executive prior to the Effective Date and all Time-Based Options held by Executive shall accelerate and become fully exercisable on the Date of Termination.

(iv) All Performance Accelerated Options shall become fully exercisable on the date the applicable Stock Price Targets are satisfied but (except as provided in clause (v) below) only if and to the extent such Stock Price Targets are satisfied at or prior to the end of the first fiscal year of Company beginning after the Executive's termination and ending on or before the end of the Term (the "Termination Vesting Period"). In addition, if the Date of Termination occurs on or prior to the end of the Optional Term, any Performance Accelerated Stock Options which otherwise would have become exercisable pursuant to Section 5(e) hereof in the fiscal year in which the Date of Termination occurs shall become fully exercisable.

(v) If a Change of Control (as defined in Section 8 hereof) occurs or will occur prior to the end of the Initial Term,

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any Performance Accelerated Options which have not otherwise become exercisable will become fully exercisable immediately prior to such Change of Control (or, as may be the case under clause (B) below, as soon thereafter as vesting occurs) if one of the following occurs: (A) the consideration to be paid to stockholders of Company for a share of Company's common stock is equal to or in excess of a Stock Price Target applicable to the Performance Accelerated Options; or (B) the closing price of Company's common stock on any date thirty (30) days before or after the Change of Control is equal to or in excess of a Stock Price Target applicable to such Performance Accelerated Options, in each case to the extent provided in Section 5(d) but without applying the averaging methodology in the definition of Average Stock Price or the prescribed

Measurement Dates therein (either of such events being referred to as a "Change of Control Vesting Event"). In addition, if the Change of Control occurs on or prior to the end of the Optional Term, any Performance Accelerated Options which otherwise would have become exercisable in the fiscal year of the Change of Control pursuant to Section 5(e) hereof shall become fully exercisable.

(vi) Except as provided elsewhere in this Agreement (including but not limited to Section 13(c) and (d)), any Options that are exercisable without regard to this Section 15 shall remain exercisable for a period ending two years from the Termination Date. Any Options that become exercisable solely by reason of the provisions of Section 15(a) (iii), Section 15(a) (iv) or Section 15(a) (v) hereof shall remain exercisable for a period of one year from the Date of Termination in the case of the Time-Based Options, or until one year after the end of the Termination Vesting Period or after the Change of Control Vesting Event, as the case may be, in the case of the Performance Accelerated Options. Notwithstanding the foregoing provisions of this Section 15, in no event shall any Option remain exercisable beyond the maximum 10-year period allowed therefor in the Plans.

(vii) In addition to all other amounts payable to Executive under this Section 15, the Executive shall be entitled to receive, not later than the fifteenth day following the Date of Termination, all benefits payable to him under any of Company's tax-qualified employee benefit plans and any other plan, program or arrangement relating to deferred compensation, retirement or other benefits including, without limitation, the Special Retirement Benefit and any profit sharing, 401(k), employee stock ownership plan, or any plan established as a supplement to any of the aforementioned plans or expressly provided by other provisions of this Agreement.

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(viii) Company shall also pay to the Executive, not later than the 15th day following the Date of Termination, an amount equal to all unvested Company contributions credited to the Executive's account under any tax-qualified employee benefit plan maintained by Company as of the Date of Termination.

(ix) Company shall also pay to the Executive all legal fees and expenses incurred by the Executive (1) in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement (the Executive shall have no obligation to repay any such legal fees or expenses regardless of the outcome of any contest or dispute), or (2) in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder.

(x) Company shall also pay to Executive, not later than the second day following the Date of Termination, a pro rata amount of his base salary under Section 3 hereof, in effect on the Date of Termination, for each day of vacation or sick leave which has accrued as of the Date of Termination, but which is unpaid as of such date, to which Executive is entitled under Company's vacation and sick leave policies.

(b) If Executive's service hereunder is terminated by Company pursuant to Section 13(a) (iii) hereof after the last day of the Optional Term and before the last day of the Extended Term, or if Company shall terminate Executive's service under this Agreement in any way that is a breach of this Agreement by Company on or after the last day of the Optional Term, the following shall apply:

(i) Executive shall receive an amount equal to Executive's annual base salary (in effect for the fiscal year beginning January 1, 2003) in one lump sum;

(ii) All Performance Accelerated Options which otherwise would have become exercisable pursuant to Section 5(e) for the period beginning January 1, 2003 and ending December 31, 2003 and have not vested prior to the termination shall be forfeited;

(iii) In addition to all other amounts payable to Executive under this Section 15, the Executive shall be entitled to receive, not later than the 15th day following the Date of Termination, all benefits payable to him under any of Company's tax-qualified employee benefit plans and any other plan, program or arrangement relating to deferred compensation, retirement or other benefits including, without limitation, the Special Retirement Benefits and any profit sharing, 401(k), employee stock ownership plan, or

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any plan established as a supplement to any of the aforementioned plans or expressly provided by any other provisions of this Agreement.

(iv) Company shall also pay to Executive, not later than the second day following the Date of Termination, a pro rata amount of his base salary under Section 3 hereof, in effect on the Date of Termination, for each day

of vacation or sick leave which has accrued as of the Date of Termination, but which is unpaid as of such date, to which Executive is entitled under Company's vacation and sick leave policies.

(c) Executive may waive only in writing the effect of any breach of this Agreement and continue in any other position or capacity with Company, as a part-time or full-time employees, retaining his compensation pursuant to Section 3 hereof for the term hereof and a pro rata portion of his compensation under

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Sections 4(a) and (d) hereof for that part of the fiscal year which then elapsed prior to such change in position or capacity, and the parties upon mutual agreement may provide additional compensation from Company for such other position or capacity with Company.

(d) Upon a Change of Control, Company's obligation to pay the benefits described herein shall be absolute and unconditional, shall be paid as soon as practicable but not more than ten (10) business days thereafter or (if expressly provided herein) as earlier or later herein provided, and shall not be affected by any circumstances or any set-off, counter-claim, recoupment, defense or other right which Company or any of its subsidiaries may have or claim against Executive or anyone else.

16. OTHER BENEFITS FOLLOWING TERMINATION

(a) If Executive's service is terminated by Company pursuant to Section 13(a)(i) or (iii) before the last day of the Optional Term, or by Executive pursuant to Section 14 on or before the last day of the Extended Term, or if Company shall terminate Executive's service under this Agreement in any way that is a breach of this Agreement by Company on or before the last day of the Extended Term, in addition to the benefits contained in Section 15, Executive shall also be entitled to the following benefits:

(i) Company shall provide for a period of ten (10) years following the termination or expiration of Executive's services to Company, health and welfare benefits, at least comparable to those benefits in effect on the date of termination or expiration, including but not limited to medical, dental, disability, spouse and dependent care, and life insurance coverage. At Company's election, health benefits may be provided by reimbursing Executive for the cost of converting group policy to individual coverage, or

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for the cost of extended COBRA coverage. Company shall also pay to Executive an amount calculated to pay any income taxes due as a result of the payment by Company on Executive's behalf for such health benefits. Such tax payment shall be calculated to place Executive in the same after-tax position as if no such income taxes had been imposed. Notwithstanding anything to the contrary in this Agreement, if this Agreement expires in accordance with its terms or Executive's service terminates voluntarily after completion of thirty (30) years of service or Executive dies or is disabled, benefits pursuant to this Section 16(a)(i) shall continue for ten (10) years following such expiration or termination.

(ii) Company shall allow Executive the continued use of a Company automobile on the same terms which existed prior to the Date of Termination, for five (5) years following the Date of Termination.

(iii) Company shall provide Executive up to \$25,000 each year for expenses incurred by Executive for estate, tax and financial planning, including legal fees, for five years following the Date of Termination. Such amount shall cumulate as provided in Section 7(c) hereof.

(iv) Company shall provide Executive with an office and secretarial services equivalent to those provided to Executive in his Southern California office at the Date of Termination for five years after the Date of Termination.

Notwithstanding the foregoing, benefits under Section 16(a)(ii), (iii) and (iv) shall continue for at least one year after the expiration of this Agreement in accordance with its terms.

(b) If Executive's service is terminated by Company other than for good cause, for at least six (6) years following the Date of Termination, Executive shall continue to be indemnified under Company's Certificate of Incorporation and Bylaws at least to the same extent as prior to the Date of Termination and Executive shall be covered by the directors' and officers' liability insurance, the fiduciary liability insurance and the professional liability insurance policies that are the same as, or provide coverage at least equivalent to, those Company carried prior to the Date of Termination.

(c) If all or any portion of the amounts payable to Executive or his Estate under this Agreement or otherwise are subject to the excise tax imposed by Section 4999 of the Code (or similar state tax and/or assessment), Company shall pay to Executive an amount necessary to place Executive in the same after-tax

position as Executive would have been in had no such excise tax been imposed. The amount payable pursuant to the preceding sentence shall be increased to the extent necessary to

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pay income and excise taxes due on such amount. The determination of the amount of any such additional amount shall initially be made by the independent accounting firm then employed by Company. If at a later date it is determined (pursuant to final regulations or published rulings of the IRS, final judgment of a court of competent jurisdiction or otherwise) that the amount of excise taxes payable by Executive is greater than the amount initially so determined, then Company (or its successor) shall pay Executive an amount equal to the sum of (1) such additional excise taxes, (2) any interest, fines and penalties resulting from such underpayment, plus (3) an amount necessary to reimburse Executive for any income, excise or other taxes payable by Executive with respect to the amounts specified in (1) and (2) above, including any income, excise or other taxes payable with respect to such amounts, and the reimbursement provided by this clause.

(d) Notwithstanding anything in this Section 16 to the contrary, Executive may elect in his sole discretion not to have any portion of any payment be paid or not to have the vesting of any Options accelerated in order to avoid any "excess parachute payment" under Section 280G(b)(1) of the Code.

17. INDEMNIFICATION

In addition to the provisions of Section 16(b), in the event Executive is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal or administrative, by reason of the fact that Executive is or was a director or officer of Company or serves or served any other corporation fifty percent (50%) or more owned or controlled by Company in any capacity at Company's request, Executive shall be indemnified by Company, and Company shall pay Executive's related expenses when and as incurred, all to the full extent permitted by law.

18. REMEDIES

Company recognizes that because of Executive's special talents, stature and opportunities in the semiconductor industry, in the event of termination by Company hereunder (except under Section 13(a)(ii)), or in the event of termination by Executive under Section 14, before the end of the Agreement, Company acknowledges and agrees that the provisions of this Agreement regarding further payment of base salary, bonuses, and the exercisability of Options and other benefits constitute fair and reasonable provisions for the consequences of such termination, do not constitute a penalty, and such payments and benefits shall not be limited or reduced by amounts Executive might earn or be able to earn from any other employment or ventures during the remainder of the Agreement. Notwithstanding the foregoing, amounts paid or benefits provided under Section 16(a)(ii)-(iv) shall be so limited or reduced. Executive shall

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not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

19. BINDING AGREEMENT

This Agreement shall be binding upon and inure to the benefit of Executive, his heirs, distributees and assigns, and Company, its successors and assigns. Executive may not, without the express written permission of Company, assign or pledge any rights or obligations hereunder to any person, firm or corporation. If the Executive should die while any amount would still be payable to Executive if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with this Agreement to the Executive's Estate.

20. NO ATTACHMENT

Except as required by law or with the consent of Company or by laws of descent and distribution or permitted designation, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

21. ASSIGNMENT

Company will require any successor (whether direct or indirect, by operation of law, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of Company) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession had taken place. Failure of Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall at Executive's election be deemed a

material breach of this Agreement and shall entitle the Executive to compensation from Company in an amount equal to the greater of (A) the same amount on the same terms as the Executive would be entitled under Section 15 and Section 16 hereof upon a termination without good cause by Company, or (B) the benefits hereunder upon a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be the Date of Termination. As used in this Agreement, "Company" shall mean Company as defined above and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

22. WAIVER

No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the

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enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

23. NOTICE

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered and acknowledged or delivered by United States registered mail, return receipt requested, addressed to the Executive at 10659 Bellagio Road, Los Angeles, California 90077, with a copy to James R. Ukropina, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, California 90071-2899 in the case of Executive, and in the case of Company, to the attention of the Chairman of the Compensation Committee of the Board of Directors with copies to the Chief Financial Officer and the Secretary of Company at the principal executive offices of Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

24. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

25. COSTS

Company shall pay all the expenses of Executive, including attorneys' fees, in the negotiation and preparation of the Agreement, in addition to Company's own expenses in connection therewith.

26. SEVERABILITY

If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

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27. ARBITRATION

(a) Any disagreement, dispute, controversy or claim arising out of or in any way related to this Agreement or the subject matter hereof or the interpretation hereof or any arrangements relating hereto or contemplated herein or the breach, termination or invalidity hereof or the provision or failure to provide any other benefits upon a change of control pursuant to any other bonus or compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan or similar plan or agreement with Company and/or any of its subsidiaries as "change of control" may be defined in such other agreement or plan, which benefits constitute "parachute payments" within the meaning of Section 280G of the Code, shall be settled exclusively and finally by arbitration. If this Section 27 conflicts with any provision in any such compensation or bonus plan, stock option plan or any other similar plan or agreement, this provision requiring arbitration shall control.

(b) The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"). The arbitral tribunal shall consist of three arbitrators, one chosen by Company, one chosen by the Executive and one chosen

by the preceding two persons.

(c) Company shall pay all of the fees, if any, and expenses of such arbitration, and shall also pay all Executive's expenses, including attorneys' fees, incurred in connection with the arbitration regardless of the final outcome of such arbitration.

(d) The arbitration shall be conducted in Los Angeles if initiated by Company and in San Francisco if initiated by the Executive or in any other city in the United States of America as the parties to the dispute may designate by mutual written consent.

(e) Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to review of such award by any court or tribunal. The parties hereto agree that the arbitral award may be enforced against the parties to the arbitration proceeding or their assets wherever the award may be entered in any court having jurisdiction thereof.

(f) The parties stipulate that discovery may be held in any such arbitration proceeding as provided in Section 1283.05 of the California Code of Civil Procedure, as may be amended or revised from time to time.

28. ENTIRE AGREEMENT

As of the Effective Date, all previous agreements relating to the employment of the Executive to the extent inconsistent herewith, including, but not limited to Executive's Original Employment Agreement and (except as otherwise specifically provided herein) the MCA, are hereby superseded, and this Agreement embodies all agreements, contracts, and understandings by and between the parties hereto. Notwithstanding the foregoing, nothing contained in this Agreement shall adversely affect or limit any rights Executive may have or any benefits Executive may be entitled to receive under any other agreements, plans, programs or otherwise, including, without limitation, any pension, retirement, health, welfare or fringe benefit arrangements, the Restricted Stock Award Agreement dated August 5, 1994 between Company and Executive and any other stock option, stock appreciation rights or restricted stock award agreements or other stock based benefits held by Executive. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

"Executive"

"Company"

ADVANCED MICRO DEVICES, INC.

/s/ W. J. Sanders III

W. J. SANDERS III

/s/ Charles M. Blalack

By: CHARLES M. BLALACK
Chairman, Compensation
Committee

Exhibit 1

Performance Goals for 1997 and 1998 pursuant to Section 4(b) of the Agreement: Adjusted Operating Profits (as defined in Section 4(a) of the Agreement) in any amount for any two successive fiscal quarters after December 31, 1996.

Exhibit 2

Stock Price Targets Applicable to

Performance Accelerated Options

<TABLE>
<CAPTION>

(1) Applicable Target Period	(2) Performance Share Acceleration	(3) Stock Price Targets
1997	25% 50% 100%	Threshold Target Maximum

<S>	<C>	<C>	<C>	<C>	<C>	<C>
November 1, 1996 - January 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
December 1, 1996 - February 28, 1997	62,500	125,000	250,000	19.50	22.75	26.00
January 1, 1997 - March 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
February 1, 1997 - April 30, 1997	62,500	125,000	250,000	19.50	22.75	26.00
March 1, 1997 - May 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
April 1, 1997 - June 30, 1997	62,500	125,000	250,000	19.50	22.75	26.00
May 1, 1997 - July 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
June 1, 1997 - August 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
July 1, 1997 - September 30, 1997	62,500	125,000	250,000	19.50	22.75	26.00
August 1, 1997 - October 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00
September 1, 1997 - November 30, 1997	62,500	125,000	250,000	19.50	22.75	26.00
October 1, 1997 - December 31, 1997	62,500	125,000	250,000	19.50	22.75	26.00

1998

November 1, 1997 - January 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
December 1, 1997 - February 28, 1998	62,500	125,000	250,000	28.50	29.75	31.00
January 1, 1998 - March 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
February 1, 1998 - April 30, 1998	62,500	125,000	250,000	28.50	29.75	31.00
March 1, 1998 - May 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
April 1, 1998 - June 30, 1998	62,500	125,000	250,000	28.50	29.75	31.00
May 1, 1998 - July 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
June 1, 1998 - August 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
July 1, 1998 - September 30, 1998	62,500	125,000	250,000	28.50	29.75	31.00
August 1, 1998 - October 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00
September 1, 1998 - November 30, 1998	62,500	125,000	250,000	28.50	29.75	31.00
October 1, 1998 - December 31, 1998	62,500	125,000	250,000	28.50	29.75	31.00

1999

November 1, 1998 - January 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
December 1, 1998 - February 28, 1999	62,500	125,000	250,000	34.25	35.88	37.50
January 1, 1999 - March 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
February 1, 1999 - April 30, 1999	62,500	125,000	250,000	34.25	35.88	37.50
March 1, 1999 - May 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
April 1, 1999 - June 30, 1999	62,500	125,000	250,000	34.25	35.88	37.50
May 1, 1999 - July 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
June 1, 1999 - August 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
July 1, 1999 - September 30, 1999	62,500	125,000	250,000	34.25	35.88	37.50
August 1, 1999 - October 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50
September 1, 1999 - November 30, 1999	62,500	125,000	250,000	34.25	35.88	37.50
October 1, 1999 - December 31, 1999	62,500	125,000	250,000	34.25	35.88	37.50

</TABLE>

*The percentage Performance Share Acceleration (as a percentage of 250,000 shares) correlates to the Stock Price Targets as follows: 25% at Threshold; 50% at Target; and 100% at Maximum.

<TABLE>
<CAPTION>

	(1) Applicable Target Period			(2) Performance Share Acceleration			(3) Stock Price Targets		
	2000	25%	50%	100%	Threshold	Target	Maximum		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>		
November 1, 1999 - January 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
December 1, 1999 - February 29, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
January 1, 2000 - March 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
February 1, 2000 - April 30, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
March 1, 2000 - May 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
April 1, 2000 - June 30, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
May 1, 2000 - July 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
June 1, 2000 - August 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
July 1, 2000 - September 30, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
August 1, 2000 - October 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
September 1, 2000 - November 30, 2000	62,500	125,000	250,000	41.25	43.13	45.00			
October 1, 2000 - December 31, 2000	62,500	125,000	250,000	41.25	43.13	45.00			

2001									
November 1, 2000 - January 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
December 1, 2000 - February 28, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
January 1, 2001 - March 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
February 1, 2001 - April 30, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
March 1, 2001 - May 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
April 1, 2001 - June 30, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
May 1, 2001 - July 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00			
June 1, 2001 - August 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00			

July 1, 2001 - September 30, 2001	62,500	125,000	250,000	49.50	51.75	54.00
August 1, 2001 - October 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00
September 1, 2001 - November 30, 2001	62,500	125,000	250,000	49.50	51.75	54.00
November 1, 2001 - December 31, 2001	62,500	125,000	250,000	49.50	51.75	54.00

</TABLE>

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is

 entered into as of September 9, 1996, among Advanced Micro Devices, Inc., a
 Delaware corporation (the "Company"), Bank of America National Trust and Savings

 Association, ABN AMRO Bank N.V. and Canadian Imperial Bank of Commerce (the
 "Banks" and, individually, each a "Bank"), ABN AMRO Bank N.V., as Syndication

 Agent for the Banks (the "Syndication Agent"), Canadian Imperial Bank of

 Commerce, as Documentation Agent for the Banks (the "Documentation Agent"), and

 Bank of America National Trust and Savings Association, as Administrative Agent
 for the Banks (the "Agent").

WHEREAS, the Company, the Banks, the Syndication Agent, the
 Documentation Agent and the Agent are parties to a Credit Agreement dated as of
 July 19, 1996, as amended by a First Amendment to Credit Agreement dated as of
 August 7, 1996 (as so amended, the "Credit Agreement");

WHEREAS, the Company has requested that the Banks agree to certain
 amendments to the Credit Agreement;

WHEREAS, the Banks have agreed to such request, subject to the terms
 and conditions hereof;

NOW, THEREFORE, in consideration of the mutual agreements, provisions
 and covenants contained herein, the parties hereto agree as follows:

1. Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in

 this Amendment (including in the recitals hereof) and not otherwise defined
 herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section

 1.02 of the Credit Agreement shall be applicable to this Amendment and are
 incorporated herein by this reference.

2. Amendments to the Credit Agreement.

(a) Amendment. Effective as of the date upon which executed signature

 pages hereof for the Agent, the Banks, the Company, the Syndication Agent and
 the Documentation Agent shall have been received by the Agent (the "Effective

 Date"), the Credit Agreement is amended as follows:

1.

(i) Subsection 7.04(g) of the Credit Agreement is hereby amended by
 inserting after the word "hereof" and before the period at the end of such
 subsection the following:

"; minus the aggregate amount of Contingent Obligations of the Company

 outstanding under Subsection 7.08(g) at such time"

(ii) Section 7.08 of the Credit Agreement is hereby amended by
 deleting "and" at the end of Subsection 7.08(e), replacing the period at the end
 of Subsection 7.08(f) with "; and" and adding a new Subsection 7.08(g) as
 follows:

"(g) other Contingent Obligations of the Company not described above
 of not more than \$50,000,000 at any time in the aggregate, provided that

 after giving effect to the incurrence of such Contingent Obligations the
 Company shall be and remain in compliance with Subsection 7.04(g)."

(b) References Within Credit Agreement. Each reference in the Credit

Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

3. Representations and Warranties.

To induce the Agent, the Syndication Agent, the Documentation Agent and each Bank to enter into this Amendment, the Company hereby confirms and restates, as of the date hereof, the representations and warranties made by it in Article V of the Credit Agreement and in the other Loan Documents to which it is a party. For the purposes of this Section 3, (i) each reference in Article V of the Credit Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Section, shall mean and be a reference to the Credit Agreement as amended by this Amendment, and (ii) any representations and warranties which relate solely to an earlier date shall not be deemed confirmed and restated as of the date hereof (provided that such

representations and warranties shall be true, correct and complete as of such earlier date).

4. Miscellaneous.

(a) Credit Agreement Otherwise Not Affected. Except as expressly

amended pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks', the Agent's, the Syndication Agent's and the Documentation Agent's execution and delivery of, or acceptance of, this Amendment shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

2.

(b) No Reliance. The Company hereby acknowledges and confirms to the

Agent, the Syndication Agent, the Documentation Agent and the Banks that the Company is executing this Amendment on the basis of its own investigations and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of the Agent, the Syndication Agent, the Documentation Agent, any Bank or any other Person.

(c) Amendments and Waivers. The provisions of this Amendment may only

be amended or waived, and any consent with respect to any departure by the Company therefrom may only be granted, in accordance with the terms of Section 10.01 of the Credit Agreement.

(d) Costs and Expenses. The Company shall, whether or not the

amendments contemplated hereby shall become effective, pay or reimburse the Agent on demand for all costs and expenses incurred by the Agent in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to, this Amendment and the consummation of the transactions contemplated hereby and thereby, including the Attorney Costs incurred by the Agent with respect thereto.

(e) Successors and Assigns. The provisions of this Amendment shall be

binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Counterparts. This Amendment may be executed by one or more of

the parties to this Amendment in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with the Company and the Agent. The parties hereto agree that the Agent may accept and rely on facsimile transmissions of executed signature pages of this Amendment.

(g) Severability. The illegality or unenforceability of any

provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(h) No Third Parties Benefited. This Amendment is made and entered

into for the sole protection and legal benefit of the Company, the Syndication Agent, the Documentation Agent, the Banks and the Agent, and their successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment. Each of the Agent, the Syndication Agent, the Documentation Agent and the Banks shall

3.

not have any obligation to any Person not a party to this Amendment.

(i) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(j) Entire Agreement. This Amendment embodies the entire agreement

and understanding among the Company, the Banks, the Syndication Agent, the Documentation Agent and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

(k) Interpretation. This Amendment is the result of negotiations

between and has been reviewed by counsel to the Agent, the Company and other parties, and is the product of all parties hereto. Accordingly, this Amendment shall not be construed against the Banks, the Syndication Agent, the Documentation Agent or the Agent merely because of the Agent's or such other Person's involvement in the preparation of such documents and agreements.

[SIGNATURE PAGES FOLLOW]

4.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California, by their proper and duly authorized officers as of the day and year first above written.

THE COMPANY

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett

Title: Senior Vice President, Chief
Financial and Administrative
Officer and Treasurer

THE AGENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as
Administrative Agent

By: /s/ Kevin McMahon

Title: Vice President

THE SYNDICATION AGENT

ABN AMRO BANK N.V., as Syndication Agent

By: ABN AMRO NORTH AMERICA, INC.,
its agent

By: /s/ Tom R. Wagner

Title: VP and Director

By: /s/ Robin S. Yim

Title: VP and Director

5.

THE DOCUMENTATION AGENT

CANADIAN IMPERIAL BANK OF COMMERCE,
as Documentation Agent

By: /s/ James E. Anderson

Title: Managing Director

THE BANKS

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as a Bank

By: /s/ Kevin McMahon

Title: Vice President

ABN AMRO BANK N.V., as a Bank

By: ABN AMRO NORTH AMERICA, INC.,
its agent

By: /s/ Tom R. Wagner

Title: VP and Director

By: /s/ Robin S. Yim

Title: VP and Director

CANADIAN IMPERIAL BANK OF COMMERCE,
as a Bank

By: /s/ James E. Anderson

Title: Managing Director

6.

THIRD AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY

THIS THIRD AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY (the "Amendment"), dated as of May 10, 1996 is entered into by and between

ADVANCED MICRO DEVICES, INC., a Delaware corporation (the "Guarantor"), and

CIBC INC., a Delaware corporation ("Lessor").

RECITALS

A. The Guarantor executed and delivered to Lessor as Third Amended and Restated Guaranty, dated as of August 21, 1995 and accepted by Lessor as of August 21, 1995, pursuant to which the Guarantor guaranteed to Lessor certain obligations of AMD International Sales & Service, Ltd. a Delaware corporation. Such Amended and Restated Guaranty was amended by a First Amendment to Third Amended and Restated Guaranty, dated as of October 20, 1995, and by a Second Amendment to Third Amended and Restated Guaranty, dated as of January 12, 1996 (as so amended, "Guaranty").

B. The Guarantor has requested that the Lessor agree to certain amendments of the Guaranty.

C. Lessor is willing to amend the Guaranty, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein

shall have the meanings given to them in the Guaranty.

2. Amendment to the Guaranty. Section 4.2.1(k) of the Guaranty is

hereby deleted and replaced with the following:

"(k) Purchase money security interests on any Assets (other than the Property) acquired or held by Guarantor or its Subsidiaries in the Ordinary Course of Business, securing Indebtness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such Assets; on the

condition that (i) any such Lien attaches to such Assets concurrently with or

within six months after the acquisition thereof, (ii) such Lien attaches solely to the Assets so acquired in such transaction, and (iii) the principal amount of the Indebtness secured thereby does not exceed 100% of the cost of such Assets; and"

3. Representations and Warranties

The Guarantor hereby represents and warrants to the Lessor as follows:

(a) No Default or Event of Default or Deposit Event has occurred and is continuing.

(b) The execution, delivery and performance by the Guarantor of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Guaranty as amended by this Amendment constitutes the legal, valid and binding obligations of the Guarantor, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of the Guarantor contained in the Guaranty are true and correct.

(d) The Guarantor is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon Lessor or any other Person.

4. Conditions to Effectiveness of Amendment.

This Amendment will become effective on the date on which all of the following conditions precedent have been satisfied:

4.1 Lessor shall have received from the Guarantor and Long-Term Credit Bank of Japan, Los Angeles Agency, a duly executed original (or, if elected by Lessor, an executed facsimile copy) of this Amendment; and

4.2 Each of the representations and warranties set forth in Section 3 of this Amendment are true and correct as of such date.

4. Reservation of Rights. The Guarantor acknowledges and agrees that the -----
execution and delivery by Lessor of this Amendment shall not be deemed to create a course of dealing or otherwise obligate Lessor to forbear or execute similar amendments under the same or similar circumstances in the future.

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6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Guaranty are and shall remain in full force and effect and all references therein to such Guaranty shall henceforth refer to the Guaranty as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Guaranty. The Guaranty, as amended by this Amendment, is hereby absolutely and unconditionally affirmed in its entirety by the Guarantor.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by Lessor of a facsimile transmitted document purportedly bearing the signature of the Guarantor shall bind the Guarantor with the same force and effect as the delivery of a hard copy original. Any failure by Lessor to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by Lessor.

(e) This Amendment, together with Guaranty, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 6.2 of the Guaranty.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment or the Guaranty, respectively.

(g) The Guarantor covenants to pay or to reimburse the Lessor, upon demand, for all costs and expenses (including allocated costs of in-house counsel)

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incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

-4-

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett

Marvin D. Burkett
Senior Vice President and Chief
Financial Officer

CIBC INC.

By: /s/ Tom R. Wagner

Name: Tom R. Wagner
Title: Director

Reference is made to the Loan Agreement, dated as of December 17, 1993 (the "Loan Agreement") between CIBC INC., a Delaware corporation, and THE LONG-TERM

CREDIT BANK OF JAPAN, LTD., LOS ANGELES AGENCY ("Lender"). In accordance with

Section 8(b) of the Loan Agreement, Lender hereby consents to the foregoing Amendment.

THE LONG-TERM CREDIT BANK OF
JAPAN, LOS ANGELES AGENCY

By: /s/ Motokazu Uematsu

Name: Motokazu Uematsu

Title: Deputy General Manger

Date: May 15, 1996

FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY

THIS FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY (this "Amendment") dated as of June 20, 1996, is entered into by and among Advanced

Micro Devices, Inc., a Delaware corporation ("Guarantor"), CIBC Inc., a Delaware corporation ("Lessor"), and, solely for the purpose of making certain representations and warranties in Section 3 below, AMD International Sales & Service, Ltd., a Delaware corporation ("Lessee").

RECITALS

A. Guarantor executed and delivered to Lessor a Third Amended and Restated Guaranty, dated as of August 21, 1995 and accepted by Lessor as of August 21, 1995, pursuant to which the Guarantor guaranteed to Lessor certain obligations of Lessee. Such Amended and Restated Guaranty was amended by a First Amendment to Third Amended and Restated Guaranty, dated as of October 20, 1995, by a Second Amendment to Third Amended and Restated Guaranty, dated as of January 12, 1996, and by a Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996 (as so amended, the "Guaranty").

B. The Guarantor has requested that the Lessor agree to certain amendments of the Guaranty.

C. Lessor is willing to amend the Guaranty, subject to the terms and conditions of this Amendment.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein

shall have the meanings given to them in the Guaranty.

2. Amendment. Subject to satisfaction of the conditions set forth

herein, Section 4.2.9 of the Guaranty shall be amended and restated so as to read as follows:

"4.2.9 Modified Quick Ratio. Guarantor shall not, as of the

last day of any fiscal quarter, suffer or permit its ratio (determined on a consolidated basis) of (a) cash plus the value (valued in accordance with GAAP) of all Cash Equivalents and 75% of all Long Term

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Investments, other than Cash Equivalents or Long Term Investments subject to a Lien securing an obligation that is not a GAAP liability, plus the amount of Receivables, net of allowances for doubtful accounts, to (b) Consolidated Current Liabilities of the Guarantor and its Subsidiaries, to be less than 1.10 to 1.00; provided, however, that such ratio may be

less than 1.10 to 1.00, but may not be less than 0.80 to 1.00, for the fiscal quarter ended June 30, 1996."

3. Representations and Warranties. To induce Lessor to amend the Guaranty

as provided above: (a) Guarantor hereby represents that (i) after giving effect to the amendment set forth in Section 2 above, no Default, Event of Default or Deposit Event under the Guaranty, or Guarantor Default under the Amended Land Lease or the Amended Building Lease, has occurred and is continuing, and (ii) all representations and warranties of Guarantor contained in the Guaranty are true and correct, and (b) Lessee hereby represents that (i) after giving effect to the amendment set forth in Section 2 above, no Default or Event of Default under the Amended Land Lease or the Amended Building Lease has occurred and is continuing, and (ii) all representations and warranties of Lessee contained in the Amended Land Lease and the Amended Building Lease are true and correct.

4. Conditions to Effectiveness of Amendment. This Amendment shall become

effective on the date on which all of the following conditions precedent have been satisfied:

(a) Lessor shall have received from Guarantor, Lessee and Long-Term Credit Bank of Japan, Los Angeles Agency (the "Lender"), a duly executed

original (or, if elected by Lessor, an executed facsimile copy) of this Amendment.

(b) Lessor shall have received from the Majority Banks under the Term Loan Agreement, a duly executed original (or, if elected by Lessor, an executed facsimile copy) amendment to the Term Loan Agreement amending the "Modified Quick Ratio" set forth in Section 7.10 of the Term Loan Agreement as provided in Section 2 above.

(c) Lessor shall have received from the Majority Banks under that certain Amended and Restated Credit Agreement dated as of September 21, 1994, as amended and restated from time to time (the "Credit Agreement"), among

Guarantor, the Banks party thereto, Bank of America National Trust and Savings Association, as agent for the Banks, and The First National Bank of Boston, as co-agent for the Banks, a duly executed original (or, if elected by Lessor, an executed facsimile copy) amendment to the Credit Agreement changing the "Modified Quick Ratio" set forth in Section 7.10 of the Credit Agreement as provided in Section 2 above.

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(d) Each of the representations and warranties set forth in Section 3 above are true and correct as of such date.

5. Reservation of Rights. The Guarantor acknowledges and agrees that the

execution and delivery by Lessor of this Amendment shall not be deemed to create a course of dealing or otherwise obligate Lessor to forbear or execute similar amendments under the same or similar circumstances in the future.

6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Guaranty are and shall remain in full force and effect and all references therein to such Guaranty shall henceforth refer to the Guaranty as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Guaranty. The Guaranty, as amended by this Amendment, is hereby absolutely and unconditionally affirmed in its entirety by the Guarantor.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (any other document required herein) may be delivered by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by Lessor of a facsimile transmitted document purportedly bearing the signature of Guarantor or Lessee shall bind Guarantor and Lessee with the same force and effect as the delivery of a hard copy original. Any failure by Lessor to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by Lessor.

(e) This Amendment, together with Guaranty, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 6.2 of the Guaranty.

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(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment.

(g) The Guarantor covenants to pay or to reimburse Lessor, upon demand, for all costs and expenses (including reasonable fees and costs of counsel) incurred in connection with the development, preparation, negotiation, execution and

delivery of this Amendment.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first written above.

CIBC INC.

By: /c/ Tom R. Wagner

Title: Director

ADVANCED MICRO DEVICES, INC.

By: /c/ Marvin D. Burkett

Marvin D. Burkett
Title: Senior Vice President, Chief Financial
and Administrative Officer and Treasurer

AMD INTERNATIONAL SALES &
SERVICE, LTD.

By: /c/ Marvin D. Burkett

Marvin D. Burkett
Title: Senior Vice President, Chief Financial
and Administrative Officer and Treasurer

Reference is made to the Loan Agreement, dated as of December 17, 1993, as amended (the "Loan Agreement") between Lessor and the Lender. In accordance with

Section 8(a) of the Loan Agreement, Lender hereby consents to the foregoing Amendment.

THE LONG-TERM CREDIT BANK OF
JAPAN, LOS ANGELES AGENCY

By: /c/Motokazu Uematsu

Title: Motokazu Uematsu,

Deputy General Manager

Date: June 21, 1996

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A REDACTED COPY OF THIS AGREEMENT BETWEEN INTERNATIONAL BUSINESS MACHINES CORPORATION AND ADVANCED MICRO DEVICES, INC., EFFECTIVE JUNE 14, 1996, IS ATTACHED AS EXHIBIT 10.48 TO THE QUARTERLY REPORT OF ADVANCED MICRO DEVICES, INC. ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 29, 1996, PURSUANT TO THE REQUIREMENTS OF ITEM 6(A) OF FORM 10-Q AND ITEM 601(B)(10) OF REGULATION S-K REGARDING MATERIAL CONTRACTS.

C-4 TECHNOLOGY TRANSFER AND LICENSING AGREEMENT

by and between

INTERNATIONAL BUSINESS MACHINES CORPORATION

and

ADVANCED MICRO DEVICES

AMD/IBM CONFIDENTIAL

June 11, 1996

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AGREEMENT

This Agreement, having an EFFECTIVE DATE as defined herein, is entered into by and between ADVANCED MICRO DEVICES, a Delaware corporation having an office at Sunnyvale, California (hereinafter called "AMD"), and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation having an office at Burlington, Vermont (hereinafter called "IBM").

WHEREAS, IBM has developed certain wafer fabrication, bonding and assembly processes, collectively known as controlled collapse chip connection processes, and possesses certain proprietary rights in the valuable technology related thereto;

WHEREAS, AMD and IBM have previously discussed a "Semiconductor Technology Non-Binding Business Term Sheet" which set forth a framework for the technology licensing of controlled collapse chip connection processes of IBM to AMD;

WHEREAS, AMD desires to obtain licenses and other proprietary information and rights from IBM in order to become a user of such controlled collapse chip connection processes of IBM, upon the terms and conditions provided herein;

WHEREAS, IBM desires to obtain licenses and other information and rights from AMD concerning improvements AMD may make to the IBM processes, upon the terms and conditions provided herein;

WHEREAS, IBM wishes to make its licenses and other proprietary information and rights, along with other technical information and technical assistance, all relating to the controlled collapse chip connection processes of IBM, available to AMD; and

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WHEREAS, IBM believes that AMD, and AMD believes that IBM, is a trustworthy company which will protect all proprietary rights licensed hereunder, upon the terms and conditions provided herein.

NOW, THEREFORE, IBM and AMD agree as follows:

Section 1 - Definitions

Words shall have their normally accepted meanings as employed in this Agreement. The terms "herein", "hereunder" and "hereof," unless specifically limited, shall have reference to the entire Agreement. The words "shall" and "will" are mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting and the singular includes the plural. The following terms shall have the described meanings:

"AMD IMPROVEMENTS" shall mean any change, upgrade, modification or revision to the LICENSED TECHNOLOGY, actually introduced into, and practiced in production in, the manufacturing line of AMD or AMD's FACILITIES during the TERM of this Agreement. AMD IMPROVEMENTS shall also mean any change, upgrade, modification or revision to the LICENSED TECHNOLOGY, actually introduced into the manufacturing line of the another manufacturer authorized pursuant to Section 2.1.3 during the TERM of this Agreement (the another manufacturer's improvements). AMD IMPROVEMENTS shall not include any change, upgrade, modification or revision to the LICENSED TECHNOLOGY that AMD is contractually obligated to not provide to a third party. AMD IMPROVEMENTS shall not include any change, upgrade, modification or revision to the joining of an integrated circuit to an ORGANIC CHIP CARRIER.

"AMD IMPROVEMENT PATENTS" shall mean all AMD patents:

- 1) issuing prior to [*] from the EFFECTIVE DATE;
- 2) having claims directed to AMD IMPROVEMENTS; and

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3) which AMD or any of its SUBSIDIARIES now has, or hereafter obtains, the right to grant immunities to IBM of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by AMD or its SUBSIDIARIES to third parties (except for payments between AMD and its SUBSIDIARIES, and payments to third parties for inventions made by said third parties while employed by AMD or any of its SUBSIDIARIES).

"BA" shall mean BOND AND ASSEMBLY.

"BOND AND ASSEMBLY" shall mean a process consisting of the following steps:

[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]

"BOND AND ASSEMBLY PATENTS" shall mean all patents:

- 1) issuing prior to [*] from the EFFECTIVE DATE;
- 2) having claims directed to IBM IMPROVEMENTS to BOND AND ASSEMBLY; and
- 3) which IBM or any of its SUBSIDIARIES now has, or hereafter obtains, the right to grant immunities to AMD of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or

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other consideration by IBM or its SUBSIDIARIES to third parties (except for payments between IBM and its SUBSIDIARIES, and payments to third parties for inventions made by said third parties while employed by IBM or any of its SUBSIDIARIES).

"BUMP" shall mean [*] limiting metal formed on an integrated circuit.

"BUMPING" shall mean a process of forming BUMPS, consisting of the following steps:

[*]
[*]
[*]
[*]

"BUMPING PATENTS" shall mean all patents:

- 1) issuing prior to [*] from the EFFECTIVE DATE;
- 2) having claims directed to IBM IMPROVEMENTS to BUMPING; and
- 3) which IBM or any of its SUBSIDIARIES now has, or hereafter obtains, the right to grant immunities to AMD of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by IBM or its SUBSIDIARIES to third parties (except for payments between IBM and its SUBSIDIARIES, and payments to third parties for inventions made by said third parties while employed by IBM or any of its SUBSIDIARIES).

"C-4" shall mean controlled collapse chip connection.

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"C-4 TECHNOLOGY" shall mean, collectively, BUMPING and BA.

"CHANGE OF CONTROL" shall mean, with respect to AMD, one (1) transaction or a series of related transactions which results in a third party obtaining, directly or indirectly, [*] or more of the ownership of the outstanding voting shares or other ownership interest of, or (ii) CONTROL of AMD.

"CERAMIC CHIP CARRIER" shall mean [*].

"CHIP CARRIER" shall mean CERAMIC CHIP CARRIER and ORGANIC CHIP CARRIER.

"CONTROL" shall mean the power to direct the affairs of a PERSON by reason of ownership of voting stock, by asset acquisition, contract or otherwise.

"EFFECTIVE DATE" shall mean the date three (3) days after the date of the last signature necessary to the formation of this Agreement provided the payment specified in Section 6.2.a. has been received by IBM.

"FACILITIES" shall mean the premises where AMD is licensed to practice the LICENSED TECHNOLOGY as set forth in Section 2.3.

"IBM IMPROVEMENTS" shall mean any change, upgrade, modification or revision to the LICENSED TECHNOLOGY actually introduced into, and practiced in production in, the manufacturing line of IBM's Microelectronics Division facilities

performing work related to the LICENSED TECHNOLOGY during the TERM and subject to the Technical Coordinator awareness provision of Section 4.1.1. IBM IMPROVEMENTS shall not include any change, upgrade, modification or revision to the LICENSED TECHNOLOGY that IBM is contractually obligated to not provide to a third party. IBM IMPROVEMENTS shall not include the

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replacement or elimination of the process to [*] with a process which eliminates the [*] or the replacement or elimination of the process [*] with a process which eliminates the use of a [*]. IBM IMPROVEMENTS shall not include any change, upgrade, modification or revision: to the joining of an integrated circuit to an ORGANIC CHIP CARRIER, or to quality, yield management techniques, or to specifications for lids, capacitors, polyimide and CHIP CARRIERS, or to MATERIALS, or to the [*] or to the [*].

"IMPROVEMENTS" shall mean IBM IMPROVEMENTS and AMD IMPROVEMENTS.

"IMPROVEMENT LICENSEES" shall mean licensees of IBM with activities related to the LICENSED TECHNOLOGY.

"INTEGRATED CIRCUIT" shall mean a silicon chip.

"LICENSED PRODUCTS" shall mean:

[*]
[*]
[*]
[*]

"LICENSED TECHNOLOGY" shall mean a) know-how or other information contained in the documents specified in Appendix A relating to the C-4 TECHNOLOGY to be transferred to AMD, b) additional information transferred or otherwise disclosed in writing by IBM to AMD in providing technical assistance pursuant to Section 5, and/or c) IBM IMPROVEMENTS. LICENSED TECHNOLOGY shall not include any know-how or other information related to the MATERIALS (as defined in Section 3.3), or to the [*]

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[*]

[*]

[*] shall mean a single integrated circuit that contains [*].

[*] Set" shall mean a maximum of two integrated circuits that together contain a [*] that are to be joined to the same CHIP CARRIER by at least one BUMP on each of such integrated circuits, and that are to be used together as the central processing unit of a microcomputer.

[*] shall mean the [*].

[*] PRODUCT" shall mean a [*] joined to the same CHIP CARRIER by at least one BUMP on each of the two integrated circuits that comprise the [*].

[*] PRODUCT" shall mean a [*] having at least one BUMP and/or a [*] joined to a CHIP CARRIER by at least one BUMP.

[*] PRODUCT" shall mean a [*] having at least one BUMP and/or a [*] joined to a CHIP CARRIER by at least one BUMP.

[*] shall mean a single integrated circuit other than a [*] or a [*]

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or a [*]. [*] shall include, for example, [*].

[*] PRODUCT" shall mean a [*] having at least one BUMP and/or a [*] joined to a CHIP CARRIER by at least one BUMP.

"ORGANIC CHIP CARRIER" shall mean a printed circuit board; or other organic single-chip or multi-chip pin grid array substrate; or other organic single-chip or multi-chip ball grid array substrate.

"PERSON" shall mean any individual, corporation, partnership, joint venture, trust, business association, governmental entity or other entity.

"ROYALTY-BEARING BUMPS" shall mean:

- i.) each BUMP on LICENSED PRODUCTS transferred to AMD's RELATED COMPANY, and
- ii.) each BUMP on [*] PRODUCTS and [*] PRODUCTS in excess of the sum of [*] multiplied by the Yearly Average Number of BUMPS. The Yearly Average Number of BUMPS shall mean the total number of BUMPS on [*] PRODUCTS and [*] PRODUCTS first sold, or otherwise disposed of, in any year divided by the total number of [*] PRODUCTS and [*] PRODUCTS first sold, or otherwise disposed of, in such year. For purposes of this definition ii.), [*] PRODUCTS and [*] PRODUCTS transferred to AMD's RELATED COMPANY shall not be included.

"SUBSIDIARY" shall mean a corporation, company or other entity:

- 1) more than [*] of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are,

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now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a SUBSIDIARY only so long as such ownership or control exists; or

- 2) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than [*] of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a SUBSIDIARY only so long as such ownership or control exists.

"TERM" shall mean the period of time this Agreement is in effect which shall commence on the EFFECTIVE DATE and expires [*], unless sooner terminated pursuant to Section 7.

"TERM SHEET" shall mean the "Semiconductor Technology Non-Binding Business Term Sheet" between the parties of March 1996.

"TYPE I SUBSIDIARY" shall mean a corporation, company or other entity:

- 1) more than [*] of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a TYPE I SUBSIDIARY only so long as such ownership or control exists; or

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- 2) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than [*] of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a TYPE I SUBSIDIARY only so long as such ownership or control exists.

"RELATED COMPANY" shall mean a corporation, company or other entity:

- 1) more than [*] of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing

authority) are, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a RELATED COMPANY only so long as such ownership or control exists; or

- 2) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than [*] of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a RELATED COMPANY only so long as such ownership or control exists.

Section 2 - Licenses

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2.1 IBM, on behalf of itself and its SUBSIDIARIES, hereby grants to AMD, to the extent it has the right to do so and subject to Section 6 of this Agreement, the nonexclusive, nontransferable, royalty-bearing, revocable right and license:

2.1.1 to use the LICENSED TECHNOLOGY (only in the FACILITIES specified in Section 2.3) solely for AMD;

2.1.2 to manufacture solely for AMD and use solely for AMD LICENSED PRODUCTS (only in the FACILITIES specified in Section 2.3) using the LICENSED TECHNOLOGY;

2.1.3 after [*] years from the EFFECTIVE DATE, to have another manufacturer (but only one manufacturer at any one time) do BA solely on LICENSED PRODUCTS, and solely for AMD for resale under Section 2.1.4, provided that:

2.1.3.1 such another manufacturer enters into an agreement with AMD with terms and conditions acceptable to IBM regarding confidentiality, reverse engineering of the MATERIALS per Section 3.3.2, such another manufacturer's improvements to the LICENSED TECHNOLOGY, and the licensing of such another manufacturer's improvements to the LICENSED TECHNOLOGY to IBM at no cost to IBM, and

2.1.3.2 such another manufacturer is either:

2.1.3.2.1 [*], or

2.1.3.2.2 with IBM's prior written approval, [*] IBM reserves the right to grant written approval so that both parties are assured that intellectual property licensed in this Agreement will be accorded adequate protection or enforcement in the geographic location of the proposed another manufacturer or with respect to the potential partner(s), if any, with AMD in the proposed another manufacturer. IBM will share with AMD information that is considered to be objective, or information available in the trade that IBM feels

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to be reliable, which reasonably identifies legitimate concerns regarding the commercial and/or intellectual property integrity and/or geographic location and/or financial stability of the proposed another manufacturer;

2.1.4 to sell and have sold by other than the RELATED COMPANY in Section 2.1.5 (worldwide) LICENSED PRODUCTS solely under the AMD brand name using the LICENSED TECHNOLOGY;

2.1.5 to transfer LICENSED PRODUCTS to AMD's RELATED COMPANY for sale (worldwide) by AMD's RELATED COMPANY solely under such AMD RELATED COMPANY brand name, provided that:

2.1.5.1 such LICENSED PRODUCTS must be manufactured by AMD according

to the terms of this Section 2;

2.1.5.2 the metallized and patterned silicon wafer used to make the LICENSED PRODUCTS must be made in its entirety by AMD;

2.1.5.3 each BUMP on LICENSED PRODUCTS shall be deemed to be a ROYALTY-BEARING BUMP and the royalty specified in Section 6.3 shall accrue for all such LICENSED PRODUCTS transferred to such AMD RELATED COMPANY; AMD shall have sole responsibility for payment, and shall pay, such royalty to IBM;

2.1.5.4 LICENSED PRODUCTS transferred to such AMD RELATED COMPANY shall not be considered part of the [*] PRODUCTS or [*] PRODUCTS used in the calculation of the sum for ROYALTY-BEARING BUMPS;

2.1.5.5 for purposes of Section 6.6, transfer of LICENSED PRODUCTS to AMD's RELATED COMPANY shall be considered to be transferred to a third party; and 2.1.5.6 such AMD RELATED COMPANY brand name must be a brand name which is currently not in existence; and

2.1.6 to manufacture (only in the FACILITIES specified in Section 2.3) and have manufactured for internal use only, and solely for AMD, any apparatus required to implement any

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hardware or process specifications contained in the LICENSED TECHNOLOGY.

The license granted in this Section 2.1 to AMD is limited to the LICENSED TECHNOLOGY and no license or other right is granted in this Section 2.1, either directly or indirectly, by implication, estoppel or otherwise, to AMD with respect to any patents or patent applications, trademarks, copyrights, trade secrets (other than the LICENSED TECHNOLOGY), mask works or other intellectual property rights of IBM.

2.2 The license granted in Section 2 to AMD is revocable and shall not survive the termination or expiration of this Agreement except as specified in Section 7. IBM additionally shall have the right at any time, before or after the termination or expiration of this Agreement, to revoke such license for a breach by AMD of the terms and conditions of the license granted in Section 2, and/or for a breach by AMD of its royalty obligations under Section 6, and/or for a breach by AMD of AMD's confidentiality obligations under Section 8. Upon the completion of AMD's payment and royalty obligations of Section 6, AMD's license in Section 2 shall be revocable by IBM only for a breach by AMD of the terms and conditions of the license granted in Section 2 and/or a breach by AMD of AMD's confidentiality obligations under Section 8.

2.3 The FACILITIES at which AMD is licensed under Section 2.1 to practice the LICENSED TECHNOLOGY shall only be as follows:

2.3.1 AMD may do BUMPING in:

2.3.1.1 any AMD wholly-owned facility [*](exclusive of any of AMD's TYPE I SUBSIDIARIES' OR SUBSIDIARIES' facilities),

2.3.1.2 any AMD TYPE I SUBSIDIARY facility [*],

2.3.1.3 AMD's TYPE I SUBSIDIARY facility [*] and

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2.3.1.4 any other TYPE I SUBSIDIARY facility [*] with IBM's prior written approval. IBM reserves the right to grant written approval so that both parties are assured that intellectual property licensed in this Agreement will be accorded adequate protection or enforcement in the [*] of the proposed TYPE I SUBSIDIARY facility or with respect to the potential partner(s) with AMD in the proposed TYPE I SUBSIDIARY facility. IBM will share with AMD information that it considers to be objective, or information available in the trade that IBM considers reliable, which reasonably identifies legitimate concerns regarding the commercial and/or intellectual property integrity and/or geographic location and/or financial stability of the proposed TYPE I SUBSIDIARY facility.

2.3.2 AMD may do BA in:

2.3.2.1 any AMD wholly-owned facility [*] (exclusive of any of AMD's TYPE I SUBSIDIARIES' OR SUBSIDIARIES' facilities),

2.3.2.2 any AMD TYPE I SUBSIDIARY [*]

2.3.2.3 AMD's TYPE I SUBSIDIARY facility [*]

2.3.2.4 AMD's existing TYPE I SUBSIDIARY facility [*] and in AMD's existing TYPE I SUBSIDIARY facility [*], and

2.3.2.5 any SUBSIDIARY facility [*] with IBM's prior written approval. IBM reserves the right to grant written approval so that both parties are assured that intellectual property licensed in this Agreement will be accorded adequate protection or enforcement in the [*] of the proposed SUBSIDIARY facility or with respect to the potential partner(s) with AMD in the proposed SUBSIDIARY facility. IBM will share with AMD information that it considers to

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be objective, or information available in the trade that IBM considers reliable, which reasonably identifies legitimate concerns regarding the commercial and/or intellectual property integrity and/or geographic location and/or financial stability of the proposed SUBSIDIARY facility.

2.4 AMD, on behalf of itself and its TYPE I SUBSIDIARIES and SUBSIDIARIES, hereby grants to IBM, to the extent it has the right to do so, the nonexclusive, irrevocable (subject to Section 7.4), fully paid-up, worldwide right and license:

2.4.1 to use and have used any AMD IMPROVEMENTS;

2.4.2 to manufacture, have manufactured, use, have used, sell and have sold any product using the AMD IMPROVEMENTS; and,

2.4.3 to manufacture and have made for sale or use any apparatus required to implement any hardware or process specifications contained in the AMD IMPROVEMENTS.

The license granted to IBM in this Section 2.4 shall include the right of IBM to extend sublicenses to its SUBSIDIARIES and to IMPROVEMENT LICENSEES, subject to Section 8, and for each sublicensed SUBSIDIARY to correspondingly sublicense its own SUBSIDIARIES. Any such sublicense shall terminate on the date the sublicensed SUBSIDIARY ceases to be a SUBSIDIARY. The license granted in this Section 2.4 to IBM is limited to the AMD IMPROVEMENTS and no license or other right is granted in this Section 2.4, either directly or indirectly, by implication, estoppel or otherwise, to IBM with respect to any patents or patent applications, trademarks, copyrights, trade secrets (other than the AMD IMPROVEMENTS), mask works or other intellectual property rights of AMD.

2.5 For a period of [*] from the EFFECTIVE DATE, IBM, on behalf of itself and its SUBSIDIARIES, hereby grants to AMD and its SUBSIDIARIES a worldwide, revocable, royalty-free (provided the payments and royalty in Section 6 are timely paid) immunity from

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any charge or claim of infringement of the BOND AND ASSEMBLY PATENTS or the BUMPING PATENTS, which charge or claim arises from the exercise of the license granted to AMD pursuant to Section 2.1 with respect to IBM IMPROVEMENTS.

2.6 For a period of [*] from the EFFECTIVE DATE, AMD on behalf of itself and its SUBSIDIARIES, hereby grants to IBM and its SUBSIDIARIES a worldwide, irrevocable and royalty-free immunity from any charge or claim of infringement of the AMD IMPROVEMENT PATENTS, which charge or claim arises from the exercise of the license granted to IBM pursuant to Section 2.4.

2.7 IBM agrees to make available to AMD, on terms and conditions (including any applicable licenses, fees and/or royalties) acceptable to IBM, know-how on joining of integrated circuits to ORGANIC CHIP CARRIERS with at least one BUMP that is actually practiced in production in the manufacturing line of IBM's

Microelectronics Division's facilities during the TERM of the Agreement.

2.8 IBM agrees to make available to AMD, on terms and conditions (including any applicable licenses, fees and/or royalties) acceptable to IBM, improvements to the MATERIALS (as defined in Section 3.3) that are actually practiced in production in the manufacturing line of IBM's Microelectronic's Division's facilities during the TERM of the Agreement.

2.9 IBM agrees that AMD shall be free to make AMD IMPROVEMENTS and other improvements, subject to the terms of this Agreement, including Sections 2 and 8.

Section 3 - Transfer of LICENSED TECHNOLOGY

3.1 IBM shall transfer to AMD, only at its wholly-owned Austin, Texas or Santa Clara County, California facility, the LICENSED TECHNOLOGY as practiced as of the EFFECTIVE DATE in IBM's

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Burlington, Vermont and Bromont, Canada facilities. The parties understand and agree that the only process to be transferred and installed at AMD is the [*], as more particularly defined as the LICENSED TECHNOLOGY, wherein [*] and [*] are evaporated through a metal mask onto selected sites of an integrated circuit, the integrated circuit with [*] and [*] is joined to a CERAMIC CHIP CARRIER, and the joined integrated circuit and CERAMIC CHIP CARRIER are [*]. Except as provided herein, there is no obligation whatsoever to transfer any other know-how or other information including know-how or information relating: to MATERIALS, or the joining of an integrated circuit to an ORGANIC CHIP CARRIER, or to the forming of the pads and solder elements of a ball grid array for a ceramic ball grid array substrate, or to the forming of the pads and solder elements of a ball grid array for an organic ball grid array substrate; provided, however, that if IBM qualifies for introduction.the manufacturing line

of IBM's Microelectronics Division facilities performing work related to the LICENSED TECHNOLOGY as an IBM IMPROVEMENT a [*] process for the LICENSED TECHNOLOGY during the TERM, IBM agrees to transfer such [*] process as an IBM IMPROVEMENT to AMD promptly after such introduction into its manufacturing line, provided, further, that the parties agree that such [*]

process is provided "AS-IS" and at no additional cost.

3.2 IBM shall use its Burlington, Vermont and Bromont, Canada facilities to coordinate activities related to the transfer of the LICENSED TECHNOLOGY to AMD. These activities shall consist of assistance in the transfer of documentation items related to the LICENSED TECHNOLOGY as specified in Appendix A and the provision of limited technical assistance as set forth in Section 5. The transfer of documentation items related to the LICENSED TECHNOLOGY as specified in Appendix A shall commence within thirty (30) days from the EFFECTIVE DATE of this Agreement, provided payment has been received by IBM pursuant to Section 6.2.a., and be completed within ninety (90) days thereafter.

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3.3 From the EFFECTIVE DATE and under the terms and conditions of this Agreement, including those contained in Appendix C hereto, IBM agrees to sell to AMD, only for use in the FACILITIES and in the another manufacturer's facility per Section 2.1.3 and only for the purposes of making and selling LICENSED PRODUCTS under the AMD brand name, or transferring LICENSED PRODUCTS pursuant to Section 2.1.5 to AMD's RELATED COMPANY for sale by AMD's RELATED COMPANY solely under such AMD RELATED COMPANY brand name, and AMD has the right to purchase 1) [*] 2) [*] and 3) [*] (collectively referred to as "MATERIALS"). The MATERIALS and their prices shall be as set forth in Appendix C. In IBM's sole discretion, such prices to AMD for all of the MATERIALS in this Section 3.3 which IBM may sell to AMD may be changed on each yearly anniversary of the EFFECTIVE DATE with thirty (30) days notice to AMD.

3.3.1 LIMITED MATERIALS WARRANTY BY IBM. IBM warrants that the MATERIALS sold to AMD hereunder will comply with IBM's internal then current MATERIALS acceptance criteria at the time of shipment of the MATERIALS to AMD, and at no other time. If an item of MATERIALS does not perform to

IBM's internal MATERIALS acceptance criteria at the time specified above, IBM, in its sole discretion, will repair, replace, or refund any of AMD's payment for such item of MATERIALS. Such remedy shall be the sole and exclusive remedy for AMD with respect to non-conformity of MATERIALS. IBM makes no representation or warranty as to intellectual property infringement by the MATERIALS and no express or implied indemnity as to such infringement is provided hereunder, except as specified in paragraph C4 of Appendix C. THE FOREGOING WARRANTY REPLACES ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE MATERIALS OR ANY ITEM THEREOF, INCLUDING THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS OR USE FOR A PARTICULAR PURPOSE.

3.3.2 AMD agrees not to physically or chemically analyze, have analyzed, or reverse engineer in any manner or at any

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time the MATERIALS, except for failure analysis of the LICENSED PRODUCTS. The results of any such failure analysis shall be used only for failure analysis and not for any other use including use by AMD for second sourcing or for developing materials alternative to the MATERIALS.

3.4 Notwithstanding any other provision of this Agreement, in the event IBM's ability to provide the MATERIALS set forth in Section 3.3 is constrained or prevented for reasons beyond IBM's reasonable control, IBM, as AMD's sole remedy therefor, will reduce the quantity of MATERIALS to be provided to AMD in the same proportion as the reduction in quantities of MATERIALS to be supplied to satisfy customers other than AMD.

3.5 AMD's REQUIREMENTS shall mean AMD's annual purchases of [*] and [*] that AMD purchases from its suppliers for use with or in LICENSED PRODUCTS. During the TERM of the Agreement, AMD agrees that IBM will be AMD's preferred supplier of [*] and [*] with respect to at least [*] of AMD's REQUIREMENTS, except as otherwise specified in Section 3.5.1. Purchases of [*] and [*] by AMD are to be contracted on an annual basis based on a minimum of [*] of AMD's REQUIREMENTS, subject to IBM meeting price, quality and delivery as compared to AMD's other suppliers of similar products. In addition, IBM shall have a right of last refusal with respect to such [*] of AMD's REQUIREMENTS. IBM's right of last refusal response to AMD shall be provided to AMD within fifteen (15) working days after being notified by AMD that a third party has provided a bona fide bid that is better than IBM's bid as to price, quality and delivery with respect to such [*] of AMD's REQUIREMENTS.

3.5.1 AMD agrees that during the Foundry Service period, as defined in Appendix D, AMD will supply IBM only with IBM-

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approved CHIP CARRIERS where CHIP CARRIERS are required for the performance of foundry services requested by AMD.

3.6 IBM shall be under no obligation hereunder to transfer the LICENSED TECHNOLOGY, or any part thereof, to any PERSON other than AMD, and in particular, not to suppliers or customers of AMD.

Section 4 - IMPROVEMENTS

4.1 IBM and AMD shall share with each other, to the extent each party has the right to do so, all IMPROVEMENTS to the LICENSED TECHNOLOGY in accordance with the following:

4.1.1 IBM and AMD shall each identify its own IMPROVEMENTS. Each party shall use its appropriate Technical Coordinator identified in Section 10.2 to inform the other party of its IMPROVEMENTS and, if requested by the other party, will provide such IMPROVEMENTS to the other party, as provided in more detail in Section 4.1.2. These Technical Coordinators shall identify their respective company's IMPROVEMENTS, notify the other party of such IMPROVEMENTS, and provide assistance for all activities related to the transfer of IMPROVEMENTS including the transfer of related documentation, and the hosting or coordination of visits. As to IBM IMPROVEMENTS that are

actually introduced into, and practiced in production in, the manufacturing line of IBM's Microelectronics Division facilities performing work related to the LICENSED TECHNOLOGY other than Burlington, Vermont and Bromont, Canada, IBM shall be obligated to only disclose IBM IMPROVEMENTS that IBM's Technical Coordinator becomes aware of and IBM's sole duty in regard to the Technical Coordinator's awareness is expressly limited to establishing a procedure whereby IBM's Technical Coordinator sends out a letter or e-mail at the end of each quarter to a person at such other facilities whom the Technical Coordinator deems would be knowledgeable of such IBM IMPROVEMENTS if they exist at such other facilities requesting

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notification of any IBM IMPROVEMENTS to the LICENSED TECHNOLOGY.

4.1.2 The Technical Coordinators of the parties shall meet within forty-five (45) days following the end of each calendar quarter to discuss whether any IMPROVEMENTS have been made, and the disclosure of such IMPROVEMENTS to the other party. Upon receipt of notification by either party of the introduction and practicing of any IMPROVEMENT by the other party, the receiving party shall have the option of reviewing on-hand documentation related to such IMPROVEMENT or visiting the manufacturing facility where such IMPROVEMENT has been incorporated, or both, to determine if it wants to request the provision of such IMPROVEMENT. To the extent possible and upon mutual agreement of the parties, visits to the manufacturing facility where the IMPROVEMENT was introduced and practiced shall be coordinated so as to occur only once for each party in any one quarter. IBM may request the provision of an AMD IMPROVEMENT through its Technical Coordinator in any quarter, but only once per quarter, during the TERM of the Agreement and during the next six (6) months thereafter. AMD may request the transfer of an IBM IMPROVEMENT through its Technical Coordinator in any quarter, but only once per quarter, during the TERM of the Agreement and during the next six (6) months thereafter, provided that such IBM IMPROVEMENT is currently practiced in production in manufacturing at the time of such request. After a party requests provision of an IMPROVEMENT, the requesting party shall be entitled to: one (1) additional visit during the quarter, in the case of an IBM IMPROVEMENT, to IBM's Microelectronics Division manufacturing facility where such IBM IMPROVEMENT is incorporated into manufacturing, or in the case of an AMD IMPROVEMENT to the FACILITIES, to view such IMPROVEMENT; and to receive up to eight (8) person-hours of technical assistance during that visit. To the extent possible and upon mutual agreement of the parties, only one visit to the providing party's manufacturing facility per

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quarter will be allowed to receive the IMPROVEMENT(S), and any technical assistance with respect to the IMPROVEMENT(S). Documentation with respect to the IMPROVEMENTS(S) will be provided to the receiving party during the visit or within thirty (30) days thereafter. The visiting party will coordinate all activities through the Technical Coordinators and will pay all of its own expenses incurred in connection with such visits. A visit, as used in this Section 4, shall mean a maximum of three (3) working days during which a maximum of seven (7) employees of the requesting party visit the provider's facilities. Additional visits to a party's facilities shall be provided only if mutually agreed to.

Section 5 - Technical Assistance

5.1 In addition to the technical assistance provided for in Section 4.1.2 regarding IMPROVEMENTS, during the period beginning on the EFFECTIVE DATE and [*] thereafter, IBM shall provide to AMD limited technical assistance as specified in Appendix B and in this Section 5.

5.1.1 Such limited technical assistance shall only occur at (i) IBM's Burlington, Vermont and Bromont, Canada facilities, or (ii) AMD's wholly-owned Austin, Texas or Santa Clara County, California facility, if IBM agrees that travel to AMD's wholly-owned Austin, Texas or Sunnyvale, California facility is required, and at times agreeable to both parties.

5.1.2 That portion of the FACILITIES where the LICENSED TECHNOLOGY, or any portion thereof, is practiced shall have restricted access such that such portion of the FACILITIES is accessible only by AMD employees, the IBM Technical Coordinator or its designees, selected AMD customers with the approval of the IBM Technical Coordinator, and AMD's contractors providing

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services and manufacturing productivity improvements with the approval of the IBM Technical Coordinator.

5.1.3 The IBM and AMD technical coordinators shall keep accurate records of all limited technical assistance performed and shall compare records for accuracy and provide access to such records to the other party once a month or pursuant to a schedule mutually agreed to.

5.2 IBM will provide as part of limited technical assistance the identity of its vendors supplying equipment, materials (including [*]), and services used in the practice of the LICENSED TECHNOLOGY, except for the MATERIALS provided in Section 3.3, so long as such identification does not breach any contractual obligation of IBM. In the event that IBM is unable to identify supplying vendors due to contractual obligations, IBM will work with AMD and such vendors with contractual obligations with the objective to allow for such identification to be made or attempt to identify alternate supplying vendors. IBM shall authorize, as determined solely by IBM but such authorization not to be unreasonably withheld, such vendors supplying equipment, materials, and services to AMD to use IBM Confidential Information, if needed, for supplying such equipment, materials, and services to AMD. AMD, at its own cost and expense, shall be responsible for acquiring the necessary equipment, materials, and services required to implement the LICENSED TECHNOLOGY.

5.3 During the [*] period specified in Section 5.1 IBM agrees to provide at no additional cost to AMD a maximum of [*] of assistance in the transfer of the LICENSED TECHNOLOGY to AMD and for technical assistance in connection therewith, with the limitation that IBM is required to provide a maximum of five (5) persons per week, or the equivalent thereof, in any one (1) week. AMD may make site visits to IBM's Burlington, Vermont and Bromont, Canada facilities upon reasonable notice to IBM and upon mutual agreement of the parties. A maximum of six (6) AMD employees may visit either of IBM's

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facilities at any one time. The travel and living expenses of such visiting AMD employees shall be at the expense of AMD. If technical assistance is provided by IBM at the AMD facility per Section 5.1.1, AMD agrees to pay IBM for reasonable travel and living expenses incurred by IBM in providing such technical assistance at such AMD facility.

5.4 After such [*] of limited transfer assistance and limited technical assistance specified in Section 5.3 are exhausted, IBM agrees to provide limited additional transfer assistance and technical assistance to AMD, subject to the availability of requisite personnel within IBM, for the remainder of the TERM. AMD agrees to pay IBM for such limited additional transfer and technical assistance provided to AMD [*] per person-hour or at IBM's then prevailing rate for technical assistance. AMD may make site visits to IBM's Burlington, Vermont and Bromont, Canada facilities upon reasonable notice to IBM and upon mutual agreement of the parties. A maximum of [*] AMD employees may visit either of IBM's facilities at any one time. The travel and living expenses of such visiting AMD employees shall be at the expense of AMD. If limited additional transfer and technical assistance is provided by IBM at the facility per Section 5.1.1, AMD agrees to pay IBM for reasonable travel and living expenses incurred by IBM in providing such limited additional transfer and technical assistance at the facility per Section 5.1.1. Said limited additional transfer assistance and technical assistance shall be defined and determined by mutual agreement, including the number of hours provided to AMD, and the period of time in which said assistance shall be complete.

5.5 Pursuant to the TERM SHEET, and prior to the EFFECTIVE DATE, IBM and AMD have agreed to a visit to IBM's Burlington, Vermont and Bromont, Canada facilities for the purpose of preparing AMD's FACILITIES for transfer of the LICENSED TECHNOLOGY and for identifying those tools which require particularly long lead times in procuring such tools. Any transfer and technical assistance

provided to AMD during such visit shall be counted against the [*] specified in Section 5.3.

5.6 IBM shall invoice charges monthly for the limited additional transfer assistance and technical assistance provided for in Section 5.4.

5.7 IBM shall be under no obligation hereunder to provide transfer or technical assistance to any PERSON other than AMD, and in particular, not to suppliers or customers of AMD.

Section 6 - Compensation

6.1 In consideration for the LICENSED TECHNOLOGY to be transferred, and transfer and technical assistance to be provided and license granted hereunder, AMD agrees to pay IBM a technology license fee in the sum of [*], which sum shall be nonrefundable and noncancelable, notwithstanding any termination or expiration of this Agreement under any Section of this Agreement, provided,

however, such nonrefundability and noncancelability will not preclude the award

of damages by a court of competent jurisdiction.

6.2 The sum specified in Section 6.1 shall be payable according to the following schedule:

- a. [*] three (3) days after the signing of this Agreement by AMD,
- b. [*] by one (1) year from the EFFECTIVE DATE; and
- c. [*] by two (2) years from the EFFECTIVE DATE.

6.3 From the EFFECTIVE DATE, and continuing through [*], AMD shall pay IBM a royalty of [*] for each ROYALTY-BEARING BUMP

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on LICENSED PRODUCTS. Beginning on [*] and continuing until [*], AMD shall pay IBM a royalty of [*] for each ROYALTY-BEARING BUMP on LICENSED PRODUCTS.

6.4 AMD agrees to maintain adequate documentation and accounting records for demonstration of compliance with all the provisions of this Agreement, including disclosure and use of the LICENSED TECHNOLOGY. At IBM's request and expense, and upon ten (10) days written notice to AMD, AMD shall permit IBM or a mutually acceptable independent third party auditor to review all such documentation and accounting records.

6.5 The royalty of Section 6.3 shall accrue when a product is first sold, leased or otherwise disposed of. For the purpose of determining such royalty, products shall be considered sold, leased or otherwise disposed of when invoiced. If not invoiced, then products are to be considered sold, leased or otherwise disposed of when delivered or when paid for, if paid for before delivery. If not invoiced, delivered or paid for before delivery, products are to be considered sold, leased or otherwise disposed of at the earlier of when put into use or when possession is transferred to a third party or a RELATED COMPANY for the purpose of Section 2.1.5.

6.6 Accrued royalties shall be calculated on a calendar year basis. Any royalties due IBM for any calendar year shall be paid to IBM by February 15 after the immediately preceding calendar year. Any accrued royalties paid to IBM are nonrefundable. AMD may deduct from the accrued royalties calculation in this Section 6.7 those royalties accrued on products which have been returned to AMD or for which credit allowances have been made.

6.7 By February 15 of each year, AMD shall furnish to IBM a written statement showing the LICENSED PRODUCTS, and the BUMPS and ROYALTY-BEARING BUMPS for each of such LICENSED PRODUCTS, which were made, used, sold, leased and/or otherwise disposed of during the immediately preceding calendar year and the royalties payable

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thereon. If no royalties are payable, that fact shall be shown on such statement.

6.8 In addition to the statements in Section 6.8, AMD, within ninety (90) days after the end of each calendar year, shall furnish to IBM a written statement certified by a mutually acceptable third party auditor using United States Generally Accepted Accounting Principles showing the LICENSED PRODUCTS, and the BUMPS and ROYALTY-BEARING BUMPS for each of such LICENSED PRODUCTS, which were made, used, sold, leased and/or otherwise disposed of during such calendar year and the royalties payable thereon. If no royalties are payable, that fact shall be shown on the statement.

6.9 AMD shall bear and pay, and indemnify and hold IBM harmless from any and all taxes (including, without limitation, sales, royalty, value added, and property taxes) imposed by any national government (including any political subdivision thereof) of any country, as the result of the existence of this Agreement or the exercise of rights hereunder, or arising from the purchase of goods and services hereunder, and IBM shall not be responsible for any taxes that arise from the foregoing. Notwithstanding the foregoing, AMD shall not be liable for any taxes or assessments based on the net income of IBM.

6.10 For the purposes of this Agreement, and to assist any taxing authority to determine the fair market value of the tangible property provided to AMD under this Agreement excluding Exhibit D hereof, IBM undertook to evaluate said fair market value for sales and use purposes only. IBM thereby assessed that included in the consideration for the LICENSED TECHNOLOGY payable under Section 6.1 is the amount of [*], which amount represents the fair market value of the tangible personal property provided to AMD in connection with this Agreement excluding Appendix D hereof.

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6.10.1 IBM will notify AMD of any litigation against IBM dealing with sales or use taxes as a result of this Agreement within a reasonable period after the commencement of such action against IBM. IBM will seek any assistance of AMD as IBM deems reasonably necessary to defend against such action. AMD agrees to promptly provide such assistance at IBM's written request. If IBM decides not to contest such action, and IBM deems it appropriate to do so, IBM will grant to AMD the right to pursue, at AMD's cost, a separate action against any governmental entity which imposes any sales or use tax against IBM because of this Agreement. In such event, IBM agrees to provide reasonable assistance to AMD in connection with AMD's action at AMD's written request.

6.11 AMD shall be liable for interest on any and all overdue payments and royalties required to be made to IBM under this Agreement, commencing on the date such overdue payment or royalties become due, at an annual rate of [*] quoted by the head office of Citibank N.A., New York, at the close of banking on such date, or on the first business day thereafter if such date falls on a nonbusiness day. 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.

6.12 AMD shall pay all royalties and other payments due hereunder in United States dollars. All prices quoted herein for products and services provided to AMD hereunder by IBM are expressed in United States dollars.

6.13 Unless otherwise expressly stated herein, all payments due under this Agreement are payable when the payment is due or thirty (30) days from the date of the invoice, if any.

6.14 All royalties and payments to IBM that result from this Agreement are to reference this Agreement and be sent by electronic funds transfer to the following address:

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IBM Director of Licensing
The Bank of New York
48 Wall Street

Section 7 - Termination and Assignability

7.1 If either party to this Agreement should violate or fail to perform any material term or material covenant of this Agreement ("Material Default"), then the non-defaulting party may give prompt written notice of such default ("Notice of Default") to the defaulting party. The decision to give notice shall be at the sole discretion of the non-defaulting party and no failure on the part of that party to exercise, and no delay in exercising any right, power, or remedy hereunder, shall operate as a waiver thereof or as a waiver of any other right, power, or remedy hereunder or to the performance of any party; and no single or partial exercise by a party of any right, power, or remedy hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. If a Notice of Default is given and the defaulting party should fail to cure such default within thirty (30) days after the date of receipt of the Notice of Default, or in the case of breach of the obligation of confidentiality under this Agreement, if the defaulting party should fail to cure such breach immediately, the non-defaulting party may terminate this Agreement by a second written notice ("Notice of Termination") to the defaulting party. If the Notice of Termination is sent by said non-defaulting party, it shall be effective upon a date specified in said Notice of Termination, provided, however, that for breaches other than the breach of the obligation of confidentiality under this Agreement, such date must be no earlier than thirty (30) days after receipt of said Notice of Termination by the defaulting party.

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7.1.1 The parties agree that some of the grounds of Material Default, for which IBM shall have the right to terminate this Agreement per Section 7.1 are:

7.1.1.1 AMD engages in or suffers a CHANGE OF CONTROL.

7.1.1.2 AMD becomes insolvent, is dissolved or liquidated, has a petition in bankruptcy, reorganization, dissolution or liquidation or similar action filed by or against it, is adjudicated a bankrupt, or has a receiver appointed for its business.

7.1.1.3 AMD has all or a substantial portion of its capital stock or assets expropriated or attached by any government entity.

7.1.1.4 AMD makes an assignment for the benefit of creditors.

7.1.1.5 AMD is subject to property attachment, court injunction, or court order materially affecting its operations under this Agreement.

7.1.1.6 AMD breaches its obligation of confidentiality under Section 8.

7.1.1.7 AMD breaches the terms of its license under Section 2.

7.1.1.8 AMD breaches its payment or royalty obligations under Section 6.

7.1.1.9 AMD breaches its obligation to deliver IMPROVEMENTS under Section 4.

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7.1.2 The parties agree that some of the grounds of Material Default, for which AMD shall have the right to terminate this Agreement per Section 7.1 are:

7.1.2.1 IBM becomes insolvent, is dissolved or liquidated, has a petition in bankruptcy, reorganization, dissolution or liquidation or similar action filed by or against it, is adjudicated a bankrupt, or has a receiver appointed for its business.

7.1.2.2 IBM has all or a substantial portion of its capital stock or assets expropriated or attached by any government entity.

7.1.2.3 IBM makes an assignment for the benefit of creditors.

7.1.2.4 IBM is subject to property attachment, court injunction, or court order materially affecting its operations under this Agreement.

7.1.2.5 IBM breaches its obligation to deliver IMPROVEMENTS under Section 4.

7.1.2.6 IBM breaches its obligation to deliver LICENSED TECHNOLOGY under Section 3.

7.1.2.7 IBM breaches its obligation of confidentiality under Section 8.

7.1.2.8 IBM breaches its obligation to provide MATERIALS under Appendix C of this Agreement.

7.1.2.9 IBM breaches its obligation to provide foundry services under Appendix D of this Agreement.

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7.2 Neither party shall assign any of its rights, privileges or obligations under this Agreement without the prior written consent of the other party except for (i) an assignment by IBM to its SUBSIDIARY of substantially all of IBM's business related to the LICENSED TECHNOLOGY, or (ii) an assignment by IBM to a third party of substantially all of IBM's business related to the LICENSED TECHNOLOGY. In the case of any such assignment, IBM will contractually obligate the assignee to perform IBM's outstanding obligations under this Agreement by entering into a written contract with such assignee and expressly provide that AMD is a third-party beneficiary of such contractual obligation and has the right to enforce its third-party beneficiary rights but shall have no further obligation with respect to any such assignment. IBM will provide AMD reasonable cooperation and assistance in connection with AMD's enforcing such third-party beneficiary rights. Should either party attempt an assignment in derogation of the foregoing, the other party shall have the right to terminate immediately this Agreement, and such attempted assignment is void.

7.3 If this Agreement is terminated by IBM for Material Default of this Agreement by AMD:

- i) all LICENSED TECHNOLOGY previously transferred to AMD shall be returned to IBM forthwith;
- ii) the license granted to AMD in Section 2 shall terminate except that AMD may sell its inventory of LICENSED PRODUCTS that are completed and ready for sale as of the date that IBM gives its Notice of Default pursuant to Section 7.1 and for six (6) months thereafter; and
- iii) the license granted or extended to IBM and to its SUBSIDIARIES in Section 2 shall survive.

7.4 If this Agreement is terminated by AMD for material default of this Agreement by IBM:

- i) the license granted to AMD in Section 2 shall survive; and
- ii) the license granted or extended to IBM and to its SUBSIDIARIES in Section 2 shall survive; provided, however,

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that if such termination by AMD is for breach by IBM provided for in Section 7.1.2.8, such license granted or extended to IBM shall terminate.

7.5 In the event of termination by either party, all royalties due and payable hereunder as of the date of termination shall remain due and payable, as will royalties payable on LICENSED PRODUCTS sold from inventory pursuant to Section 7.3. ii).

7.6 Except as stated in Sections 7.3 and 7.4, to the extent a particular right or obligation herein does not have a specifically identified survival period, all rights and obligations in this Section or in any other Section in this Agreement which by their nature survive the termination of this Agreement will remain in effect beyond any termination for the time period reasonably necessary to accomplish their purpose and shall bind and inure to the benefit of the parties, their legal representatives and successors.

8.1 The handling of all confidential information exchanged between the parties relating to the LICENSED TECHNOLOGY or the performance of this Agreement, including any confidential information relating to C-4 wafer and packaging processes and associated ground rules transferred under the prior Confidential Information Exchange Agreement entered into between AMD and IBM on [*], as amended, and signed by [*], shall be in accordance with this Section 8, except that confidential information transferred under the prior Confidential Information Exchange Agreement shall have a nondisclosure period of three (3) years from the date of original disclosure. All further disclosures of confidential information relating to the LICENSED TECHNOLOGY and the performance of this Agreement shall only be made in accordance with this Section 8.

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8.2 Transfer of the LICENSED TECHNOLOGY pursuant to this Agreement and any subsequent transfer between the parties of any information relating thereto will be effected by, or under the supervision of, the Technical Coordinators for the parties or their respective designees as specified in Section 10.1 of this Agreement.

8.3 In addition to the information contained in Appendices A and B, IBM or AMD may from time to time disclose to the other party certain information relating to the LICENSED TECHNOLOGY, including IMPROVEMENTS. Any such information disclosed by a party hereto under this Agreement, including this Section 8, is hereafter referred to as "INFORMATION". All disclosures of INFORMATION by IBM or AMD, as the disclosing party, shall be made by or under the supervision of its Technical Coordinator, or his/her designee, to the receiving party's Technical Coordinator, or his/her designee. Any such designee shall be identified by a party's Technical Coordinator in writing to the Technical Coordinator of the other party. In the event of inadvertent disclosure, either party may give notice to the other party that previously disclosed INFORMATION was confidential and the receiving party thereafter will treat in good faith such INFORMATION as confidential INFORMATION.

Notwithstanding the foregoing, no license is granted in this Section 8.3 with respect to any patent or software program or mask works or any medium containing a copyright notice of the disclosing party. Each party hereby grants to the other party, to the extent it has the right to do so, the limited right to make a reasonable number of copies of any written material disclosed in accordance with this Section 8.3 including programming code relating to the LICENSED TECHNOLOGY only for its internal use.

8.4 With respect to INFORMATION designated as being confidential to the disclosing party, when disclosed to the receiving party in writing (including such INFORMATION recorded in a medium such as a tape or diskette), the writing will state (a) the date of disclosure, (b) that the information contained therein is

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confidential and being disclosed pursuant to this Agreement; and (c) will contain an appropriate legend, such as "IBM Confidential Information", or "AMD Confidential Information". If such disclosure is orally and/or visually made, then it shall be confirmed by the disclosing party in a written resume delivered to the receiving party within twenty (20) calendar days following such disclosure. The resume will specifically recite that INFORMATION which is confidential, set forth the date of the disclosure, and contain an appropriate legend, such as "IBM Confidential Information", or "AMD Confidential Information".

8.5 For a period of [*] years from the date of disclosure, the receiving party agrees to use the same degree of care and discretion, but at least a reasonable level of care and discretion, to avoid any disclosure, publication, or dissemination of any part or all of the disclosed confidential INFORMATION outside of the receiving party (except as permitted in Sections 8.6 and 8.7) as the receiving party employs with information of its own which it regards as confidential and which it does not desire to publish, disclose or disseminate.

8.6 Subject to the license herein granted under Section 2 and subject to any applicable patent rights of AMD, IBM shall be free to use within IBM and its SUBSIDIARIES any confidential INFORMATION of AMD, any writings or resumes prepared by AMD and any reports and written documentation prepared by IBM containing any such AMD confidential INFORMATION, and any ideas, concepts and/or techniques contained in any such AMD confidential INFORMATION for any purpose

including the use thereof in the development, manufacture, marketing and maintenance of products, subject to the obligation not to disclose, publish or disseminate such AMD confidential INFORMATION outside of IBM and its SUBSIDIARIES, except as specified in Section 8.10 of this Agreement, during such foregoing specified period of nondisclosure. Regarding any such documents containing AMD confidential INFORMATION, AMD hereby grants to IBM the right to make a reasonable number of copies of any such

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writings or resumes only for the internal use of IBM or as otherwise required to exercise the rights granted in Section 2.

8.7 Subject to the license herein granted under Section 2 and subject to any applicable patent rights of IBM, AMD shall use, only in the FACILITIES, any confidential INFORMATION of IBM, any writings or resumes prepared by IBM and any reports and written documentation prepared by AMD containing any such IBM confidential INFORMATION, and any ideas, concepts and/or techniques contained in any such IBM confidential INFORMATION only for the purpose of manufacturing or providing of LICENSED PRODUCTS, subject to the obligation not to disclose, publish or disseminate such IBM confidential INFORMATION outside of the FACILITIES, except as specified in Section 8.11, during such foregoing specified period of nondisclosure. Regarding any such documents containing IBM confidential INFORMATION, IBM hereby grants to AMD the right to make a reasonable number of copies of any such writings or resumes only for the internal use of AMD or as otherwise required to exercise the rights granted in Section 2.

8.8 Disclosure of confidential INFORMATION shall not be precluded, if such disclosure is:

- 8.8.1 in response to a valid order of a court or other governmental body of the United States or any political subdivision thereof; provided, however, that the receiving party shall first have given ----- notice to the disclosing party and made a reasonable effort to obtain a protective order requiring that the information and/or documents so disclosed be used only for the purposes for which the order was issued;
- 8.8.2 otherwise required by law, statute, or governmental rule or regulation; or
- 8.8.3 necessary to establish rights under this Agreement.

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8.9 Notwithstanding any other provisions of this Agreement, the non-disclosure obligations specified in Section 8.5 shall not apply to any information which:

- 8.9.1 is already in the rightful possession of the receiving party without obligation of confidence;
- 8.9.2 is independently developed by the receiving party;
- 8.9.3 becomes publicly available without breach of this Agreement;
- 8.9.4 is rightfully received by the receiving party from a third party; or
- 8.9.5 is released for disclosure by the disclosing party with its written consent.

8.10 IBM shall have the right to disclose to IBM's suppliers and customers with activities related to the LICENSED TECHNOLOGY, AMD IMPROVEMENTS, provided that said parties sign a written agreement with confidentiality obligations no less stringent than those contained in this Section 8.

8.10.1 Any suppliers of IBM performing work for IBM and customers pursuant to Section 8.10 shall be deemed to be performing under the license granted by AMD to IBM under Section 2.4.

8.11 AMD shall have the right to disclose to AMD's customers with bond and assembly activities related to the LICENSED TECHNOLOGY, the following items of LICENSED TECHNOLOGY: [*] provided that said customers sign a written agreement with confidentiality obligations no less stringent than those contained in this Section 8.

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8.11.1 Customers of AMD pursuant to Section 8.11 shall be deemed to be performing under the license granted by IBM to AMD under Section 2.1.

8.12 IBM shall have the right to disclose AMD's IMPROVEMENTS to IMPROVEMENT LICENSEES to practice AMD's IMPROVEMENTS which have been transferred to IBM by AMD and further transferred to such IMPROVEMENT LICENSEES by IBM provided that: (i) AMD's IMPROVEMENTS have been introduced into, and practiced in production in, IBM's Microelectronics Division manufacturing facilities performing work related to the LICENSED TECHNOLOGY prior to the transfer of AMD's IMPROVEMENTS to IMPROVEMENT LICENSEES; (ii) the IMPROVEMENT LICENSEES agree to the disclosure of their improvements to AMD by IBM, under confidentiality obligations agreed to by AMD which are no less stringent than those contained in this Section 8, after the IMPROVEMENT LICENSEES' improvements have been introduced into, and practiced in production in, IBM's Microelectronics Division manufacturing facilities performing work related to the LICENSED TECHNOLOGY, (iii) the IMPROVEMENT LICENSEES agree to grant a license to AMD, with respect to the IMPROVEMENT LICENSEES' improvements, to use and have used any IMPROVEMENT LICENSEES' improvements; to manufacture, have manufactured, use, have used, sell and have sold any product using the IMPROVEMENT LICENSEES' improvements; and to manufacture, and have manufactured, for internal use only any apparatus required to implement any hardware or process specifications contained in the IMPROVEMENT LICENSEES' improvements; and (iv) the IMPROVEMENT LICENSEES sign a written agreement with confidentiality obligations no less stringent than those contained in this Section 8.

8.12.1 The IMPROVEMENT LICENSEES in Section 8.12 shall be deemed to be performing under the licenses granted by AMD to IBM under this Agreement.

8.13 IBM also shall have the right to disclose AMD's IMPROVEMENTS to IMPROVEMENT LICENSEES to practice AMD's IMPROVEMENTS which have been transferred to IBM by AMD and further transferred to such

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IMPROVEMENT LICENSEES by IBM at the time the IMPROVEMENT LICENSEES receive their initial transfer of the LICENSED TECHNOLOGY provided that: (i) AMD's IMPROVEMENTS have been introduced into, and practiced in production in, IBM's Microelectronics Division manufacturing facilities performing work related to the LICENSED TECHNOLOGY prior to the transfer of AMD's IMPROVEMENTS to IMPROVEMENT LICENSEES; and (ii) the IMPROVEMENT LICENSEES sign a written agreement with confidentiality obligations no less stringent than those contained in this Section 8.

8.13.1 The IMPROVEMENT LICENSEES in Section 8.13 shall be deemed to be performing under the licenses granted by AMD to IBM under this Agreement.

8.14 It is understood that receipt of confidential INFORMATION under this Agreement will not create any obligation in any way limiting or restricting the assignment and/or reassignment of IBM employees within IBM or AMD employees within AMD subject to Sections 2 and 8.

8.15 Within two (2) months following the termination of this Agreement by IBM pursuant to Section 7.3, AMD shall return all writings and resumes received from IBM and copies thereof containing confidential INFORMATION. Upon expiration of this Agreement, the receiving party shall not be required to return any confidential INFORMATION provided pursuant to Sections 3, 4 and 5, except that for a breach by AMD of the terms and conditions of AMD's license under Section 2 or for a breach by AMD of its payment or royalty obligations under Section 6 or for a breach by AMD of AMD's confidentiality obligations under Section 8, AMD shall return all writings and resumes received from IBM and copies thereof containing confidential INFORMATION.

8.16 Each party represents that it has, and agrees to maintain, an appropriate agreement with each of its employees who may have access to any confidential INFORMATION sufficient to enable each party to comply with all the terms of this Agreement.

Section 9 - C-4 Foundry Services

9.1 IBM agrees to supply foundry services for C-4 BUMPING on wafers and module assembly of LICENSED PRODUCTS under this Agreement in accordance with the terms and conditions as set forth in Appendix D.

Section 10 - Management Process and Technical Coordinators

10.1 The parties agree that the activities to be accomplished under this Agreement will be the responsibility of the individual parties who have accepted the commitments hereunder. However, the parties understand that they need a mechanism to manage and oversee the activities of this Agreement. For this reason, the parties agree to establish under this Agreement an Oversight Committee (OSC), which shall consist of no more than four (4) persons from each party, to oversee the performance hereunder and to resolve issues which arise during the TERM of this Agreement. Furthermore, both parties agree that the OSC will be augmented by senior management advisors ("Senior Advocates") who will be asked to resolve any issues which cannot be resolved by the OSC. The OSC shall consist of the following persons:

For AMD	For IBM
-----	-----
D. Ostrander	J. Acocella
R. Lain	M. Mara
C. Wolfe	D. Mele
F. Stillger	A. Yu

The Senior Advocates shall be the following persons:

For AMD	For IBM
-----	-----
G. Heerssen	M. Denick

The OSC shall meet as required but, during the first two (2) years after the EFFECTIVE DATE, not less frequently than quarterly and then semiannually thereafter to review the progress in the execution of the activities under the Agreement and address issues and disputes brought to them by the Technical Coordinators. Notwithstanding this Section 10.1, both parties reserve the right to pursue legal remedies after reasonable efforts to resolve issues and disputes have been made through the OSC. Such efforts will be deemed reasonable after the dispute has been submitted to the OSC augmented by the Senior Advocates and the dispute remains unresolved sixty (60) days after such submission.

10.2 AMD and IBM each will designate one (1) of its employees as Technical Coordinators for LICENSED TECHNOLOGY related transfers and they will be responsible for execution of the progress of this program. These Technical Coordinators shall consist of the following persons:

For AMD	For IBM
-----	-----
C. Wolfe	J. Bilowith

The Technical Coordinator for each party shall control the exchange of information between the parties in accordance with Section 8 of this Agreement and will monitor within their respective companies the distribution of INFORMATION received from the other party to those who have a need to know. The Technical Coordinator for each party shall be responsible for awareness of all IMPROVEMENTS and coordinating the sharing of such with the other party pursuant to Section 4. The Technical Coordinators shall also coordinate technical assessments, arrange conferences and visitations as required by this Agreement between personnel of the respective parties, maintain appropriate records, acknowledge the receipt from the other party of all information, and other similar tasks.

10.3 The Oversight Committee members, Senior Advocates and Technical Coordinator of either party designated in this Section 10 may be replaced by written notice to the other party.

10.4 There will be a quarterly Business and Technical Review. This Review will include a statement of AMD's demand forecast for the MATERIALS set forth in Section 3.3, [*] in Section 3.5, and technical assistance to be provided under Section 5, royalties, payments, IMPROVEMENTS, royalty outlook based upon AMD's revenue projections and other related matters.

Section 11 - Renewal of Patent Cross-License

11.1 The parties agree to engage in good faith negotiations towards completion of the [*] agreement that [*].

Section 12 - General Provisions

12.1 This Agreement is non-exclusive. IBM and AMD recognize and agree that each has been and may continue to be active in the development of technology indirectly or directly relating to the technologies, processes and products contemplated by this Agreement, and AMD acknowledges and agrees that IBM will be free in all respects and not precluded by this Agreement to pursue such activities independent of AMD, including with third parties, and further, IBM acknowledges and agrees that AMD will be free in all respects and not precluded by this Agreement to pursue such activities independent of IBM, including with third parties.

12.2 Nothing contained in this Agreement shall be construed as:

12.2.1 conferring any rights to use in advertising, publicity, or other marketing activities any name, trade name,

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trademark, or other designation of either party hereto, including any contraction, abbreviation, or simulation of any of the foregoing without prior mutual written agreement; or

12.2.2 conferring by implication, estoppel, or otherwise upon either party hereunder any license or other right except the licenses and rights expressly granted hereunder to a party hereto or third parties; or

12.2.3 a warranty or representation that the manufacture, sale, lease, use, or other disposition of systems, processes, circuits, devices, packages, software, and products hereunder will be free from infringement of intellectual property rights of third parties; or

12.2.4 a warranty that the recipient party will successfully manufacture products, or a particular volume of products, based upon the LICENSED TECHNOLOGY transferred hereunder including transfer and technical assistance; or

12.2.5 an obligation to bring or prosecute actions or suits against third parties for infringement, or to defend actions or suits from third parties for infringement, or to secure and/or maintain any of its intellectual property rights; or

12.2.6 in any way limiting the rights which a party has outside the scope of this Agreement.

12.3 AMD and IBM represent that they have the right to grant the licenses herein, and that the terms and conditions of this Agreement do not violate their respective Articles of Incorporation or By-Laws and do not conflict with any other agreements to which they are a party or by which they are bound.

12.4 EXCEPT FOR THE PROVISIONS IN SECTION 3.3.1, ALL INFORMATION, IMPROVEMENTS, INVENTIONS, EQUIPMENT, PRODUCTS, MATERIALS, ASSISTANCE, AND SERVICES PROVIDED BY EITHER PARTY HEREUNDER ARE

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PROVIDED "AS IS" WITHOUT ANY WARRANTY OF ANY KIND INCLUDING THAT NEITHER PARTY MAKES ANY WARRANTY AS TO THE ACCURACY, SUFFICIENCY, OR SUITABILITY FOR THE OTHER PARTY'S USE OF ANY INFORMATION, IMPROVEMENTS, INVENTIONS, LICENSED TECHNOLOGY OR EQUIPMENT PROVIDED HEREUNDER FOR THE MANUFACTURE OF PRODUCTS OR DELIVERY OF SERVICES USING THE INFORMATION, IMPROVEMENTS, INVENTIONS, LICENSED TECHNOLOGY OR EQUIPMENT, OR THE YIELD FROM THE MANUFACTURE OF PRODUCTS OR DELIVERY OF SERVICES USING THE INFORMATION, IMPROVEMENTS, INVENTIONS, LICENSED TECHNOLOGY OR EQUIPMENT, OR FOR THE QUALITY OF SUCH PRODUCTS MADE OR SERVICES DELIVERED USING THE INFORMATION, IMPROVEMENTS, INVENTIONS, LICENSED TECHNOLOGY OR EQUIPMENT, OR THE QUALITY OF ANY OF THE MATERIALS SUPPLIED BY IBM TO AND IN SECTION 3.3, OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND NEITHER PARTY ASSUMES ANY RESPONSIBILITY OR LIABILITY FOR LOSSES OR DAMAGES, WHETHER DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE, WHICH MIGHT ARISE OUT OF THE OTHER PARTY'S USE OF THE INFORMATION, IMPROVEMENTS, INVENTIONS, LICENSED TECHNOLOGY, EQUIPMENT OR ASSISTANCE, OR THE MATERIALS SUPPLIED BY IBM TO AMD IN SECTION 3.3, WHICH SHALL BE ENTIRELY AT THE OTHER PARTY'S RISK AND PERIL.

12.5 AMD acknowledges and agrees that the LICENSED TECHNOLOGY and any IBM confidential INFORMATION disclosed hereunder are unique and are of special value. Accordingly, AMD acknowledges and agrees that a breach or threatened breach by AMD or its employees of the license granted to AMD under Section 2, the prohibition against reverse engineering under Section 3.3.2, and its obligation of confidentiality under Section 8 would cause IBM irreparable injury and damage, for which monetary damages will be an inadequate remedy. AMD therefore agrees that, in addition to all other rights and remedies granted to IBM hereunder, IBM shall be entitled to file with a court of competent jurisdiction for a temporary restraining order, injunctive relief and other equitable relief against AMD and its employees, to prevent any breach or continuing breach of any provisions of this Agreement. Resort by IBM to such

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equitable relief, however, shall not be construed as a waiver by IBM of any other rights or remedies IBM may have for actual damages or otherwise. In the event that IBM is required to take legal action against AMD's customers or others, AMD agrees to comply with reasonable requests to provide information as necessary to IBM with respect to such action.

12.6 If any term or provision of this Agreement or the application thereof to any party hereto or set of circumstances shall, in any jurisdiction and to any extent, be finally held to be invalid or unenforceable, such term or provision shall only be ineffective as to such jurisdiction, and only to the extent of such invalidity or unenforceability, without invalidating or rendering unenforceable any other terms or provisions of this Agreement or under any other circumstances, so long as the remainder of this Agreement still effectuates the intent of the parties to this Agreement. If such intent cannot be effectuated, this Agreement shall either be renegotiated or terminated immediately without cause by either party.

12.7 AMD agrees to indemnify, defend, and hold harmless, IBM, its officers, directors, agents, and employees, from any and all liability, losses, damages, reasonable attorney's fees or expenses associated with claims, suits, or actions brought by or on behalf of any third party of any nature, including, but not limited to, personal injury (including death), environmental liability, or property damage arising from, or alleged to arise from, AMD's negligence or other wrongful acts or omissions resulting from or in any way related to the making, using or selling of the MATERIALS or other items and services supplied by IBM to AMD in Section 3.3; or use of the LICENSED TECHNOLOGY in products. Notwithstanding anything to the contrary, this Section 12.7 indemnity always applies to claims or actions brought by or on behalf of current or former employees of AMD.

12.8 IBM agrees to indemnify, defend, and hold harmless, AMD, its officers, directors, agents, and employees, from any and all

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liability, losses, damages, reasonable attorney fees or expenses associated with claims, suits, or actions brought by or on behalf of any third party of any nature, including, but not limited to, personal injury (including death), environmental liability, or property damage arising from, or alleged to arise

from, IBM's negligence or other wrongful acts or omissions resulting from or in any way related to the use of AMD IMPROVEMENTS in products.

12.9 AMD will indemnify, defend, and hold harmless, IBM, its SUBSIDIARIES, officers, directors, agents, and employees, from any and all liability, losses, damages, reasonable attorney's fees, and/or expenses associated with claims, suits, or actions brought by or on behalf of any third party of any nature, including, but not limited to, personal injury (including death), environmental liability, or property damage arising from, or alleged to arise from, IBM's negligence or other wrongful acts or omissions which AMD or IBM may incur or sustain:

(a) in connection with chemicals or materials related to the MATERIALS or other items or services in Section 3.3, any related wastes or by-products generated by AMD's processes or any waste which may be created by the handling or use thereof in the manufacture or processing of any product by AMD under this Agreement; or

(b) from the noncompliance by AMD with any environmental law or regulations; or

(c) in connection with any contaminant, pollutant or hazardous substance used, generated, treated, stored, disposed of or otherwise used by AMD whether on its own property or the property of any third party.

12.10 The provisions of Sections 12.7, 12.8 and 12.9 shall survive any expiration or termination of this Agreement.

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12.11 All notices required or permitted to be given hereunder (except for notices to be addressed to the Technical Coordinators) shall be in writing and shall be valid and sufficient if dispatched by registered or certified mail, return receipt requested, postage prepaid, in any post office in the United States, or in the case of international delivery, dispatched by a delivery service providing a receipt of delivery, or by receipted FAX addressed respectively as follows:

AMD	IBM CORPORATION
---	-----
5204 E. Ben White Blvd.	1000 River Street
Mail Stop 612	Essex Junction, VT 05452
Austin, TX 78741	
FAX: (512) 602-0460	FAX: (802) 769-3865
Attn: Daryl Ostrander	Attn: Douglas Grose
Vice-President	Site General Manager

with copies to:

T. McCoy	John T. Higgins
Vice-President & General	Associate General Counsel
Counsel	
1 AMD Place	1580 Route 52
P.O. Box 3453	Hopewell Junction, NY
	12533
Sunnyvale, CA 94088	

Either party may change its address by a notice given to the other party in the manner set forth above. Notices given by mail as herein provided shall be considered to have been given seven (7) days after the mailing thereof.

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12.12 If any party is rendered wholly or partially unable by Force Majeure to carry out its obligations under this Agreement, and if that party gives prompt written notice and full particulars of such Force Majeure to the other party, the notifying party shall be excused from performance of its obligations hereunder during the continuance of any inability so caused, but for no longer period; provided that if payment cannot be made due to the existence of a banking crisis or international payment embargo, such amount may be paid within the following thirty (30) days. Such cause shall be remedied by the notifying

party as far as possible with reasonable speed and effort. For the purposes of this Agreement, Force Majeure shall mean Acts of God, acts of public enemies or terrorists, wars, other military conflicts, blockades, insurrections, riots, epidemics, quarantine restrictions, landslides, lightning, earthquake, floods, washouts, civil disturbances, restraints by or actions of any governmental body (including export or security restrictions on information, material, personnel, equipment or otherwise), and any other acts or events whatsoever, whether or not similar to the foregoing, not within the control of the party claiming excuse from performance, which by the exercise of due diligence and best reasonable effort that party shall not have been able to overcome or avoid. If the notifying party cannot remedy the Force Majeure situation and resume satisfactory performance within [*] in the case of IBM or [*] in the case of AMD, the other party may at its option immediately terminate this Agreement pursuant to Section 7.

12.13 The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver, nor shall it deprive that party of the right to insist later on adherence thereto, or thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing and signed by an authorized representative of the waiving party to be effective.

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12.14 Each party agrees to comply with all applicable country, Federal, State, and Local laws, rules, regulations, and ordinances, including those of any other duly constituted governmental authority having jurisdiction, and including without limitation, all rules and regulations of the Occupational Health and Safety Administration, Environmental Protection Agency, U.S. Department of Commerce, and U.S. Department of Transportation. Each party, on behalf of itself and its SUBSIDIARIES, shall do all things necessary (i) to obtain in a timely manner all required licenses and approvals and (ii) to comply with all applicable laws, rules and regulations, including, but not limited to, the Regulations of the United States Government relating to the export and re-export of technical data, commodities, and products produced as a result of the use of such data. Each party hereto, on behalf of itself and its SUBSIDIARIES, agrees that neither it nor any of its SUBSIDIARIES will export or re-export, directly or indirectly, any technology, software, and/or commodities furnished under this Agreement, or the direct product thereof, to any country, or the nationals thereof, specified in such laws, rules, regulations, and ordinances referred to above as an unauthorized destination without IBM or AMD first obtaining U.S. Government approval.

12.15 The captions used in this Agreement are for convenience of reference only and are not to be used in interpreting the obligations of the parties under this Agreement.

12.16 This Agreement shall be construed and the legal relations between the parties shall be determined in accordance with the law of the State of New York without regard to the conflict of law provisions thereof. Any proceedings to enforce this Agreement, or to resolve disputes relating to this Agreement, shall be commenced within one (1) year of the date such dispute arose in the United States District Court for the Southern District of New York, Westchester County Division. IBM and AMD waive the right to trial by jury in any matter which arises between the parties pursuant to this Agreement.

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12.17 Each party agrees to pay the other party's attorney's fees and costs of litigation if the party, for any reason whatever, brings suit against the other party and the other party is finally adjudicated not to have liability.

12.18 Neither party shall use any name, service mark, trade dress, trademark, trade name or other designation of the other party (including any contraction, abbreviation or simulation of any of the foregoing) without the express prior written consent of the other party, and nothing contained in this Agreement shall be construed as conferring any right to such use upon either party.

12.19 Nothing contained herein, or done in pursuance of this Agreement, shall constitute the parties as entering upon a joint venture or partnership or shall constitute either party hereto the agent for the other party for any purpose or in any sense whatsoever.

12.20 For the TERM of this Agreement, each party agrees not to solicit or

recruit engineers of the other party who are (i) directly involved in the LICENSED TECHNOLOGY or (ii) have been or are assigned to perform work under this Agreement. This does not restrict general solicitations for employment or the right of any employee of one party, on that employee's own initiative or in response to general solicitations, to seek employment from the other party.

12.21 Either party may disapprove the assignment of any of its former employees to perform work under this Agreement on its premises by the other party and such personnel will not be so assigned. Each party will take appropriate preventive steps, before the assignment of any of its employees to perform work under this Agreement, that that party reasonably believes will ensure that its employees will not engage in inappropriate conduct while on the other party's premises. Inappropriate conduct shall include, but not be limited to: 1) being under the influence of, or affected by, alcohol, illegal drugs or controlled substances or engaging in

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their use, distribution or sale; 2) the possession of a weapon of any sort; and 3) harassment, threats or violent behavior.

12.22 Unless required by law, statute, rule, or regulation, each party agrees not to disclose to any third party the terms, conditions, subject matter or existence of this Agreement without the prior written consent of the other party.

12.23 Representatives and personnel of each party, during the time they are present on the premises of the other party, shall be subject to all rules and regulations prevailing on such premises. Each party shall be responsible for the payment of all compensation and expense of its respective representatives and personnel. None of the representatives or personnel of either party shall be considered, for any reason, to be an employee or agent of the other.

12.24 Subject to Section 12.2.3, each party represents that, regarding any information, including information relating to any IMPROVEMENTS, to be disclosed to the other party under this Agreement, it has or will have the full right and power to disclose the same and that the Technical Coordinator for each party is not aware that the disclosure and/or copying of any such information will constitute a: (i) misappropriation of any trade secret or any other type of confidential information of any third party; or (ii) violation of a copyright.

12.25 NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR CAUSED BY THE PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, THE BREACH OF ITS TERMS AND CONDITIONS, OR THE TERMINATION OF THIS AGREEMENT, PROVIDED, HOWEVER, THAT IN THE CASE OF AMD, SHOULD AMD BREACH ITS LICENSE UNDER

SECTION 2, THE PROHIBITION AGAINST REVERSE-ENGINEERING UNDER SECTION 3.3.2 OR ITS OBLIGATION OF CONFIDENTIALITY UNDER SECTION 8, AMD SHALL BE LIABLE FOR SUCH INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR CAUSED BY ANY SUCH BREACH, AMD FURTHER,

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PROVIDED, THAT IN THE CASE OF IBM, SHOULD IBM BREACH ITS LICENSE UNDER SECTION 2

OR ITS OBLIGATION OF CONFIDENTIALITY UNDER SECTION 8, IBM SHALL BE LIABLE FOR SUCH INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR CAUSED BY ANY SUCH BREACH UP TO A MAXIMUM OF [*] FOR ALL SUCH IBM BREACHES IN THE AGGREGATE.

12.26 The description provided in Section 3, all documentation items transferred in accordance with Section 3, and the documentation delivered with the transfer of requested IMPROVEMENTS in accordance with Section 4 shall be provided in the language available. If more than twenty (20) pages of the documentation are in a foreign language, the costs of any translating of the above documentation into English, when such translation is requested by the party receiving a foreign language document, shall be shared equally by both parties. In no event, will the party providing, transferring or delivering material to be translated be responsible for errors in translation.

12.27 AMD shall properly handle, use, store, sell, otherwise transfer, and/or dispose of all the MATERIALS in Section 3.3 manufactured by IBM and sold or otherwise transferred to AMD, together with related chemicals or materials

and any related wastes or by-products generated by its processes and any waste which may be created by the handling or use thereof, and shall be solely responsible for the proper handling and disposal thereof. AMD shall be responsible for selecting, at its sole discretion, any waste disposer or waste disposal service.

12.28 Each party represents that it has, or will have in place, established procedures and agreements with its SUBSIDIARIES, employees or others, including subcontractors, whose services the party may require, sufficient to enable the party to comply with all the provisions of this Agreement.

12.29 AMD shall be solely responsible for determining its prices and other terms and conditions for its products sold to its

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customers. AMD shall be solely responsible for marketing products to its customers and IBM shall have no obligation to provide any support of any kind to AMD's customers.

12.30 In the event of any inconsistency between the terms and conditions of this Agreement and language set forth in the Appendices, the inconsistency shall be resolved by giving precedence to the terms and conditions of this Agreement.

12.31 Except as expressly provided herein, neither this Agreement nor any activities thereunder will impair any right of either party to design, develop, manufacture, market, service, or otherwise deal in, directly or indirectly, other products or services including those competitive with those of the other party.

12.32 This Agreement, and the Appendices attached hereto and made a part thereof, embody the entire understanding of the parties with respect to the subject matter contained herein and shall supersede all previous or contemporaneous communications, representations or understandings, either oral or written, between the parties relating to the subject matter hereof. No amendment or modification of this Agreement shall be valid or binding upon the parties unless signed by their respective, duly authorized representatives.

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In WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the dates written below.

ADVANCED MICRO
DEVICES

INTERNATIONAL BUSINESS
MACHINES CORPORATION

/s/ G. Connor
By: _____
G. Connor
Senior Vice President
Operations

/s/ Michael H. Van Vranken
By: _____
Michael H. Van Vranken
Vice President
Finance, Planning & Business
Operations

June 13, 1996
Date: _____

6/14/96
Date: _____

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APPENDIX A

LICENSED TECHNOLOGY Documentation Items

The following are the steps to practice the LICENSED TECHNOLOGY and the most recent documentation relating thereto which documentation will be provided to

AMD in total fulfillment of IBM's LICENSED TECHNOLOGY transfer obligation hereunder.

A1 Engineering, process, manufacturing and material specifications, as applicable, for IBM's wafer passivation process as it pertains to the LICENSED TECHNOLOGY, as of the EFFECTIVE DATE. The wafer passivation process to be transferred is made up of the following process steps for which applicable documentation will be provided:

[*]

A2 Engineering, process, manufacturing and material specifications, as applicable, for BUMPING, as of the EFFECTIVE DATE. The process for BUMPING to be transferred is made up of the following process steps for which applicable documentation will be provided:

[*]

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[*]

[*]

A3 Engineering, process, manufacturing and material specifications, as applicable, for BOND AMD ASSEMBLY, as of the EFFECTIVE DATE. The process for BOND AMD ASSEMBLY to be transferred is made up of the following process steps for which applicable documentation will be provided:

[*]

A4 Engineering, process, manufacturing and material specifications, as applicable, for IBM's dicing process as it pertains to the LICENSED TECHNOLOGY, as of the EFFECTIVE DATE. The process for dicing to be transferred is made up of the following process steps for which applicable documentation will be provided:

[*]

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[*]

A5 Manufacturing tool specifications as available including tooling maintenance specifications and proprietary tooling designs to support items A1 through A4 above for which applicable documentation will be provided.

A6 Pertinent facilities information such as facilities drawings with recommended changes, clean room and environmental standards, product flows, process controls, as available at IBM on the EFFECTIVE DATE of this Agreement for the existing LICENSED TECHNOLOGY at IBM's Burlington, Vermont and Bromont, Canada facilities for which applicable documentation will be provided.

A7 Documentation as of the EFFECTIVE DATE for quality, yield management and specifications for lids, capacitors, [*] and CHIP CARRIERS.

A8 The existing [*].

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APPENDIX B

LICENSED TECHNOLOGY Technical Assistance

IBM will provide technical assistance, as discussed in more detail hereafter, in the installation of the LICENSED TECHNOLOGY only in AMD's wholly-owned Austin, Texas or Santa Clara County, California facility. This Appendix B describes the total obligation of IBM to provide assistance of any kind with respect to the transfer of the LICENSED TECHNOLOGY.

B1. Assignment of personnel.

AMD personnel to be assigned to the transfer of the LICENSED TECHNOLOGY will be experienced in semiconductor manufacturing, packaging and/or assembly as appropriate to the tasks they will perform on such transfer. Skill types may include, but are not limited to, engineers and technicians disciplined in facilities, equipment, maintenance, manufacturing engineering, mechanical engineering, chemical engineering, materials handling and process controls.

IBM personnel involved in this transfer will have expertise and experience as determined necessary by IBM, in its sole discretion, to provide technical assistance to AMD personnel.

B2. Installation Assistance

Pursuant to Section 5 of the Agreement, the following specific items of technical assistance will be provided to AMD, at no additional cost for the first [*] man weeks of effort, as specified in Sect.5.3.

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- B2.1. Identification of sources of equipment, materials, and services, except for MATERIALS as defined in Sect.3, and as described in Section 5.2.
- B2.2. Consistent with Section 5.5, a pre-contract technical seminar, to be held at IBM's Burlington, Vt. and Bromont Canada facilities for the sole purpose of identifying to AMD those long lead time facilities and tooling considerations for which AMD may choose to act on prior to completion of this Agreement
- B2.3. A comprehensive process overview of the LICENSED TECHNOLOGY at IBM's Burlington, Vermont and Bromont, Canada facilities, including tours of IBM's associated manufacturing operations which shall be at reasonable times and restricted to the Licensed Technology
- B2.4. A detailed review of all documents provided to AMD consistent with Appendix A of this Agreement for AMD's use in installation of the Licensed technology.
- B2.5. A detailed review of IBM's existing facilities layouts as they pertain to the Licensed Technology, including technical discussions with IBM facility and line engineers, and a review of AMD's manufacturing line layout plans by IBM with recommendations as appropriate
- B2.6. At AMD's option and on a schedule that is mutually agreeable, an on-site critique of AMD's initial manufacturing line installation(s), to be performed by IBM personnel and to include:
 - 1. a review of installed equipment
 - 2. a review of process control data
 - 3. recommendations prior to the initiation of production runs

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- B2.7. On-going technical support to AMD's technical team directly involved in the transfer and installation of the Licensed Technology
- B3. Additional Technical Assistance
 - B3.1. Additional technical assistance beyond [*] man weeks and or [*] months from EFFECTIVE DATE will be supplied by IBM at AMD's expense, as specified in Section 5.3 of the Agreement.
- B4. Coordination
 - B4.1. All coordination of technical assistance shall be through the

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APPENDIX C

Sale and Purchase of MATERIALS, CHIP CARRIERS, and Metal Evaporation Masks

Pursuant to Sections 3.3 and 3.5 of the Agreement, by purchase order referencing this Agreement, AMD may request to purchase MATERIALS, [*] and [*] from IBM. The face of said purchase order must expressly substitute the terms and conditions of this Agreement for any terms and conditions of such AMD purchase order.

[*]

- -----

Subject to the terms and conditions of this Agreement, [*] and [*] are products made available through IBM Microelectronics Division. Prices and terms and conditions, including lead times, therefor will be provided in response to a request for quotation (RFQ) from AMD which AMD will issue to IBM in connection with the purchase of any such product. Requests for quotation (RFQ's) are to be addressed to:

IBM Microelectronics Division
Route 52, Zip 92E
Hopewell Junction, NY 12533
Attention: OEM Marketing

C2. MATERIALS:

- -----

C2.1 Forecasting of Requirements for MATERIALS

C2.1.1 AMD will supply IBM with a forecast of AMD's requirements for MATERIALS. AMD's forecast will, at a minimum, cover a [*] period, by quarter, and be updated on a quarterly basis.

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AMD agrees that the volume forecast represents AMD's intent to purchase from IBM and, upon acceptance by IBM in a purchase order for a forecast volume, IBM agrees to fulfill this forecast. At all times during the TERM, the parties will keep in effect a purchase order for at least the subsequent ninety (90) days of the forecast.

C2.1.2 AMD's initial forecast is due at the time of the first Quarterly Business Technical review following execution of the Agreement, as provided for in Section 10.4.

C2.2 Purchase Order Processing

C2.2.1 Purchase orders issued to IBM shall be directed to:

IBM Microelectronics Division
Route 52, Zip 92E
Hopewell Junction, NY 12533
Attn: OEM Marketing

Acknowledgments and other correspondence sent to AMD shall be directed to:

Magnus Matthiasson
1 AMD Place
P.O. Box 3453
Mail Stop #12
Sunnyvale, CA 94088

C2.2.2 Purchase orders issued to IBM shall include the following information:

Buyer's name and address
Buyer's purchase order name
Description of MATERIALS to be ordered

Quantity to be ordered
Unit Price
Requested delivery point, including contact name and phone
number

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Invoicing address
Requested delivery date
Reference to this Agreement

C2.2.3 Purchase order lead times will be supplied by IBM at the time of AMD's first forecast submission as provided for in Section C2.1.2 of this Appendix C.

C2.2.4 Changes to purchase orders that may become necessary from time to time may be initiated by either IBM or AMD and must be mutually agreed upon between buyer and seller. Any changes must be in writing and agreed to by the parties. Changes may carry an adjustment charge or cancellation fee, payable by AMD, which will be determined and agreed upon at the time when the purchase order is changed.

C2.2.5 The terms of this Agreement shall govern in case of a conflict with the terms and conditions of a purchase order.

C2.3 MATERIALS Supply Constraints

The provisions of Section 3.4 of this Agreement are applicable.

C2.4 Shipment, Title, Risk of Loss

C2.4.1 In response to AMD's purchase orders, IBM will prepare MATERIALS for shipment to AMD using IBM designed packaging materials. AMD's purchase order will be referenced on the package exterior. Shipment will be F.O.B. IBM's designated factory shipping dock, or at such other suitable location that IBM selects, where AMD or its duly authorized representative will take title and arrange prompt delivery to AMD's carrier of choice.

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C2.5 MATERIALS Warranty

The provisions of Section 3.3.1 of this Agreement, are applicable.

C2.6 Prices, Invoicing, Payment Terms and Taxes

Prices for [*] and [*] are valid for one year commencing with the execution of the Agreement, and are subject to an update on a yearly basis thereafter. AMD will be notified of any lead time changes due to IBM supplier requirements which amended lead time will be effective upon such notice.

<TABLE>
<CAPTION>

C2.6.1 [*]
<S>

<C> <C>

PRICE	LEADTIMES	SHIPMENT
- - - - -	- - - - -	- - - - -

[*]	[*]	Shipped in [*]
-----	-----	----------------

C2.6.2 [*]

PRICE	LEADTIMES	SHIPMENT
- - - - -	- - - - -	- - - - -

[*]	[*]	Shipped in [*] or more
-----	-----	------------------------

</TABLE>

C2.6.3 [*]: All [*] are customized to meet specific customer requirements and each application. Prices, terms and conditions and leadtimes will be provided in response to a RFQ from AMD to IBM. For reference purposes, the specific price of the [*] as identified by AMD as

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[*], and utilizing [*] and [*], is [*], with a [*]. This price does not include any charges for repair, maintenance or training, which would be identified as a separate charge in any RFQ response.

C2.6.4 IBM will invoice AMD on or after the date of shipment to AMD. Such invoices will include AMD's purchase order number. Payment by AMD will be due within 30 days from the date of invoice. IBM shall apply a late payment charge of 1.5% per month to any outstanding balance not paid within 30 days. Payment should be made as directed on the invoice.

C3. Patents and Copyrights

No license, immunity or other right is granted herein to AMD, whether directly or by implication, estoppel or otherwise, with respect to any patent, trademark, copyright, mask work, trade secret or other intellectual property right of IBM, except as expressly stated in this Agreement.

C4. Patent Indemnification

IBM agrees to indemnify AMD against damages assessed against AMD as a result of a final judgement of a court of competent jurisdiction holding that any MATERIALS provided by IBM to AMD hereunder infringe a patent or copyright of a third party in any country in which IBM sells or provides similar products, [*] whichever is less; provided, that AMD: 1) promptly notifies IBM in writing of

the charge of infringement; 2) allows IBM to control, and cooperates with IBM in the defense and any related settlement action; and 3) upon the written request of IBM, (a) allows IBM to modify or replace the MATERIALS, or (b) returns the MATERIALS to IBM for an

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appropriate credit or refund as IBM decides. Such indemnification does not apply to a claim of infringement involving any MATERIALS provided by IBM to AMD which have been modified by AMD, used in combination with any materials not sold by IBM to AMD, or made, modified or provided by IBM in compliance with AMD's specifications. AMD agrees to indemnify IBM against all damages and costs resulting from such a claim of infringement in the preceding sentence. The foregoing states the entire obligation and exclusive remedy of IBM and AMD regarding any claim of patent or copyright infringement relating to any MATERIALS provided hereunder.

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APPENDIX D

Sale and purchase of C4 Foundry Services

IBM agrees to provide certain foundry services to AMD during the period specified in the volume table below. Such period shall hereafter be referred to as the Foundry Service Period.

D1. DEFINITIONS:

For the purpose of this Appendix D:

Foundry Services shall consist of:

- (1.) Bumping, as defined in "Section 1 - Definitions" of the Agreement except that the subparagraph 1) concerning [*] is deleted from the definition for Foundry Services purposes.

</TABLE>

[*]

D3. PRICES:

The prices for Foundry Services set forth below are effective for Foundry Services provided during the Foundry Period unless otherwise stated in this section.

Bumping	[*] per AMD Wafer during the Foundry Service Period
Dice/Sort/Pick	[*] per AMD Wafer during the Foundry Service Period
BA	Subject to AMD design and confirmed by RFQ. For reference, the 2/13/96 design point price is [*]
Wafer Test	Wafer Test will be provided by IBM using the AMD TEST SYSTEM (defined in D6.21 below) at a price of [*] per AMD Wafer,

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which assumes a throughput of [*] AMD Wafers per hour. AMD recognizes that throughput is directly dependent on AMD test patterns and IBM will adjust Wafer Test prices upwards in the event that throughput is less than [*] AMD Wafers per hour. AMD agrees to pay IBM a minimum of [*] per month, beginning with installation of the AMD TEST SYSTEM for Wafer Test services regardless of actual quantity of AMD Wafers tested. Said minimum charge of [*] per month will commence as specified in Section D6(21). AMD Wafers actually tested will be credited against the [*] minimum monthly charge at the Wafer Test price as defined in this paragraph. Wafer Test prior to AMD TEST SYSTEM availability will be considered as engineering hardware requirements and priced as such via RFQ.

To support Dice/Sort/Pick, AMD will be required to purchase one (1) saw and one (1) pick tool. IBM will specify the tools to be purchased. AMD will purchase the tools and deliver them to IBM's Burlington, Vermont facility by year end 1996. IBM will install the tools in its Burlington, Vermont facility, at AMD's expense.

D4. YIELD ASSUMPTION:

For purposes of this Appendix D, Base Yields are defined as those process yields that are typically experienced by IBM for the specific Foundry Service operations identified below, and which IBM expects to experience when performing Foundry Services for AMD

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Wafers. If Actual Yields deviate from Base Yields, a price adjustment may be made as defined in Section D5.

<TABLE>
<CAPTION>

Operation <S>	Actual Yield Definition <C>	Base Yields <C>
Yield (TM) =	Bumping yield. Actual IBM Burlington terminal metals yield in Bumping process.	[*]
Yield (WT) =	Wafer Test yield. 100% minus the actual IBM Burlington wafer test yield loss related to	[*]

	mechanical handling damage during Wafer Test.	
Yield (DSP)=	Dice/Sort/Pick yield. Actual IBM Burlington Dice/Sort/Pick yield at wafer level.	[*]
Yield (GPB)=	Group B inspection yield. Actual IBM Burlington Group B inspection yield at die level.	[*]
Yield (BA) =	BA yield. Actual IBM Bromont identified BA yield at module level. IBM will define Base Yield (BA) after AMD chooses BA design point. IBM's current projection is [*]	[*]
Yield (MT) =	Module Test BA Yield. The yield loss, of type 1 below, identified at AMD and being caused by BA, in excess of x%. The value for x will be defined by IBM after AMD chooses a BA design point. This yield loss will be limited to opens or shorts in the C4 interconnections.	[*]
GCPW =	Good chips per wafer. The average number of good die per AMD Wafer identified at Wafer Test, as determined by AMD.	[*]

</TABLE>

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Where practical IBM will classify defect types that cause Actual Yield loss in three types: 1) caused by the Foundry Service process at IBM, 2) caused by or attributable to the AMD Wafer manufacturing process, and 3) cause could be either 1) or 2) above.

D5. BILLING CALCULATION:

IBM will invoice AMD for Foundry Services when Product is shipped FOB from IBM's designated dock to AMD. The billing calculation of shipped Product will be calculated using Base Yields, as follows:

For each Foundry Service performed on a unit of Product, the applicable price [*]. The [*] shall be the price charged to AMD for each unit of Product.

For example, AMD will be billed the following Foundry Service prices at shipment:

(a) Assuming that IBM performed only Bumping Foundry Services, the price charged for each unit of Product would be as follows:

[*] or
[*]

(b) Assuming that IBM performed Bumping and Wafer Test Foundry Services using the AMD TEST SYSTEM, the price charged for each unit of Product would be as follows:

[*] or
[*]

(c) For Product shipped to AMD in module form for which IBM performed Bumping, Dice/Sort/Pick, Wafer Test and BA, the price for each unit of Product would be as follows:

[*]

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Should AMD cancel or postpone Foundry Service activity on wafers, or die in process at IBM, IBM will return the incompletely processed wafers or die to AMD and bill AMD for the Foundry Service performed prior to the cancellation or postponement during the next billing cycle.

Notwithstanding the foregoing, IBM reserves the right to submit a monthly adjustment, billing or credit for future Foundry Services, to reflect differences in excess of [*] between Base Yields and Actual Yields, including GCPW, achieved on Products. Additional charges to AMD hereunder will only occur

when Actual Yield detractors are attributed to Type 2 and Type 3 causes, as described in Section D4.

AMD may request credit for BA Foundry Service on future Foundry Services provided by IBM when the Yield (MT), averaged over a calendar quarter exceeds the loss allowed in Yield (MT) by [*].

D6. TERMS AMD CONDITIONS:

(1.) AMD will provide IBM with a monthly forecast, hereinafter referred to as the Updated Forecast, on a monthly basis, for the Foundry Services Period. If AMD's forecasted volumes exceed IBM's capability's stated in the Volumes Table #1, Section D2, IBM will offer AMD additional Foundry Services, to the extent available.

(2) Should IBM, at its sole discretion, choose to increase its Foundry Services capability in response to AMD's Updated Forecast in excess of Table #1 and Table #2 volumes, IBM will identify to AMD, capital investments and additional expenses required to fulfill the Updated Forecast. Should AMD choose to accept IBM's offer of additional Foundry Services, AMD will pay for all capital investments and additional expenses as identified by IBM.

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(3.) AMD agrees that the forecasts in Volume Table #1 and Volume Table #2, Section D2, represent AMD's intent to purchase from IBM and agrees to purchase the volumes set forth in such forecasts [*] except for AMD line start-up volumes, which is limited to [*] wafers per month.

(4.) AMD shall purchase Foundry Services hereunder pursuant to quarterly purchase orders. Purchase orders and other correspondences sent to IBM by AMD regarding these Foundry Services shall be directed to OEM MARKETING, at the following address, unless AMD is notified in writing of another address by OEM MARKETING:

IBM Microelectronics Division
Route 52, Zip 92E
Hopewell Junction, New York 12533
Attention: Mr. John Dux

Acknowledgments and other correspondences sent to AMD by IBM shall be directed to:

ADVANCED MICRO DEVICES
915 DeGuigne
Sunnyvale, California 94088
Attention: Mr. Ray Lain

(5.) Purchase orders issued to IBM shall include the following:

- 0 AMD Name
- 0 purchase order or purchase order alteration number
- 0 Product part number and engineering change (EC) level, where appropriate
- 0 specific Foundry Service ordered, and quantity of said Foundry Service
- 0 Foundry Service unit price
- 0 Product destination (address and contact name/phone number)

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- 0 invoicing address
- 0 requested shipment date, and
- 0 reference to this Agreement.

(6.) AMD will submit purchase orders for Foundry Service to IBM [*] prior to the beginning of the quarter in which Foundry Services are to be provided.

(7.) The terms of this Agreement shall govern in case of a conflict with, and shall supersede any additional or differing terms and conditions of a purchase order.

(8.) For the initial order for each Product part number, AMD will buy [*] from IBM or supply such [*] to IBM as required by IBM. IBM will supply all additional [*], all [*] cleaning and materials required to complete Foundry Services for that specific Product part number during the Foundry Services Period. Engineering changes (EC's) that require alteration of the [*] will be considered a new Product part number.

(9.) AMD will ship AMD Wafers to IBM with open C4 passivation in AMD shipping containers. Following the completion of wafer level Foundry Services, IBM will repackage the AMD Wafers in their original shipping containers for return shipment to AMD. All such shipping containers shipped to AMD will have documentation referencing AMD's purchase order number on the outside of the shipping container. The cost of shipping AMD Wafers to or from IBM will be paid by AMD.

(10.) IBM will provide AMD with specifications for module assembly shipping trays that are compatible with current IBM tooling. AMD will purchase and supply to IBM sufficient quantities of such shipping trays to meet AMD's requirements for Foundry Services. IBM will ship finished Product modules to AMD in such trays. AMD may recycle such trays to IBM, at AMD's expense, for use in future shipments.

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(11.) IBM will invoice AMD on or after the date of Product shipment to AMD. Such invoices will include reference to AMD's purchase order. Payment by AMD will be due within 30 days from date of invoice. IBM shall apply a late payment charge of 1.5% per month to any outstanding balance. Payment should be made as directed on the invoice.

(12.) IBM will perform the requested Foundry Services at its Burlington, Vermont and Bromont, Canada facilities, or any other location that IBM selects. IBM shall notify AMD of the location to which to ship AMD Wafers at least seven (7) days prior to said shipment.

(13.) IBM will deliver Product to AMD's carrier FOB IBM's designated dock in Burlington, Vermont or other location that IBM selects. Title to, and risk of loss for each unit of Product shall pass at delivery to AMD's carrier. In no event shall IBM be deemed to assume any liability in connection with any shipment nor shall the carrier be construed as an agent of IBM.

(14.) IBM shall not be obligated to perform Foundry Services that deviate from the IBM C4 engineering process specifications and test facility specifications in place at IBM during the time that the Foundry Services are performed. All bumped AMD Wafers will be inspected according to IBM's outgoing quality monitoring specification in effect at the time of shipment.

(15.) IBM shall own masks made by IBM hereunder. AMD shall own the design data, masks made or purchased by AMD and AMD Wafers which it sends to IBM for Bumping.

(16.) While the AMD Wafers are in IBM's possession, AMD agrees to indemnify and save IBM harmless from all liability, damages, and expense for injuries (including death) to persons or damage or loss of property arising out of IBM's possession or processing of the AMD Wafers except as caused by IBM's negligence.

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(17.) IBM warrants all Foundry Services provided hereunder to be free from defects in materials and workmanship for a period of [*] from the date of shipment of Product resulting from such defective Foundry Services.

THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

IBM's sole liability, and AMD's sole remedy for breach of warranty shall be limited as stated in this Section 17. If AMD claims that any Foundry Services fail to conform to the forgoing warranty, AMD shall:

Promptly notify IBM in writing of the basis for such claim, and follow IBM instructions for the return of the Products claimed to be affected by the breach of warranty. If IBM determines such Products are defective beyond the defect rate assumed by the Base Yield (BA), IBM will, at IBM's option, repair the Product damaged by the defective

Foundry Service, or issue credit to AMD for future Foundry Services based on the price of the Product so damaged, to the extent the number of such damaged Product exceeds the yield loss allowed by Base Yield (BA).

(18.) IBM's maximum liability for any claim or cause of action relating to the Foundry Services provided under this Agreement shall not exceed [*] to the warranty set forth herein. In no event shall either party be entitled to incidental, consequential or punitive damages, including lost profit based on any breach or default of the other party arising out of the providing of Foundry Services hereunder.

(19.) IBM makes no warranty or representation regarding the infringement of the intellectual property rights of third parties.

(20.) No license, immunity or other right is granted herein to AMD, whether directly or by implication, estoppel or otherwise, with respect to any patent, trademark, copyright, mask work, trade

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secret or other intellectual property right of IBM, except as expressly stated in this Agreement.

(21). Should AMD desire to order Wafer Test Foundry Services hereunder, AMD will so inform IBM in writing ninety (90) days prior to the requested date for the start of Wafer Test production. AMD will deliver the AMD TEST SYSTEM to IBM no later than forty-five (45) days prior to the requested date for start of Wafer Test production. AMD shall be liable for the minimum monthly charge identified in Section D3 commencing upon the earlier of forty-five (45) days after delivery to IBM of the AMD TEST SYSTEM or the start of Wafer Test production on the AMD TEST SYSTEM. Also, AMD will consign to IBM one [*] tester (referred to herein and throughout this Appendix D as AMD TESTER), one [*] and all custom hardware and software required for IBM to perform Wafer Test on AMD Wafers (Collectively referred to herein and throughout this Appendix D as AMD TEST SYSTEM). IBM will install the AMD TEST SYSTEM and AMD will reimburse IBM for the installation costs. Once installed, IBM will provide operational maintenance and production support for the AMD TEST SYSTEM equivalent to that provided for IBM's existing tester base. To the extent the AMD TEST SYSTEM components are not common with IBM's current tool set, AMD and IBM will require mutual agreement on how to proceed. AMD will reimburse IBM for third party repair service as required to maintain the AMD TEST SYSTEM. The foregoing constitutes IBM's entire obligation with respect to operational maintenance and production support for the AMD TEST SYSTEM. IBM agrees to accept one additional AMD TEST SYSTEM under the same provisions as IBM accepted the initial AMD TEST SYSTEM.

(22) AMD grants permission to IBM to use the AMD TEST SYSTEM for Wafer Test of non-AMD product provided that there are no AMD Wafers available for Wafer Test. IBM agrees to provide operational support for the AMD TEST SYSTEM consistent with the operation of the IBM test center. Should the AMD TEST SYSTEM be unavailable due to system maintenance or repair, IBM agrees to use its own Wafer Test equipment, if available, for short term backup capacity. This

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Section 22 is IBM's entire obligation with respect to operational support for the AMD TEST SYSTEM.

(23) AMD will provide IBM with limit flags' for some test bins. Depending upon action criteria provided by AMD, for AMD Wafers and AMD Wafer lots which exceed limit flags, IBM will remove AMD Wafers or AMD Wafer lots from the production line and return them to AMD as: 1) scrap wafers to be returned in high density pancake jars or 2) evaluation wafers to be returned in their original shipping containers. IBM will use AMD provided shipping materials and instructions for such returns. Such returned AMD Wafers shall be billed to AMD in accordance with Section D.5.

(24) IBM will preserve AMD Wafer lot identity through all Foundry Services steps, traceable to the original AMD Wafer lot.

(25) IBM will provide AMD with a weekly production snapshot report consisting of the following information: WIP, cycle time, starts, ships and yield of

Product in each form of the Foundry Service. During the quarterly OSC meetings IBM and AMD will review and discuss operational logistics issues , volume forecast, cycle time forecast and the purchase order for the next quarter.

- (26) As part of the technical assistance provided under Section 5 of the Agreement and as limited thereunder, IBM agrees to provide technical assistance to AMD to address AMD's yield and reliability problems which may arise, and a) are related to the Foundry Service, or its MATERIALS, or b) which arise through interaction of the Foundry Service process or MATERIALS with AMD Wafers.
- (27) IBM will return AMD Wafer carcasses which contain the die not picked as part of the Foundry Services, to AMD on a weekly basis unless otherwise agreed. Scrap modules resulting from performance of BA Foundry Services will be returned in a similar manner. All such returns shall be at AMD's expense.

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- (28) AMD may make one request to IBM for the extension of the Foundry Service Period for Bumping Foundry Services only. Such request must be made in writing no later than [*]. Notwithstanding the foregoing, IBM has no obligation to extend the Foundry Service Period as it is currently stated in this Appendix D.
- (29) Following the conclusion of the Foundry Service Period, IBM will remove and return to AMD, at AMD expense, the AMD TEST SYSTEM and all other AMD owned tooling provided to IBM during the Foundry Service period pursuant to Appendix D.
- (30) AMD agrees that during the Foundry Services Period, only IBM approved CHIP CARRIERS will be used for BA Foundry Services performed by IBM. AMD may purchase IBM manufactured CHIP CARRIERS as provided for in Appendix C. AMD will provide such CHIP CARRIERS to IBM Burlington in volumes and on a schedule consistent with BA Foundry Service requirements.

AMD/IBM CONFIDENTIAL

June 11, 1996

*CONFIDENTIAL TREATMENT IS REQUESTED FOR THE MARKED LANGUAGE

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